

Lithuanian Capital Market
Development Project
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MEMORANDUM

To: Aldas Kriaučiūnas

Company: USAID - Vilnius, Lithuania

From: Dow Heard
Chief of Party, The Pragma Corporation

Phone: 72 49 42

Re: Status Report for the Month of January, 1998
Lithuania Capital Markets Development
Project CONTRACT EPE-I-00-95-00040-00, Task Order 05

C/C: Beverly Loew (USAID - Washington, D.C.)
Kevin O'Hara (Pragma - Virginia)
The Pragma Corporation - Vilnius Office File (Diana Sokolova)

Project Description

The Pragma Corporation ("Pragma") is implementing the Lithuanian Capital Markets Development Project ("Project") funded by the United States Agency for International Development ("USAID"). The Project is to provide legal and regulatory development assistance to the Lithuanian Securities Commission ("Commission") and organizational development to the National Stock Exchange of Lithuania ("NSEL"), the Central Securities Depository and the National Association of Finance Brokers of Lithuania ("Association"). In addition, the Project is providing assistance in the procurement of software and operations capabilities to support an order-driven, continuous trading stock exchange.

Professional Staffing

During January, 1998, Dow Heard, Chief of Party, provided expert legal assistance to the counterparties. In addition, Bill Gorman continued to perform a short term assignment to draft the Request for Proposal (RFP) for the acquisition of the software for the Exchange Trading System. Mr. Gorman arrived on December 18, 1997 and departed on January 13, 1998. Ms. Vita Markevičiūtė also departed the Pragma Team in January.

Areas of Concentration

During January 1998, the primary focus of the team was to prepare the RFP for the acquisition of the Exchange's automated trading system. Mr. Heard and Mr. Gorman had meetings with all counterparties and their staff. Drafts of the RFP were presented to broker-dealers and to executives of the NSEL and was revised using their input. The completed RFP was finalized by Mr. Gorman and forwarded to USAID and the Pragma home office. (Attachment "A").

A time line for procurement and training on the automated trading system was produced. See Attachment "B".

During January Mr. Heard and Mr. Žilvinas Zinkevičius reviewed and commented upon the proposed tender offer rule. Mr. Heard's comments are set forth in Attachment "C".

The European Union rules on Investment Companies were reviewed and amendments were proposed to the Law on Public Trading in Securities. (See Attachment "G"). In addition, Mr. Zinkevičius worked on changes to the Company Law. Draft rules on Placement of Clients' Orders and rules on Securities Accounts Managing were reviewed and discussed. In conjunction with the National Association of Finance Brokers, a draft contract was prepared for distribution of securities accountancy software. See Attachment "K".

Mr. Heard met with the Capital Markets Development Committee on January 22, 1998. The Committee is made up of the heads of the LSC, NSEL, the Depository and the Brokers' Association and is chaired by Mr. Alvydas Žabolis, Chairman of the Board of Vilfima, one of the main market participants. Discussions were held to review laws and to make suggestions on the guidance and performance of the capital markets. See Attachment "D".

Gediminas Rečiūnas began working on amendments to the Rule on Licensing of Investment Companies' Management Enterprises. Mr. Rečiūnas also began work on Rules on Portfolio Management (Discretionary Account) Agreement for Investment Management and Consulting Firms as well as rules for brokerage firms. See Attachment "E".

Prof. Arvydas Paškevičius worked on explanatory notes dealing with the procedure for preparation of Financial Statements of Investment Holding Companies. Prof. Paškevičius began a study of Lithuanian Tax Laws in order to recommend changes to aid the companies, the capital markets and, in particular, the investment companies.

Skirmantas Rimkus worked on financial accounting principles to be used by brokerage firms. In particular, he focused on securities lending transactions and secured borrowings. See Attachment "F". Also, he worked on the notes to financial reporting statements for financial brokerage firms. Mr. Rimkus worked with the LSC staff concerning the Capital Adequacy Rule for Brokers.

Ms. Jurga Dermontaitė began research on the comparison of European Union and Lithuanian requirements for prospectus disclosure on equity and debt issues. She continued her research work on Lithuanian companies and the publishing of reports on the internet site founded for the Lithuanian Capital Market.

Major Achievements

The Request for Proposals on the software for the order-driven, continuous trading system for the stock exchange was completed and delivered to USAID for review (See Attachment "A"). This is a major milestone for Pragma in assisting the National Stock Exchange of Lithuania to achieve a significant improvement in its trading systems and in the capital markets of Lithuania.

Workshops/Seminars

During late December and early January, Mr. Bill Gorman gave presentations to broker-dealer members of the National Association of Financial Brokers of Lithuania and to the staff of the National Exchange of Lithuania. Seven institutions were represented by approximately 18 participants. The topic of the presentations was the current status of the parameters of the trading system. (See Attachments "H" and "I"). As a result of these discussions and pursuant to completing the acquisition of a new trading system, Mr. Gorman set forth his assumptions and important issues to be addressed in a memorandum dated January 4, 1998. (See Attachment "J").

Update of Previous Report

In Progress: Draft Rule on on Securities Portfolio Management Agreement (On Discretionary Accounts) for Investment Management and Consulting Firms.

In Progress: Rule on Tender Offer

In Progress: Accounting and Financial Statements

In Progress: Amendments to Law on Public Trading in Securities

Plans for Next Month

In addition to the issues stated above which are in progress, the scheduling of ex pat labor and duties, meeting with World Learning to schedule training, and meeting with representatives of the World Bank to discuss issues related to the capital markets.

Anticipated Issues:

Anticipated issues for the month of February, 1998 will be the review of the Project's Budget and the allocation of time for ex pat labor between the major counterparties. Also, the resolution of any redefinitions of the budgetary amounts.

ATTACHMENTS:

- A: RFP for software procurement to support order-driven, continuous trading stock exchange.
- B: Time line for procurement and training on automated trading system.
- C: Tender Offer Rule Comments - Memorandum, dated 15 January 1998.
- D: Notes on Meeting of Capital Markets Development Committee, - 22 January 1998
- E: Draft Rule on Securities Portfolio Management Agreement (on Discretionary Accounts) for Investment Management and Consulting Firms
- F: Memorandum on Securities Lending Transactions.
- G: Amendments to the Law on Public Trading in Securities - dated 14 January 1998.
- H: Questions on Proposed Automated Trading System - 17 December 1998.
- I: Presentation on Trading System Requirements - made in December and January, 1998.
- J: Memorandum on Trading System assumptions and comments - dated 4 January 1998.
- K: Draft Contract for the National Association of Finance Brokers to distribute securities accountancy software.

**The Pragma Corporation**

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January 22, 1998

Mr. Bernie Mazer
M/IRM/CIS
Agency for International Development

Dear Mr. Mazur:

The PRAGMA Corporation has been entrusted with the procurement and installation of a continuous trading system for the National Stock Exchange of Lithuania, under AID Contract EPE-I-00-95-00040-00, Task Order 5.

In accordance with AID procurement rules, we are submitting the attached description of the system and the proposed procurement for IRM review.

We note that AID/Vilnius informed us that the procurement source may have to be restricted to the United States. We would appreciate your comments whether sufficient suppliers may be found in the US to respond to this requirement or that a waiver of AID's source origin requirements will be required to permit contacting non-US sources. Likewise, in order to permit procurement of the most suitable software package, we intend to seek approval of informal solicitation procedures, instead of proceeding with a formal Invitation for Bids.

Our Procurement Advisor, Mr. Bendy Viragh, will be in touch with you and will be available to discuss any procurement issues which may arise.

We look forward to ^{your} year earliest consideration of our request and approval of the proposed procurement.

Sincerely yours,

Jacques DeFay
President

THE PRAGMA CORPORATION

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TO: Beverly Loew

FROM: M. M. Fatoorechie, VP

DATE: January 15, 1998

SUBJECT: Procurement of Software Package for the National Stock Exchange of Lithuania

Outlined below are the work completed in the preparation and implementation of the procurement requirements of the NSEL and the steps to be taken to insure expeditious delivery and installation of the desired system in Vilnius.

Preparation of Background Papers and Specifications

As of this date, Bill Gorman and Bendy Viragh have completed the background papers, needs assessment, and technical specifications for the proposed procurement. The documents contain all of the required information, as outlined in the Viragh-Fatoorechie memos of October 30 and November 3, 1997. As such, together with the attached draft CBD Notice and RFP Cover Letter, these papers (to be referred to as the Gorman-Viragh Documents) will serve as our submission to AID/Washington for the requisite technical reviews and approval.

Reviews and Approvals

Prior to initiating the solicitation for offers and subsequent procurements, several mandatory approvals must be obtained from AID.

1. IRM Review and Approval

IRM (Information Resources Management Office) is, by virtue of AID regulations, required to review and approve all proposed procurements of computer hardware, software, and related equipment or commodity needs with an acquisition value of \$100,000 or above. This is a technical review, performed by qualified professionals, which looks only at the technical use and feasibility of the proposed procurement.

For the purposes of this review Pragma will submit the entire Gorman-Viragh Documents to IRM.

The IRM review and approval is a prerequisite for waiver requests, if any, for submitting the RFP for publication and advertising of the eventual purchasing in appropriate publications (in this case, the Commerce Business Daily), and for concluding the procurement of the desired system.

2. Contracting Officer Approval

As the next step, the RFP (which comprises the entire Gorman-Viragh Document, with Cover Letter) and the request for a CBD Notice must be submitted to a designated AID Contracting Officer for approval. The purpose of this review is to insure compliance with AID regulations and observance of the rules of AID's competitive solicitation requirements.

The Contracting Officer will also review and approve or obtain approval, if appropriate, for any waiver requests we may submit in connection with the procurement.

As pointed out in the referenced Viragh-Fatoorechie memos, we intend to request a waiver of AID's requirements for formal solicitation of offers (also known as Invitation for Bids, or IFB). As AID considers Lithuania a "CEE" country, this prohibits purchasing outside the US unless a source-origin waiver is granted.

Procurement Schedule

1. Submission of documents, reflecting the proposed procurement requirements, to the IRM Office of AID, for review and approval. We expect to do this not later than January 22, 1998. While the length and depth of such reviews varies, two weeks are a normal time frame for completion. Although this phase is beyond Pragma's control, we intend to follow up periodically to provide information, if needed, and expedite the review, if possible.

Upon obtaining IRM concurrence, we can proceed to modify the RFP, if needed, and prepare the documents for eventual publication and distribution to suppliers.

2. Submission of documents, reflecting the proposed procurement requirements, together with the draft CBD Notice and a finalized RFP text to the designated Contracting Officer. It is at this time that a Waiver Request would be prepared and submitted to the Contracting Officer, to permit informal solicitation of offers through an RFP. (If possible, we shall obtain IRM's concurrence to such a waiver.) Review and approval by the Contracting Officer may take anywhere from a few days to a few weeks; we intend to follow up and expedite.

3. Submission of documents for CBD publication. This is done by the Contracting Office, after approval by the designated Contracting Officer. AID is required, by its own regulations, to expedite publication and, theoretically, publication takes place within a week of submission. In reality, we must count on several weeks to make this happen.

4. The CBD Notice will appear with a bid deadline, or due date shown. The minimum requirement is a 30-day bid deadline, which would be counted from the date of publication. We may specify longer due dates, however, in order to expedite procurements, we should opt for the minimum time required.

The CBD Notice will inform prospective suppliers of the forthcoming procurement, explain how and where the bid documents or the solicitation papers (RFP) may be obtained, and whom to contact, in case of inquiries or when clarifications of bid terms are needed.

5. Evaluation of offers can take place immediately upon conclusion of the bid period. It should be undertaken by a committee composed, at a minimum, of representatives of the user (NSEL) to insure responsiveness to their needs, a representative of AID/Vilnius to confirm compliance with project objectives, and a Procurement Advisor to insure compliance with applicable AID regulations and procedures.

The Committee should attempt to select the offer providing the most responsive offer, with an acceptable (but not necessarily the lowest) price. The Committee may, if needed or desired, negotiate with the provisionally selected supplier for a better price or minor, non-material changes in specifications. The Committee may also seek clarification of any clauses in the offer

submitted.

In the event no responsive or responsible offer is received within the bid deadline, the buyer may proceed to procure the requisite system from any reasonable source or supplier, subject to AID's source and origin rules. This process should not exceed 5 working days.

6. Award is made by the buyer, upon recommendation and concurrence of the Committee. As implementing agent, Pragma would be required to inform the selected supplier of the award and notify other offerors of their rejection.

7. Implementation will begin with the award notification. At this time, Pragma will prepare a contract, which will be entered into by the buyer and seller. At the same time, Pragma's Controller will initiate the paperwork necessary for payment.

The contract should specify the responsibilities of the two parties, as well as the agreed upon completion date. Normally, implementation, that is the first steps in the delivery process, begins within 30 days after contract award or contract execution.

Attachments:

- Gorman-Viragh Documents
- Draft RFP Cover Letter
- Draft CBD Notice

RFP Draft Cover Letter

Issue Date: to be determined

Due Date: to be determined

TITLE: Request for Proposals for the Procurement of a Software Package for the National Stock Exchange of Lithuania (NSEL), AID Contract No. EPE-I-00-00040-00, Task Order 5

Authorized Geographic Source: US and Free World

This Request for Proposals (RFP) invites qualified suppliers to offer a software package designed to modify, upgrade and/or replace the existing trading system of the NSEL. The proposed system should be capable of meeting the needs of the NSEL, as outlined in the attached "Overall Systems Requirement", taking into account the present resources and capabilities of the NSEL.

Suppliers are encouraged to effect maximum cost savings by using, to the extent possible, the existing system, existing hardware, and existing personnel availabilities. Preference will be given to suppliers, who, in addition to offering a fully integrated functional trading system, can maximize the use of existing facilities.

Suppliers will be encouraged to provide basic, detailed descriptions of hardware needs, if different from the existing NSEL hardware, and to indicate how the software package offered will utilize the proposed hardware setup. Suppliers will not be asked to offer bids or quotations for hardware requirements, if any, but are encouraged to provide guidance to the NSEL regarding procurement opportunities for such hardware. Suppliers will not be penalized for failure to give information or description of the proposed or usable hardware requirements.

Suppliers will be required to describe and propose training to be provided in the use and maintenance of the trading system and to furnish a detailed outline of maintenance requirements and maintenance support offered. Costs of training and maintenance support are to be identified separate from the costs associated with the supply and installation of the trading system.

The selected supplier will be required to install, debug and put into operation the trading system, as contracted, within 60 days of the date of the contract award.

Evaluation of offers received from qualified suppliers will be on the basis of responsiveness to RFP terms and specifications, as well as, the costs of the system offered.

CBD Draft Notice

Issue Date: to be determined

Due Date: to be determined

Procurement Contact Point: Bendy Viragh, Procurement Director.

The Pragma Corporation, 703-759-3146

TITLE: Procurement of Software Package for the National Stock

Exchange of Lithuania, AID Contract No. EPE-I-00-95-00040-00,

Task Order 5

The Pragma Corporation, acting on behalf of AID/Vilnius and the National Stock Exchange of Lithuania (NSEL), is soliciting offers for the installation of a continuous trading system in Vilnius, Lithuania, which will augment, upgrade, or replace the existing system, in order to satisfy the demand for a growing market. The selected supplier will be expected to deliver and install the requisite software package for an order-driven, continuous trading system, identify appropriate hardware needs, debug and render fully operational the selected system, furnish on-site maintenance for a designated period of time, and provide training to local professionals in the operation and maintenance of the system.

Copies of the Request for Proposals (RFP) for this procurement are available to interested suppliers as of the date of this publication. Suppliers may obtain a copy of the RFP by sending a written request to the Contact Point above, together with a bid preparation and handling fee of \$20, in favor of The Pragma Corporation. Telephone and fax requests will not be honored.

National Stock Exchange of Lithuania (NSEL)

Automated Trading System Functional Requirements

1. INTRODUCTION AND SUMMARY.

A. Project Overview

International investors have considerable scope in deciding where to invest. They favor markets that provide a superior level of service and efficiency of execution and settlement. To meet these requirements, the National Stock Exchange of Lithuania (NSEL), with assistance from USAID, is seeking to acquire an automated trading system. This document defines the Functional Requirements of a software package for automated trading to be acquired for the NSEL under USAID auspices and competitive bidding procedures.

B. Background - Description of In-Country Institution

The National Stock Exchange of Lithuania ("NSEL") is a capital markets institution established in September 1992. The founding shareholders meeting took place in April 1993, when the Exchange Council of 15 members was elected. A total of 246 shares in the authorized capital of the NSEL is outstanding. Although the Ministry of Finance owns 110 shares, the remainder is owned by Brokerage firms, banks, companies and individuals. Subsequently, the adoption of the Securities Law states that only brokerage companies may become shareholders in the future.

The first trading session of the NSEL took place on September 14, 1993. Nineteen issuers listed 22 securities and 19 brokerage houses were registered. The system adopted was implemented in cooperation with the SBF-Bourse de Paris and SICOVAM, the French depository. The trading model was suggested by the Paris Stock Exchange and implemented at that time. Subsequent experience indicated that the NSEL should follow recommendations by USAID to modify the existing trading system. Liquidity has increased and the market has become less volatile as a result.

During 1996 the Current Trading List of securities increased by 27% compared to 1995. Market capitalization grew by almost 600% in 1996. The significant growth of the NSEL WAS DUE TO A NUMBER OF REASON. Firstly, the admission of the largest Lithuanian companies to the NSEL. Secondly, the overall rise in the market prices of the securities. Lastly, the increase of authorized capital by issuing new securities. The Current Trading List of the NSEL during

1997 contained 515 issues of 460 issuers. Trading volume during 1997 increased by 300%.

Due to the increased volume on the NSEL its old trading system has reached its limit of expandability. The need for implementing an order-driven, continuous trading system is apparent to all capital market participants.

C. System Synopsis

The system should provide the following features:

- *Screen-Based Trading:* Automated Order-Driven and manual trading is required. The system should support multiple instrument types (e.g. Equities, Debt, etc.).
- *Market Data Dissemination:* The system must disseminate market data to data vendors (e.g. Reuters, Telerate, Bloomberg, etc.), news services, NSEL members and other interested parties. The system should support reporting of over-the-counter trades, as well as dissemination of this data to all interested parties.
- *Electronic Surveillance:* Automated market surveillance is required. It should provide alerts of unusual activity and should have the ability to reconstruct the market as it existed at any point in time.
- *Member Services:* The system should provide basic support services to NSEL's trading members. It should capture and make available at member workstations best bids and offers, limit order book summaries and other market data. It should provide statistics including open, close, high and low prices.
- *Exchange Support:* The system should provide the Management Information and other tools the Exchange needs to function. This should include support for Listings, Membership, Archiving, etc.

D. Business Objectives

NSEL's goal is to establish itself as a "World-Class" market. NSEL seeks to:

- Establish a reputation domestically and internationally as fair, liquid and efficient.
- Instill public and investor confidence in the Exchange and its procedures.
- Strengthen international competitiveness.
- Accommodate high trading volumes.

E. Technology Objectives

NSEL recognizes efficient automation to be essential to meeting its goals. Its Information Technology goals are to:

- Accommodate the growing volume (and anticipated additional growth) of trading in an affordable manner without straining staff or market operations.
- Reduce the labor-intensive nature of trading.
- Provide NSEL members an efficient, inexpensive means of trading and settlement.

- Enable the Exchange to be self-supporting and cost-effective irrespective of transaction volumes.
- Integrate trading, settlement and member operations into a smooth seamless chain with minimal manual steps between processes.
- Develop a skilled staff able to maintain and enhance NSEL's automated systems.

F. Capacity Plans and Projections

Trading on the NSEL has grown more than 300% during 1997, and growth continues. It is difficult to estimate the activity levels that the system will encounter in its first year or two of operation. The following numbers therefore represent the minimum transaction levels that the system must be capable of handling at the start of operations.

| | |
|-----------------------------------------------|--------|
| ➤ Listed main board companies | 50 |
| ➤ Second-tier market companies | 200 |
| ➤ Free market companies | 1500 |
| ➤ Corporate debt issues | 100 |
| ➤ Government debt issues (national and local) | 50 |
| ➤ Financial Brokerage Firms (FBF) | 60 |
| ➤ Daily trades | 2,500 |
| ➤ Daily orders | 10,000 |
| ➤ Daily Settlement transactions | 5,000 |
| ➤ Daily trades on the corporate debt market | 500 |
| ➤ Daily trades on the government debt market | 500 |
| ➤ Blocks, crosses and negotiated trades | 500 |

2. SCREEN-BASED TRADING SYSTEM

A. Introduction

NSEL currently operates a computerized price-fixing (e.g. a variety of "Call" market). The Exchange (and USAID) is seeking bids for an automated order-driven trading system to manage NSEL trading. Only an existing and proven system is acceptable.

The selected vendor will install an automated trading system at the exchange in Vilnius, and adapt the system to the Lithuanian market context. Necessary modifications shall include those changes to the system that are required in order for the system to work in the Lithuanian market context. The new system will employ the existing Local Area Network (LAN), Wide Area Network (WAN) and broker workstations to the extent possible. The system should be thoroughly tested and debugged before going live. The key functions the new system is to perform are:

- Provide market participants the information needed for trading.

- Accept orders from broker workstations and/or systems.
- Validate the orders.
- Execute orders when buy and sell orders match.
- Store orders in an electronic file in time within price sequence.
- Report executed orders to trading counterparties.
- Report locked-in trades to settlement.

Order-driven continuous trading will be the primary mode of operation. A hybrid system that supports both order-driven and quote-driven trading (for certain securities or market tiers) is being sought.

There are two categories of NSEL members (hereinafter referred to as Financial Brokerage Firms or FBF). Category A FBFs have the right to act as both broker and dealer. Category B FBFs are prohibited from trading on their own account. Both A and B category FBFs are permitted to invest their own funds in securities. This restriction may be relaxed in the future (on an upper tier of highly liquid securities). The system should therefore be able to accommodate dealers.

B. Instruments

The system must support the trading of stocks, bonds, debentures and other debt instruments. Options and futures instruments may be added in the future. While not a firm requirement, preference will be given to those systems that support derivatives. Moreover, the chosen system must be readily modifiable to support those instruments. Two types of securities are listed on the Official and Current Trading Lists of the NSEL; shares and Treasury Bills (T-bills). Different procedures are used in trading these securities.

All NSEL listed securities are eligible for automated trading and settlement. Any security listed on the Exchange should be tradeable from any authorized workstation. Currently government securities are traded via an electronic "Bulletin Board". The system should provide a methodology for the trading of these securities.

C. Order Books

Three categories of trading must be supported: Regular, Odd-lot and Blocks. These shall be organized as different Order Books each with its own set of trading procedures and rules. The difference between these order books is in the size of the orders (i.e. number of shares per order) in the books. The concept of market lot shall provide the distinction between these books. For example, a market lot might be set at 100 shares and a block at 10,000. Due to variations in share float and share value, the size of a market lot and the size of a block must be settable parameters. In addition, the NSEL seeks some mechanism (for example, a Bulletin Board) for the trading of less liquid securities.

1. Public Order Book

The Public Order Book will hold open orders and quotes from all members. Its Book display will consolidate orders by security, limit price, and side of the market (I.e. whether it is a Buy or Sell order).

NSEL has an Official List and a Current Trading list that is divided into two parts called Group A securities and Group B securities. In addition, the Exchange handles the reporting of trades in over-the-counter (OTC) securities.

2. *Block Order Book*

Institutional Investors as opposed to retail investors generally trade large Parcels or Blocks. In Lithuania, a block of securities is defined in the law on Public Trading of Securities that "a block of securities means 1/10 or a greater portion of the issuer's of the same class". Blocks of securities may be traded off-exchange only in certain cases as defined in the law. Brokers must report their off-exchange trades immediately after execution. This would be done through the member workstation.

For reasons of trading and surveillance efficiency, the exchange may define a trading block at any size. Block size should therefore be a settable parameter (by volume and by value).

Blocks are often traded away from the market (i.e. at a different price). The amount by which a block's execution price may vary from the last sale or current bid and offer shall be strictly limited by the Exchange. The amount of this variation shall be a settable parameter. The Exchange may decide to require brokers to clear the Public Order Book of all orders at better prices before executing a trade away from the market.

The Block Order Book shall make provision for both Crossing and Bulletin Board trading.

Confirming Negotiated and Crossed Trades: Negotiated trades are trades negotiated between the buyer and seller. Crossed trades are trades in which the same broker represents both the buyer and the seller. Both trade types are reported through the system manually. The system should support both single-sided and two-sided input. In single-sided input, the system would accept a trade report from one party. It would report the transaction to the other party to the trade. That counterpart would be required to affirm or deny the trade. In two-sided input, both buyer and seller report the trade and the system matches the trade reports and confirms or rejects the transaction.

Large Parcel Bulletin Board: A mechanism for negotiating large blocks shall be provided. A Bulletin Board service should be provided for advertising large parcels available for trading or to indicate an interest in trading in size.

Undisclosed Order Quantity: An undisclosed order quantity feature is required. Sellers and buyers in quantity generally do not want to expose their intentions lest that knowledge affect the market price. The system should therefore enable submission of orders with only a partial quantity shown in the public order book with the balance of the order held as undisclosed. The disclosed portion would be stored in the file in time within price sequence. The undisclosed amounts would "drip-fed" to the public order book whenever the disclosed quantity was executed. Undisclosed orders would be behind all open (disclosed) orders at the same price. The priority of newly disclosed orders would be based on the date and time of the disclosure.

3. *Odd-Lot Order Book*

The Odd-lot Board shall cater to the trading of parcels of shares that are smaller than 1 Board Lot (usually 100 shares). Board lot shall be a settable parameter on both a book and individual security basis. Odd-lot trades can execute at prices that are a modest percentage away from the

market. The amount of this variation shall be a settable parameter.

4. Member Order Book

The Member Order Book will contain orders that a member holds but has not yet released to the market. The system shall enable easy and immediate release of an order or group of orders from the Member book to any of the other books.

D. Market Segments

The system will operate several hours per day 5 days per week. The market will be broken into multiple segments. Market days and the time of day each segment operates shall be settable parameters. The segments are:

- **Pre-Opening:** traders enter orders for participation in the opening and/or inclusion in the book. No trading takes place. At a specified time before the opening, the system will calculate the anticipated opening price, the number of shares that would execute at that price and the buy or sell imbalance. It will then disseminate an order imbalance message to show potential investors the state of the market pre-opening.
- **Opening:** The Opening is a pure, single-price auction. All buy and all sell orders are compared. Orders are executed at the Equilibrium price (the price at which the largest number of shares would trade). If more than one price meets this criterion, the price closest to the previous closing price will be used. If more than one price meets this second criterion, the higher price shall prevail. Limit orders will have priority over market orders at the same price. Market orders should be protected against absence of a reasonable bid or offer. If a market order is submitted and no corresponding order exists on the contra side or if the resulting price exceeds a pre-specified amount from the previous closing price, the market order will be rejected back to its originator as unexecutable.
- **Continuous Trading:** Participants enter orders for immediate execution or for inclusion in the book. Automatic matching and execution takes place based on best price /first-in, first out trading rules. The system captures details of trades executed and reports them via Contract Notes (trade confirmations) and other reports.
- **Closing:** Immediately after the close, the closing prices for all securities will be calculated and disseminated to market participants. To prevent price manipulation at the close, an average of the last several trades or an average of the last half hour of trading will be used. Market on Close orders are to be executed at this time.
- **Post Closing:** Day orders and other orders whose term has expired are cancelled and returned to their originators.
- **Primary Issuance:** While not a requirement of the automated trading system, the Exchange seeks an ability to allocate Initial Public Offerings (IPO) among potential subscribers.

E. Trading Environment

The system will function without a trading floor. NSEL seeks to automate as much of the trading process as practical while retaining the human element of trade negotiation. The system must

include facilities for member use in the event of a failure of their computer or communications systems. This will consist of a small number of standby workstations which can be set-up by the Exchange for use by any member.

F. Automated Trading

1. Order Entry

All order entry will be on-line. Exchange members will enter, change, and cancel orders through workstations on the floor or in their offices. Only authorized traders at authorized workstations will be permitted to enter orders. Each authorized trader must be identified when signing on to the workstation. The trader's identification number or code shall be included with every transaction submitted to the system. Customer identification must be supplied with each client order. Only authorized staff members of NSEL and the Securities Commission may see this field.

Sell and buy orders must include:

- A) Name of the security and/or its code (the system must have the ability to convert the securities name to its ISIN (International Securities Identifier Number))
- B) Amount of the securities
- C) Price expressed in Lithuanian currency, e.g. Litas (at Market orders are accepted)
- D) Type of trade (buy /sell /exchange, etc.)
- E) Name of the buying (selling) FBF
- F) Identification of the broker entering the order
- G) Customer identification code of the buying (selling) client.
- H) 2 digit code identifying the investor's country of residence or incorporation
- I) 2 digit code for Investor type (e.g. FBFs, pension fund, natural persons, etc.)
- J) Agent or Principal designation
- K) Settlement designation (if settled outside the normal pattern).

Three levels of **trade authorization** shall be provided. These are trader, supervisor and trading manager. The size of order and order type permitted each level will be a settable parameter (at the member workstation level).

Orders must be time-stamped at each major stage in their processing (e.g. upon acceptance, at execution or cancellation). Every order must be assigned a unique transaction number. Each order entered and validated will be matched against orders in the book. If a match is found the order will be executed. If no match is found, the order will be placed in the order book.

The system must be capable of identifying the underlying customer, the customer type and country of residence or incorporation.

2. Order Types

Both **Market Orders** and **Limit Orders** will be supported. Market orders provide investors with

immediacy of execution. Immediacy in size is costly however for less-liquid securities. Careful submission of limit orders is an excellent way to ensure an investor's orders meet incoming opportunities.

Day or GTC Orders: The Limit Orders submitted may be Day or GTC. A Day order expires, if unexecuted, at the end of the trading day. A Good Till Cancelled (GTC) order has an extended lifetime. This is to provide a balance between the need to attract orders to the book and the problem of untended limit orders becoming stale or forgotten by their originators. The permitted time period for GTC orders should be a settable system parameter. It would be desirable to have a Good-till-settable parameter (e.g. Good-for-10 sessions or Good-till-November10, etc.) order type as well.

Other Order Types: The system should support Immediate Or Cancel (IOC), Fill Or Kill (FOK), All or None (AON), Cancel on Partial, Stop and Opening Only orders. IOC is an order to buy or sell, wholly or in part, as soon as bidding starts. The part of the order that is not executed is cancelled. This is used as a trading technique for handling large orders. FOK is an order to buy or sell a particular security immediately. If the order is not executed at once, it should be treated as cancelled. AON orders must be executed in their entirety. An Opening Only order is an order that is included in the opening. Any part of the order that is not executed is cancelled.

3. *Order Deletion and Correction*

The system must enable the easy deletion of orders that have not yet been executed. It should also enable the correction /modification of unexecuted orders. Modified orders take their place in the queue base at the time of order modification.

4. *Order Validation*

Transaction Edit Checks: All orders should undergo the usual data validation checks and reasonableness checks. Client ID may be provided with an order. The system should assign each order (whether accepted or rejected) its own unique transaction number.

Price Disparity: If a Market Order on the electronic book is more than a certain percentage away from the last sale price, it should be rejected as extreme under the assumption that the originator of the order should positively accept the wide disparity in price before execution.

The system will have a minimum price increment. This shall be a settable system parameter.

5. *Trade Execution*

Orders will be matched and executed in time within best price sequence. The execution process must be fair and understandable to the public. Price limits and variations are regulated by NSEL instructions (rules). Both should be settable parameters. A mechanism for overriding this restriction should be provided to the Exchange. Currently, the price of a given security may differ from the previous price by no more than:

- 10% for the Official List and Group A securities of the Current Trading List
- 20% for Group B securities of the Current Trading List
- 35% for Block trades (in specified cases).

Public **Limit Orders** will form the basis for price discovery. A limit order is an order to execute

a trade at a specified price (the limit) or better. Limit orders are the heart of trading and the price discovery process. But because they offer a fixed price, investors who submit public limit orders are providing, at some risk to themselves the equivalent of a free put option. This leads to the so-called "sitting duck" problem. The system shall therefore provide a mechanism for easy and fast withdrawal of orders.

During trading hours, Market orders will be executed immediately against the best bids or offers extant in the system. To execute a market order, the member will select a corresponding bid or offer from the book, enter the desired quantity and execute the trade.

If a Limit Order is submitted whose bid is higher than the best offer on the book or whose offer is less than the best bid on the book, that order shall be treated as a Market Order and executed at the Book price(s). If the Limit Order's volume is greater than the posted volume, a trade will be executed at the volume in the book and the remainder will be entered in the book.

Circuit breakers will be used to curb excessive volatility. The daily price fluctuation shall be limited to plus or minus a specified percentage (settable parameter). The intent is to protect the market from excessive volatility. Markets often over-react. In October 1987, markets around the world crashed together in a perverse over reaction to an imbalance between the futures and equities markets. Markets around the world introduced circuit breakers to halt uncontrolled selling. These allow market participants time to react to puzzling events. This price fluctuation limit is intended to serve the role of circuit breaker.

6. Trade Reporting

A trade 'Confirmation' should be produced for each trade immediately following its execution. Confirmations should be available via hardcopy and computer-to-computer transmission. Each user should be able to customize its own confirmation reports. Each trade should be reported electronically to all participants in the trade, to the depository system for settlement, to the market data broadcast system and to the trading system's internal data dissemination system.

7. Maintaining Liquidity

Liquidity can be defined as the ease with which securities can be traded at prices that are reasonable in relation to the underlying supply and demand conditions. Related to liquidity is price stability. These can be improved by reducing excessive short-term fluctuations in prices due to market over-reaction or manipulation. The system's treatment of its order flow should be designed to provide some level of protection to the suppliers of liquidity.

Special provision should be taken to protect Limit Orders from abusive trading practices. Limit Orders have been described as a free trading option that becomes "in the money" when adverse information becomes available to traders and "stale limit orders" are outstanding on the book. When new information comes to the market, the equilibrium price (price reflecting overall supply and demand) may need to be revised (i.e. the limit order price may need to be bid up or down accordingly). This would require continual checking of market conditions. Limit order positioners place their orders to avoid the requirement of constant market monitoring. Those investors are ill placed to perform that function. Therefore, mechanisms for the protection of limit orders must be devised or Limit Order Positioners will not enter the market and the overall liquidity of the market will suffer.

More sophisticated protection can be devised such as providing brokers with special commands to remove orders quickly under certain special market conditions for which the investor has provided pre-arranged instructions.

G. Off-exchange Trading

The system must support the collection and processing of information about trades executed away from the Exchange. The buyer and seller will each key their understanding of the trade into the system. The system will then attempt to match the buy report against the sell report. If the trade matches, it is reported as a locked-in trade. Unmatched reports are rejected back to their originators. Under certain conditions, issuers may register trades executed off-exchange in their securities.

Under Securities Commission rules, an intermediary who registers a transaction off-exchange must send a notice about it to the Exchange through its system of trade reporting as follows:

- In the event the transaction is executed on a trading day and before the end of the working hours of the Exchange, the notice must be sent immediately after execution.
- In the event the transaction is executed after the end of the working hours of the Exchange, the notice must be sent no later than before the start of the next trading session.
- In the event an issuer registers an off-exchange transaction, they must notify the Exchange on the same day by e-mail or fax or other electronic media.

H. Market Information

1. Objectives and Requirements

Real-time trade publication is critical for effective investor protection. It increases the integrity of the market, fosters investor confidence and contributes to market liquidity. The NSEL seeks to provide its members, their clients, the media, market data vendors and other subscribers accurate real-time market information. Therefore the system will publish last sale and best bid and offer data (including volumes) on a real-time basis.

Currently the NSEL reports market information to Lithuanian news agencies (ELTA and BNS) and to the foreign information agencies Reuters and Telerate. The new system must perform this task automatically.

Two methods of data delivery are required. Data will be disseminated via broadcast and via the trading system network. To the extent feasible, the system should observe ISO International Standard Message Formats. The system will have a special message capability (e.g. publish opening imbalances, total shares available for purchase by foreigners, etc.).

2. Data Types

Two primary data types will be collected by the Exchange

- **System Generated:** This is real-time market information generated by or through the trading system. This includes bids, offers, last sale data (i.e. most recent trade price and volume), administrative notices, market statistics, etc. It may also be desirable to publish a consolidated anonymous order book. The system should generate market

indices on a real-time basis. It should publish statistical information such as Price Earnings Ratio (PER), Price to Book Value (PBV), etc. on request. Trade reports and related statistics should be prepared at the end of each trading day. These will be faxed or electronically transmitted to local newspaper offices and other interested parties.

- **Company News:** Information from listed companies regarding their securities. NSEL collects from its listed companies a number of corporate and financial reports (e.g. dividend announcements, notices of rights offerings, news releases, etc.). At present, NSEL publishes these data in paper form. It would be a plus if the proposed system were able to publish these data electronically.

Publication of Indices: The system should periodically calculate and publish NSEL indices. Currently the following indices are published:

- a) LITIN - securities on the Official List
- b) LITIN A - group-A securities from the Current List
- c) LITIN G - all securities on the Current List
- d) LITIN VVP - T-bills

These follow the IFC (International Finance Corporation) formula for calculating indexes. The composition of the index base shall be a settable parameter.

3. Data Broadcast

The system must be able to disseminate prices in real-time through some sort of electronic ticker. It must also be able to display the price (bids, offers, last sale and volumes) of a stock or a select group of stocks on demand through a workstation. Trading party ID would be excluded from the broadcast. NSEL seeks the widest possible coverage at the lowest possible cost. Ideally the broadcast will be available countrywide.

The first alternative is data distribution via dedicated lines and secure network providers. The second is via dial-up lines. The third includes broadcast via TV teletext pages. The fourth alternative is data transmission via modern Internet facilities.

In the future, alternative broadcast facilities may be used: two-way VSAT technology, radio-based data broadcast (FM), piggybacking on a television broadcast (VBI), etc.

It would be desirable if the system could automatically (to a certain list of addresses) transmit (via fax, e-mail or other) trade reports and related statistics via electronic media.

4. Internal Data Distribution

All data contained within the system should be available to any authorized user on the system. The system should be able to restrict access on a user ID level and a firm level. No customer ID should be exposed. The system should restrict access to information as to whether a broker traded as agent or principal. The system should provide members with full access to the book and show book depth. The book display would profile the limit order book showing the volume of shares bid and offered at each price with cumulative totals. The system should provide extensive database inquiry facilities.

The trading system's network should have a messaging capability. It should provide the means to easily send messages to any particular workstation, firm or operator (or to all destinations) on the network. This capability would be used to publish trade advisories and confirmations. It would also be used to send special alerts and administrative messages.

5. Data Presentation and Usage

All subscribers to the system broadcast will need the same basic tools to process it. To minimize the cost to everyone, the system will include a set of tools that can read and process the broadcast. It should enable the stock exchange to install a ticker, board, or display for public usage. Those tools should enable several varieties of displays. These would include rolling tickers, scrolling tickers, video displays, electronic wallboards, market monitors, printers etc. The software should provide software exits or links which enable users to customize the system to meet their own individual needs.

NSEL currently provides a standard interface to Reuters, Telerate and Bloomberg for the receipt of information from those organizations through its Ethernet LAN. That system will continue in use after implementation of the new automated trading system. Interfaces to TV and radio are desirable.

The system broadcast and software will be used in a number of ways. It will enable members to install visual displays and market monitors in their customer trading rooms. It will provide other services such as historical inquiry, portfolio management, limit order alerts, dramatic price change alerts, real-time position valuation, broker sales tools, etc. The system will include receiver electronics (e.g. antennae, modems, etc.). These would be used to deliver the broadcast to a PC or other computer /server in the member's office.

6. Billing

NSEL will charge a small fee to non-member subscribers of its data. The system should record usage where interactive usage is provided. A billing module should be provided.

I. Trade Settlement

The Exchange settles most securities trades (except Government securities) on a T+3 rolling settlement schedule. T-bills are settled on a T+1 cycle. Settlement is executed by the Settlement Centre of the Bank of Lithuania (the Clearing Bank), the Central Securities Depository of Lithuania and the NSEL.

The system should provide an interface to the existing depository system. It should be able to compute multi-lateral netting (and trade-for-trade where requested) and prepare end-of-day reports about broker security and cash positions. It must transmit the results of each trading session to the depository and the clearing bank. Currently the system performs this task through the use of specialized software and electronic mail (i.e. cc:Mail).

J. Member Services

The system must provide NSEL members computer facilities that would enable them to access the Exchange's trading and settlement services from their offices. Those facilities can be in the form of a PC workstation. Those workstations would appear as client devices on the Exchange server. They could, in turn, act as server computers on the member's own network.

These facilities should provide access to all market information for which the user is authorized. It should provide access to the various limit order books. It must accept orders and produce execution reports. It must enable access to clearing and settlement services. One of the goals of this service is to eliminate redundant keying. The system should enable brokers with multiple sites to monitor (and control) from their home office, the order flow submitted by each of their offices.

The trading system must be capable of allowing each user to program a number of price and volume alerts. These alerts would operate in a Windows type environment.

The system should provide the facilities through which member firms can provide customer oriented displays (video walls, data walls, tickers, display terminals etc.). Members will be responsible for acquiring and implementing their own displays.

The local broker system should maintain a real-time market information database. Brokers need access to real-time information for multiple purposes (gallery displays, portfolio pricing, analytics, etc.). A local database capability should be provided. This will relieve the load on the Exchange's computers and enable members to operate more efficiently. The system should include a research capability to enable members to research both their local database and the Exchange's central database.

The system must provide some type of online charting or analytic capability for trading day activity. The ability to extend this capability to historical data would also be useful. In addition, members should have an ability to configure their own reports.

Two configurations should be available; multi-user and standalone. The multi-user configuration should enable an Exchange member to operate multiple workstations. These would be connected together via LAN (Local Area Network). The LAN would connect to the Exchange computer via WAN (Wide Area Network). Either configuration would maintain a database consisting of information generated by trading and settlement. The single-user configuration would be used to support small brokers and those brokers who wished to use the workstation as a bridge to their own systems.

K. Inquiries and Reports

As part of its End of Day (EOD) trade processing, the system should produce various reports. "Contract Notes" (Bought and Sold Notes) for each trade. Buy and Sell contracts (contracts between brokers) and numerous other reports are also produced at this time including a Daily Client Listing showing client holdings as of the end of the trading day.

A trade history for the current day, including time of sale, price and volume should be produced. A full set of reports should be provided. This should include trade confirmations (Contract Notes); Market daily, weekly, monthly, biannual and annual Activity Reports. It should include Daily Trade Listings for each broker.

The Exchange charges its members fees for use of the trading facility. Most of these fees are based on fractional percentages of transaction value. The system must provide a mechanism for the billing of these fees.

L. Risk Management

A Guarantee Fund has been established to provide a cash guarantee in case of a FBF default. Depending on the activities of the FBF, they may be required to make variable contributions to the Guarantee Fund that are calculated each day and additional contributions that are calculated at the end of every month. These calculations should be performed automatically by the system. In certain cases the FBF may be required to pay in exceptional guarantee calls.

M. Surveillance

1. Basic Tools

Both international and local investors avoid markets they perceive as unfair or rigged. Market surveillance is an important tool for maintaining the market's credibility. The system must provide a full range of surveillance tools. It must enable surveillance staff to monitor member-trading activity. This includes the ability to set and reset intra-day trading limits by security or broker or across the Exchange. Among the facilities being sought is:

- Real-time price, volume and other Alerts.
- Online, real-time reviews of the various order books. This should include an ability to review all activity including order entry, execution, modification and deletion. Date and time information for each activity and step should be included.
- Online access to current and historical market activity. This should include an ability to replay (reconstruct) the market for any time period.
- Monitoring of participant market positions and risk exposure.
- Online and off-line access to the system's audit trail.
- Monitoring of user logons, including invalid password attempts
- Trading halts due to material or stock events.

2. Stock Watch Alerts

Each security should be continuously monitored for statistically unusual movements in its price or volume. Any unusual activity should generate alert messages to surveillance personnel for review and possible investigation. Surveillance personnel should be able to monitor the market on a real-time basis. They should have real-time access (read only) to all orders and transactions in the system. They should have on-call access to all historical files.

Surveillance officials should be able to set surveillance and market control parameters (e.g. price movement limits) on demand.

3. Audit Trails

The system must log all transactions (with date and time appended at each step) having any bearing on market operation. An audit trail of all orders, quotes and trades must be maintained. All audit trails for a specified period must be available online. At the end of each day, these files and the operating system logs should be written to non-erasable media such optical disk.

4. *Market Reconstruction*

Surveillance personnel should be provided tools that enable them to reconstruct the market (by security, by sector or by market) as it existed at any point in time. They should be able to trace the flow of trading (including trader identification) over any period of time and at any level of detail. Access to all tools related to Stock Watch, Audit Trails and Market Reconstruction should be limited to authorized personnel. The primary users will be NSEL Surveillance personnel and certain Securities Commission personnel. Member firms should have access to the audit trails of those trades in which they participated.

5. *Securities Commission Usage*

Ordinary market surveillance will be within the competence of the NSEL. The Securities Commission (SC) will also require a set of surveillance tools to monitor the market. The SC will have its own computer(s) for that purpose. The market monitoring tools provided the Exchange should also be available to the Securities Commission.

The SC's direct concerns are historical market activity, collection of information instrumental for routine or for cause inspections and investigations of cases that require information accessible only to the Securities Commission such as client IDs. The system should be capable of enabling the Securities Commission to automatically identify the firm and client placing the order. This identification would be based on the client ID and FBF codes specified on the order and the list of client codes submitted to the Securities Commission by FBFs,

3. OVERALL SYSTEM REQUIREMENTS

A. *Technology Platform*

1. *Existing Equipment*

Currently brokers may submit orders to the Exchange's existing trading system via LAN and via on-line remote access. If a broker's on-line access fails prior to the Price fixing step, they may submit orders (in a specified form) using any e-mail service.

The Exchange's trading system software runs on an IBM AS/400 computer. The constituent parts of the system are as follows (Refer to the schematic in Addendum A):

1. **IBM AS/400E model 600.** CPU #2129, 256MB RAM, 20GB HDD, an IBM 7208012, 8mm, 5GB cartridge, streaming tape drive and 2 Ethernet interfaces running under OS/400 V4M1.
2. **Communications switches.** One Cisco 3000 and one Cisco 3100 switch link the various parts of the system. These switches filter traffic from each brokerage firm and deliver that traffic. Most of the links to the switches are 10Mbps. There are two 100Mbps links, one of which is in use (the Novell server).
3. **E-mail server.** This is a Pentium 200 processor.
4. **Reuters server.** This device collects data from the Reuters system for display on member workstations. Market information is currently reported to Reuters manually using a floppy diskette.

5. **LAN.** The local area network is 10Base-T Ethernet (10Mb).
6. **Communications hubs.** Brokers located in the Stock Exchange building have a direct link to the Exchange system. Each broker has a Hewlett-Packard concentrator linking their LAN and workstations to the Cisco switches via the Exchange's LAN. The Exchange is using HP Advanced stack HP2611A (16 port) hubs, HP28691 (8 port) hubs and D-link DE80BTP (8 port) hubs. Approximately 23 brokerage firms are connected in this manner. A similar number of brokerage firms are connected via a Wide Area Network (WAN, item 15 below).
7. **Broker workstations.** Each brokerage company has from 1 to 4 workstations connected to the Exchange system. In most cases these are Pentium-based PCs operating under Windows 95. A few use Windows 3.11. Access to the trading system is through 5250 terminal emulation.
8. **NSEL workstations.** Six 386-based PCs.
9. **Telerate server.** This device collects data from the Telerate network and makes it available to the member workstations. Market information is currently reported to Telerate manually.
10. **cc:Mail server.** This is a 486-based PC running under OS/2. This will be upgraded to a Pentium processor.
11. **cc:Mail server modems.** There are 6 dial-up lines and 14.4 kbps modems connected to the cc:Mail server.
12. **Remote broker workstations.** Remote brokers employ the same types of workstations as are used by locally connected firms. They have on-line access to the system the Omnitel network.
13. **Intelligent routers.** 2 Cisco routers are used. A Cisco 3620 router with 2 Ethernet ports links NSEL's system to the CSDL (the Central Depository) workstations. A Cisco 4500 router with 2 Ethernet ports and an FDDI port provides a link to an FDDI-based inter-bank link. These devices are under the control of the Depository and the Central Bank respectively, and are used for settlement processing.
14. **Router and modem.** This router connects the Omnitel network to the NSEL system at 64kbps. The line has been tested successfully at 144kbps.
15. **UAB Omnitel network.** Remotely located brokers may connect to the NSEL system through a Private network provided by UAB Omnitel. The new system should link to this network as is done presently. Both dedicated and dial-up line access is provided. Omnitel ensures network security.
OMNITEL, a Lithuanian /American joint venture, was founded in 1991. Its operating rights are a broadly stated authorization to construct and operate satellite earth stations and to provide telecommunication information services. In 1994, the Omnitel data transmission network, using X.25 protocol, was introduced. This service is a part of the Global One network. Head Office: Vilnius, T. Sevcenkos st. 25, tel. (+370-2) 23 29 29, fax (+370-2) 23 13 13, GSM. (+370-98) 6 33 33.
16. **Novell Server.** This server connects to the Cisco switches at 100Mbps. This server

collects trade data from the AS/400 at the end of each trading day and uses the data to maintain a Trading Database.

2. *Hardware and Software Generation*

NSEL does not have a specific hardware requirement under this procurement. The hardware necessary to run the system must however be supported and supportable in Lithuania. Respondents must define a hardware configuration that can support the system to the transaction levels defined in this document. The configuration should be at a level of detail such that the proposed configuration can be easily priced and identified.

Bidders for this system must identify those vendors in Lithuania who can support the proposed configuration. The vendor should describe their ability to diagnose problems at the hardware, software and applications level online. The Exchange must have rights of access to the applications source code.

The system should be able to handle the transaction levels shown in *1.E. Capacity Plans and Projections* above without a hardware or software upgrade. Additional capacity should be obtainable on a modular basis by adding hardware and reconfiguring the software without any software rewrites. The system should be able to support up to 200 simultaneous workstations with a response time of 2 seconds or less.

Data on hardware and application MTBF (Mean Time Between Failures) and MTTR (Mean Time To Repair) is required. Respondents must describe their hardware and software maintenance capabilities.

The system should have demonstrated compliance with Year 2000 date requirements.

3. *Back-up Capabilities*

It is the intent of the NSEL that, to the degree practical, trading continue without interruption. Therefore, a failure of the computer system should not halt operation of the trading system. Warm application restart must be a demonstrated capability. The system must be able to maintain a warm back-up system at an off-site location. Written procedures for back-up and recovery must be provided.

The system must allow the Exchange to service brokers who have lost access to the system through fire or other calamity.

4. *Language*

It is required that screen displays and templates be provided in English and Lithuanian. A toggle mechanism should be provided that enables a user to switch between the two languages. All printed reports produced by the system should be available in English and Lithuanian.

5. *Training*

It is important that any potential vendor transfer the knowledge necessary to operate the system and maintain the application software to Exchange personnel so that the Exchange can achieve operational self-sufficiency after the vendor's warranty period expires. The vendor should identify the nearest office from which support can be provided.

The selected vendor must conduct a series of training courses for the various user groups. This

training should include instruction on the use of the trading system by member firms (both front and back-office personnel), operations personnel, computer support personnel and surveillance and compliance personnel. All training should be adapted to the relevant audience and include multiple audiences where appropriate.

The training must be sufficiently thorough so as to ensure that the Lithuanian participants, once trained, can explain to and train their counterparts whenever needed without requiring further assistance (except in unusual circumstances) from the vendor. All training conducted by the successful bidder shall be undertaken to assure that Lithuanian nationals are able to operate and maintain the system.

B. Application Software

An existing proven real-time automated order match system is desired. Respondents should identify where the system is installed so that Exchange personnel can visit existing installation sites to ascertain suitability and fit. If the proposed system is modular in nature, respondents should identify those modules that are required to meet NSEL's requirements separately from those that are optional extras. Optional modules (including such features as broker back-office packages, etc.) should be separately priced.

A countrywide license for the software and a complete copy of the source code is required.

It would be desirable to have the means to change trading rules and parameters without requiring software changes. All major application criteria should be parameter driven.

C. Hardware

1. Central Server

Respondents should define the hardware configuration needed to operate the system with the transaction volumes noted in Section *1.E Capacity Plans and Projections*. The system should be able to support at least 200 workstations simultaneously.

The system should support on-line monitoring of the system's performance including monitoring of the processor(s), memory, communications facilities, etc.

2. Member Equipment

Workstations: In its initial configuration, the system shall provide support for the existing configuration of member workstations. The system must support multiple remote workstations for each member. It must allow expansion of numbers of brokerage firms and numbers of workstations per firm. The remote devices will be located in the individual broker's central office (located in metropolitan Vilnius). These devices shall provide the full range of functionality allowed member firms. Access shall be controlled by password. Help screens should always be available in a pull-down format.

The system will enable the entry of orders from member offices. Each workstation from which brokers may enter and process orders shall be uniquely identified. The system shall maintain control over which workstation and which user ID is permitted those functions.

The system shall be capable of supporting 60 or more member firms without change, except for the adding of workstations. It should also be easily upgraded to meet the targets specified.

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MEMORANDUM

To: Virgilijus Poderys, the Chairman of the LSC
Margarita Vidutiene, Commissioner
From: Dow H. Heard, the Pragma Corporation



Date: 15 January 1998

Subject: Comments on Tender Offer Rules

I met with your staff and Žilvinas Zinkevičius of the Pragma staff to give comments on the Draft Tender Offer Rules on January 14, 1998..

Firstly, I believe Article 10 of the Law on Public Trading in Securities needs to be amended. Article 10 requires that all tender offers be executed on the Stock Exchange. This does not account for the situation where the securities are not listed on the Exchange. Many, if not most, tender offers will be for non-listed securities. I believe the intent is to cause an announcement to be made publicly regarding the tender rather than on the Exchange.

Another concept which I have some difficulty with is the mandatory purchase of all securities when a bidder offers to purchase any amount of securities more than 50 %. I believe this to be a questionable theme which dominates the proposed rules. While this is an attempt to protect minority shareholders, I believe that objective can be achieved through other means rather than forcing the 50% holder to make a mandatory tender offer.

Several rules, including 5.1, 8.2 and 24, require the Target company to be notified when the Tender Offer is filed with the Commission but before the Tender Offer is approved to proceed. This allows word of the impending offer to leak out before purchasing can begin or even before it might be approved at all. Therefore, notice to the Target should only be made after the Commission approves the commencement of the Tender Offer.

Article 6 proposes to require no less than 10% of the amount necessary for the execution of the tender offer to be deposited with the Stock Exchange. One purpose (as stated under Article 7) is to refund costs of the Target's investors. While the

of the Tender Offer to make the purchase, the securities will be returned to the Central Depository without undue complications or expense to the shareholders.

Under Article 15, the Commission takes upon itself the obligation and responsibility to make public comments about the Tender Offer. This presupposes that the Commission has the manpower to quickly and expertly evaluate a Tender Offer. Furthermore, the Commission places itself in the position of an investment counselor to the diverse investors of the Target all of whom may have different goals and financial needs. While it is admirable to protect investors by requiring full disclosure from the Bidder, great care should be taken that this responsibility does not engender lawsuits against the Commission from either the Bidder, the Target or the Target's shareholders.

Section 16.1 should not guarantee equal rights of the shareholders but merely equal access to information and the right to the same offer price as other shareholders of the Target.

Section 16.3 places the responsibility for controlling the Target's managers on the Bidder. A difficult burden which should not be borne by the Bidder. Section 16.5 should not restrict the activities of the Bidder rather than the Target. The Target's activities are largely unaffected by these proposed rules.

Section 19 should require that the Commission immediately notify the Bidder by electronic means and follow up by written notification. The timing and pressure of a tender offer imposes severe stress and monetary commitments which make the mails far too slow to communicate these decisive events.

The activities restricted in section 22 should be restricted only during the term of the Tender Offer.

In section 27 the Target company should be permitted but not required to announce opinions about the Tender Offer. Section 28 should be deleted; it is the Bidder's not the Target's responsibility to publish and pursue the Tender Offer.

Section 38 should be deleted as an agreement between the Exchange and the Bidder serves no purpose.

Section 44 should delete the requirement that Bidders may not pay for the purchased securities by its own newly issued securities. This, in fact, is a commonly-used method of acquiring another company. In addition, no restriction should be placed on the Bidder to borrow the funds to make a Tender.

Section 46 should require the Bidder to transfer the payment after the deadline for completion of the Tender. Until that time the Bidder does not know how many shares have been tendered nor its full obligations.

Section 54 should apply only during the pendency of the Tender Offer.

The Target company under Section 55 should provide all public information rather than information to be publicly announced.

Section 59 should require the extension of the Tender Offer for amendments. However, the Tender Offer should be allowed to be changed due to changing conditions in the market. Delete 59.1 and 59.2.

Under Section 63 it is forbidden to withdraw a mandatory tender offer. I can think of no reason to prevent the withdrawal of a tender since the shareholders shares will merely be returned and they will be no worse off than at the beginning of the Tender. Section 64 requires the revealing of reasons for withdrawal. What are the Commission's responsibilities if the Commission does not like the reasons. The Bidder's offer does not have to be accepted by the Target's shareholders.

Section 72 and 73 should be deleted for the reasons stated above regarding mandatory tenders.

Section 75 should reflect the situation when shares of the Target are owned prior to the Tender.

Section 77.2 should be simplified.

Section 77.2.1 should utilize the final closing price of the previous trading days or some other definite price.

Section 77.2.2 should be deleted. No Bidder should be required to reveal what it believes the shares are worth. If the Bidder didn't think it was going to make a profit, it would not make an offer to purchase the shares. The far more important question is what the shareholder believes the shares are worth after receiving all pertinent information.

Section 79 should be deleted.

Section 83 should delete the phrase beginning "... and file a relevant written obligation to sell or otherwise transfer". To whom and at what price? Section 84 should likewise be reexamined for forcing the owner to sell securities.

It is unclear under Section 86 as to the reasons the government would want to restrict the ability of any purchaser to later dispose or sell the shares it owns.

A number of other comments were passed verbally to the staff on this Draft.

Finally, you have asked of my opinion as to the legal effect of tender offers made after the Law was passed but before these rules have been adopted. I do not believe that any rules can be applied to tenders which have already been completed. To do otherwise would subject the participants to rules not in effect at the time of the transaction. The ex post facto effect of that application would not be supported by courts in the United States nor those in Lithuania.

January 22, 1998

**Note to the Participants of the Meeting
of the Market Development**

On July 5, 1995 the Seimas of the Republic of Lithuania passed the Law on Investment Companies. This Law regulates the foundation, operation and the order of liquidation of the investment companies. The Law provides that investment companies may belong to one of the following types: investment funds, closed-end funds and investment holding companies. Newly founded investment companies may be only investment funds or closed-end funds.

Even though the law has been in effect for over two years, not a single fund has been founded yet. The funds enable small investors to take active part in the capital market. Yet, favourable taxation policy as well as other issues promoting the activities of funds would undoubtedly have a tremendous (or may be even decisive) importance for successful activities of the funds.

Taxation of an investment fund as a legal person and an investor receiving proceeds from investing into shares issued by the fund as applied in accordance with the effective Law on Profit of Legal Persons and Law on Income of Natural Persons and other legal acts create the following problems:

1. Currently a natural person holding an investment portfolio is relieved from taxes on dividends or interest received, or capital gain from operations with securities or unrealised increase of the value of the investment portfolio. In the event the person chooses to invest into an investment fund, the same proceeds would be subject to taxes on profit of legal persons, management fee, operational expenses of the fund would be also deducted. It is obvious, that under such conditions natural persons willing to invest into investment funds prefer to invest directly, rather than use the services provided by investment funds.
2. Income received by a legal person from direct investment into the government bonds is tax exempt. Whereas in case a legal person acquires shares of an investment fund which invests exclusively into government bonds, it would be obliged to pay taxes from the gained profit.
3. Where a legal person invests into an investment fund, which is engaged in investment into securities, the proceeds received would be subject to double taxation, - on the fund level and on the investor level.

Another unresolved problem is the persons associated with the fund. On March 8, 1996 The Lithuanian Securities Commission adopted "Rule on Issuance and Revocation of Licenses to Investment Companies". Item 9.3 of the Rule provides for a requirement that an investment company is under obligation to ensure the property rights of its shareholders, as well as protect their interests and the shareholders from

damage which may be incurred by persons associated with the fund. The Rule also provides for the actions that associated persons are precluded to take. Further, on March 15, 1996 the Securities Commission adopted the "Rule on Issuance and Revocation of Licenses to the Management Enterprises of Investment Companies". Item 3.2. of this Rule defines the persons associated with the management enterprises of investment companies and they are subject to the same operational restrictions as persons associated with an investment company. (item 8.1.)

Yet, restrictions imposed by the Securities Commission merely expands restrictions imposed upon associated persons by provisions of the Law on Investment Companies. Restrictions applied to the persons managing the investment fund should not be applied to persons associated (founders, shareholders) with the managing enterprise.

Investment activity of one person actually is not able to incur any damage to the operation of an investment fund due to entirely different scope of activity of the two subjects. Besides, in the event the associated person is a shareholder of the fund, he should be granted a right to take a decisions as to where, how much to invest, what to buy or sell. A partly alleviated prohibition (restriction) could be applied exclusively to persons managing the fund who take decisions as to the investment of assets. The current wording of the Rule prevents banks and financial brokerage firms from participating in the process of founding the investment funds or investing therein.

Another important issue is the method of accounting of securities. As the method to be applied upon evaluation of assets and calculation of profit received from investment activities has not been established, misunderstandings are likely to arise when comparing activity and operational results of different funds. Application of FIFO method would neither provide accurate data. Based on our experience we propose the method of weighted average to be applied in conducting accounting of securities.

The advantages of this method are as follows:

1. The method is extremely user friendly, it is rather simple and does not require any sophisticated software, which would be necessary in case of FIFO or LIFO methods. In the event an investment fund executes a large number of trades application of the latter methods would require a highly sophisticated software. Besides, the software is to be implemented from the very beginning of existence of the fund. In the absence of experience of management of the fund and accounting of its assets, creation of such software will be very complicated.
2. Assets evaluated by the method of weighted average will be identical to the officially announced value of assets, as well as the value of the gained profit. These indicators will be based on the difference between the average value of securities and their market price (the way it is done in many foreign investment funds). Thus the officially published profitability rate will be identical to that at redeeming the shares.
3. Using methods of FIFO or LIFO, the investors, selling shares at different time, will be in unequal positions, since the price depends not only on objective market conditions, but, to a great extent on the time of redeeming the shares.

4. Using the method of weighted average, though, there is a possibility to perform certain actions characteristic for methodologies of asset management, e.g. raising the value of the portfolio by acquiring the securities at a lower price than the weighted average.

We would also like to point out several articles of the currently effective Law on Investment Companies which impede the functioning of investment funds:

1. According to par. 3 of Article 13, if, because of general economic situation the net (own) assets of a management enterprise does not change or even decrease during the accountable year, i.e no profit has been received from investment activities, the management enterprise would not receive any payment for managing of investment fund assets. Possibility must be provided to cover expenses related to the asset management irrespective of the results achieved or intensity of its activity.
2. In accordance with the currently established diversification requirements the investment portfolio must be comprised of securities of 25-30 different issuers. In case the fund intends to invest exclusively into securities of Lithuanian, profitable and liquid enterprises, it will surely face the shortage of suitable securities. This situation is much more likely to develop if several competing funds seek to form identical portfolios. The manager of the fund would have no way to show his superiority against managers of other funds, and the investor would have difficulties in identifying the best working fund.
3. The effective law permits to invest the capital of an investment fund exclusively into securities. But the fund can also benefit by utilization of instruments of the money market or, **when the rate of securities is falling**, the fund could transfer part of the securities funds into the term deposits of banks, thus avoiding or reducing possible losses. Appropriate amendments introduced would allow to more fully utilize the possibilities inherent in the capital market.
4. Amending item 5 of the Article 10 would allow greater flexibility in the event the fund intends to acquire a larger amount of an issuer's securities (block of shares). In the case of a direct transaction a slight fluctuation of the price above the price of the central market may be extremely important to the other party of the transaction, while it will have no impact upon the fund, as the fund is pursuing a long-term strategy and such fluctuation of purchase price will be of no significance.
5. Prohibition to pledge securities (par.1 of Art.10) prevents from execution of some operations (e.g repurchase deals), which may create serious difficulties in cases when liquidity of the fund must be supported under market crises. In crisis the fund would have to sell the most liquid securities at a significant loss, which would inevitably have an impact upon the value of the fund's shares. If the fund would be allowed to pledge the securities with a right of subsequent repurchase, the fund could receive cash to support its liquidity, without losing the securities. In addition, the value of the redeemable securities would not be diminished.

Conclusions:

1. To initiate the amendments to the Law on the Profit of Legal Persons. Equal investment conditions must be provided for all economic entities whether investing directly or using the services of investment funds.
2. To speed up the amendments to the resolutions adopted by the Securities Commission regarding the activities of investment funds or asset management enterprises, especially in terms of the problem of "associated persons".
3. Initiate the legalization of the method of weighted average in accounting of the investment fund securities.
4. To initiate amendments to the Law on the Investment Companies seeking to create more favourable conditions to the activities of investment funds.



**THE RULE ON SECURITIES PORTFOLIO MANAGEMENT AGREEMENT
(ON DISCRETIONARY ACCOUNTS) FOR INVESTMENT MANAGEMENT
AND CONSULTING FIRMS**

1. General Part

- 1.1. Investment management and consulting firms (hereinafter referred to as the Firm), prior to starting to manage the securities portfolios of their clients (legal and natural persons), shall enter into a written agreement with the clients in accordance with the requirements of this rule. Management of the securities portfolio shall mean engagement in activity, the firm at its own discretion accepts and places orders in the client's name regarding sales and purchase, exchange, pledging, lending and borrowing of securities, borrowing of cash, realisation of rights attaching to securities comprising the securities portfolio, seeking for a maximum benefit for the client.
- 1.2. This rule applies to the management of investment portfolios of investment companies managed by the Firm to the extent that other legal acts do not establish any special requirements.
- 1.3. The legal basis for this rule is par. 1 of Article 15 of the Law on Public Trading in Securities of the Republic of Lithuania.

**2. General Requirements for Securities Portfolio Management Agreement
(Agreement on Discretionary Accounts Management)**

- 2.1. The Agreement on management of securities portfolio (Agreement on Discretionary Account Management) (hereinafter referred to as the Agreement) regulated by this Rule is based on agency, i.e. in cases, when the Rule do not regulate a specific case, provisions of the Civil Code of the Republic of Lithuania regulating representation and agency shall be applied.
- 2.2. The Firm shall be prohibited from transferring its rights and obligations in respect with the Agreement to other persons without a prior written consent of a client.
- 2.3. The Agreement regulated by this rule may contain other provisions not provided for by this rule, but the Firm shall be precluded from including into the Agreement or any other agreement regarding management of the client's securities portfolio provisions limiting its obligations and responsibility in respect of a customer, or in any way worsening the position of a client as compared to that established by the Law on Public Trading in Securities, the Civil Code of the Republic of Lithuania, other legal acts and this Rule.
- 2.4. Prior to concluding the Agreement, the Firm shall familiarize the client with the Rule, which shall be confirmed by the client's signature.

2.5. A copy of the Agreement shall be delivered to the financial brokerage firm at which the client's funds and securities portfolio are deposited.

2.6. Upon expiration or termination of the Agreement, the Firm shall ensure the safekeeping of all the Agreement and all amendments therein, supplementary agreements to the Agreement for a period of 10 years after the termination of the Agreement.

3. Parties of the Agreement

3.1. One party of the Agreement is a firm, licensed by the Securities Commission to act as an investment management and consulting firm, represented by a broker, which has passed the qualification examination organized by the Securities Commission or who holds any other qualifications certificate recognised by the Commission.

3.2. The Agreement shall contain the following data on the Firm: full name, company code, registered office, licence No and date of issuance, name and position of the representative authorized to sign the Agreement and the basis for representation.

3.3. The Firm concludes Agreements with individual natural and legal persons, on the basis of which the Firm shall form individual securities portfolios.

3.4. On the basis of the Agreement one securities portfolio for several clients may be formed only in cases when such clients act as co-owners of the portfolio and jointly enter into the agreement with the Firm.

3.5. The firm, prior to entering into the Agreement with persons intending to act as co-owners of the securities portfolio, shall receive from such persons documents confirming their intention to carry out joint activity (e.g. marriage certificate, agreement on joint activities), or the Agreement with such persons shall expressly manifest the will of such persons to act as co-owners and have the portfolio at their disposal by mutual consent.

3.6. The Agreement shall contain the following data about the client:

3.6.1. for natural person: name, personal code, residence address and the phone number.

3.6.2. for legal person: full name, company code, registered office, position of the representative, his name, basis for representation, telephone and fax numbers.

4. Securities Portfolio: Initial Composition, Objectives of Forming, and Restrictions Imposed.

4.1. The Agreement shall indicate the initial composition of the securities portfolio, the management of which is transferred to the Firm (securities shall be described so that it is possible to identify them), the value of the securities portfolio, as well as cash amount meant for additional contributions to the portfolio, or only the cash amount meant for formation of portfolio. The Firm may establish the minimum value of the securities portfolio or the cash amount for formation of the securities portfolio.

- 4.2. The customer has a right at any time to make additional contributions to his securities portfolio while transferring the management of the funds and/or securities to the Firm. The increase of the securities portfolio out of additional contributions of the client shall be made official in the form of supplementary agreement to the Agreement which shall specify the securities additionally transferred to be managed (securities shall be described so that it is possible to identify them), the value of the securities, cash amount meant for making additional contributions to the portfolio or only the cash amount meant for formation of portfolio.
- 4.3. Seeking to reduce the value of the securities portfolio managed by the Firm, the client shall in writing notify the Firm and the financial brokerage firm at which the client's funds and securities portfolio are deposited. The Firm loses its right to act in the name of the client in respect with the securities and cash funds at the moment the written notice is handed over, though that will not prevent the Firm from executing orders already placed on behalf of its clients.
- 4.4. The Agreement shall indicate the goals the client seeks to achieve by entering into the Agreement (e.g. investment into the securities seeking for capital gain, investment into debt securities seeking for regular proceeds, manipulation in securities, securities lending operations, etc.). The client shall have a right to request to include other provisions in the Agreement to reflect his goals pursued by entering into the Agreement.
- 4.5. In cases, when the Agreement does not provide for criteria for taking investment decisions in respect with the client's securities portfolio, the Firm shall act in pursuit of the goals which the client seeks by entering into the Agreement.
- 4.6. The Agreement shall expressly indicate whether the management of the securities portfolio covers:
 - 4.6.1. realization in the client's name of rights attaching to the securities (voting, pre-emptive rights, etc.).
 - 4.6.2. pledging, lending or borrowing of securities and borrowing of funds in the client's name.
- 4.7. In cases when the client authorizes the Firm to realize the rights attaching to the securities comprising the securities portfolio, the Agreement shall clearly indicate which rights the client authorizes the Firm to realize.
- 4.8. The Agreement shall set forth the following restrictions upon investment:
 - 4.8.1. securities which may comprise the securities portfolio, and which securities may not be included into the portfolio;
 - 4.8.2. securities the amount of which in the portfolio is limited;
 - 4.8.3. sources of acquisition of securities;
 - 4.8.4. transactions, that the Firm managing the portfolio is precluded to execute and the execution of which requires the client's written consent (The Agreement may not restrict the right of the Firm to place securities sale or purchase orders at its own discretion in the client's name).
 - 4.8.5. other restrictions set forth by the client.

- 4.9. Upon the client's request, the Agreement may exclude restrictions as indicated under item 4.8. In this case the Agreement shall indicate which specific restrictions were not imposed by the client.
- 4.10. In cases when the Agreement provides for investment into foreign securities, the Agreement shall include the following provisions:
- 4.10.1. the client's obligation to assume the risk related to fluctuation of exchange rates;
- 4.10.2. the client's authorization to the Firm to convert Litae into the foreign currency necessary to execute the said transactions, as well as its obligation to cover the currency exchange expenses;
- 4.10.3. provisions regarding selection or indication of the financial brokerage firm empowered to keep or hold foreign securities, in accordance with the part 7 of this Rule.

5. Principles of Portfolio Management

- 5.1. While managing the securities portfolio of its customers, the Firm shall pursue the following principles which shall be included into the Agreement:
- 5.1.1. **Principle of Priority of the Client's Interests.** The Firm shall be precluded from effecting transactions with third persons in the client's name when the Firm or any of its employees has its own interest or is related to another party of the transaction and which interferes with the Firm's obligation to act in the best interests of the clients, except in cases when the Firm has notified the client on its own or its employees interest or relations and has obtained the client's written consent to execute the said transaction. Transactions of the Firm, executed in violation of the requirements of this item shall be deemed invalid.
- 5.1.2. **Principle of Unbiased Approach.** The firm shall equally satisfy the needs of its clients, without giving preference to individual clients depending on the size of the portfolio, time when the Agreement has been concluded, or other criteria.
- 5.1.3. **Principle of Maximum Profit at the Lowest Risk.** Prior to adopting any investment decision regarding the securities portfolio, the Firm shall evaluate the benefit resulting from the said decision in terms of the risk involved. This evaluation shall make a basis for the decision whether the investment decision is in conformity with the objectives the client pursued by entering into the Agreement (item 4.4. of this rule).
- 5.1.4. **Principle of Professional Approach.** The firm shall adopt the investment decisions regarding the securities portfolio of the clients in a professional manner, based on its expertise, knowledge and all information available.
- 5.1.5. **Principle of Economy.** In cases when a client has entrusted to the Firm to select the financial brokerage firm for accounting of the securities portfolio as well as execution of transactions with the portfolio, the Firm shall select the financial brokerage firm the quality of service of which as well as the commission fees are most favourable to the client. The Firm shall be precluded from executing excessive trading through the financial brokerage firm to the goal of which is to generate proceeds for the financial brokerage firm.

6. Client's Consents and Instructions

- 6.1. In cases when an extreme situation develops in the securities market, or in other cases provided for in the Agreement, the Firm has a right to apply for the client's consent to execute specific operations with the securities portfolio, having supplied the client with an exhaustive and accurate information necessary for adoption of a decision, and, upon the client's request, having provided him with necessary consultation.
- 6.2. In all cases, when a transaction in securities does not comply with the provisions of the Agreement, it is mandatory to obtain the client's consent. Prior to applying for consent the Firm has to supply the client with an exhaustive and accurate information necessary for adoption of a decision, and, upon the client's request, provide him with necessary consultation.
- 6.3. Upon the client's request, the Agreement shall provide for the right of the client to issue binding instructions to the Firm regarding the client's securities in general (e.g. changes in the goals of the Agreement, restrictions imposed upon investments), or regarding a specific operation with respect to the portfolio. The instructions of the client shall be issued in writing, the Firm shall in writing confirm the receipt of the instructions.
- 6.4. Where the Agreement provides for the right of the client to issue binding instructions to the Firm as defined in item 6.3., the Agreement shall also set forth the obligation of the Firm to issue the warning to the client regarding the risk arising from the instructions given by the client.

7. Safekeeping of the Client's Funds and the Securities Portfolio

- 7.1. The Agreement shall indicate the name of the financial brokerage firm at which the client's funds are deposited and which holds the securities portfolio and to which orders will be placed in the client's name to effect operations with securities.
- 7.2. The following data on the financial brokerage firm shall be indicated: full name, company code, registered office, licence number and date of issue, date and number of the securities account agreement, concluded with the client shall be also indicated.
- 7.3. The Agreement shall indicate the powers granted to the Firm in its relation with the financial brokerage firm in which the client's funds and securities portfolio are deposited, including the following actions:
 - 7.3.1. instruct the financial brokerage firm to effect operations with the client's securities;
 - 7.3.2. effect payment of fees to the financial brokerage firm for execution of orders related to the client's securities portfolio, and accounting of the securities portfolio;
 - 7.3.3. obtain statements of personal securities accounts, confirming operations executed with the client's securities portfolio and hand them over to the client;

- 7.3.4. take other actions necessary to fulfil the Firm's obligations in accordance with the Agreement.
- 7.4. The Agreement shall set forth the obligation of the Firm to notify promptly the customer on violations committed by the financial brokerage firm in operating the personal securities accounts. The client is also entitled to authorize the Firm to take other actions seeking to protect his rights in relation with the financial brokerage firm in which the client's securities portfolio and funds are deposited.
- 7.5. In cases, when at the moment of conclusion of the Agreement or the supplementary agreement regarding additional contributions to the portfolio (hereinafter - supplementary agreement) the client has not deposited any funds and/or securities portfolio with the financial brokerage firm, the Agreement or the supplementary agreement shall set forth the obligation of the client to deposit the funds and/or the portfolio with the financial brokerage firm within the specified time limits and file the confirmation of the deposit in writing or instruct the financial brokerage firm to submit such notice.
- 7.6. In the case specified under item 7.5. of this Rule the Agreement shall be concluded with condition upon which the Agreement becomes effective, i.e. it shall come into force only when the Firm receives the notification on deposit of client's funds and/or securities with the financial brokerage firm.
- 7.7. The client has a right to indicate to the Firm the financial brokerage firm referred to in item 7.1. or instruct the Firm to select the financial brokerage firm or recommend it. Where the Agreement includes the latter provision, the Agreement shall additionally indicate whether in the course of the last year the Firm has taken any actions to refer its clients to one (or several) financial brokerage firm(s). If that is the case, the Agreement shall enumerate such actions and the benefit derived by the clients of the Firm as a result of such actions.
- 7.8. Upon instructing the Firm to select or recommend a financial brokerage firm, the client has a right to specify in the Agreement the requirements to the intermediation services rendered by the financial brokerage firm.
- 7.9. The Agreement shall provide for a permission or prohibition imposed to the Firm to pay the financial brokerage firm above the best market price for intermediation services.
- 7.10. When the client himself concludes the agreement with the financial brokerage firm (not the Firm representing the client), requirements specified under items 7.7.-7.9. shall not be applied to the Agreement.

8. Statements

- 8.1. The Firm shall, within the terms and in the manner provided for in the Agreement, but no less frequently than once a month, submit to the client the securities portfolio statement, which shall specify:
- 8.1.1. the average value of the portfolio during the accountable period;
 - 8.1.2. all operations executed with the client's securities portfolio, including realization of rights attaching to the securities and payment of fees to the Firm and the financial brokerage firm.

- 8.2. The Agreement shall also provide for the obligation of the Firm to file the annual statements to the clients on the activity of the Firm as well as its economic and financial indicators on a regular basis, and, upon the client's request, the semi-annual and quarterly statements.
- 8.3. The Agreement shall provide for the obligation of the Firm to submit upon the client's request (notwithstanding the established time limits) the statements referred to under items 8.1 and 8.2., and provide other information on the course of the implementation of the contract.
- 8.4. The Agreement may not provide for the client's obligation to pay for the statements provided by the Firm and the information specified in this Rule more than the fixed management fee.
- 8.5. The Agreement shall provide for the right of the client, upon receipt of his securities portfolio statement, present his claims to the Firm regarding the status of his portfolio. The Agreement shall also provide for the obligation of the Firm to produce an argued response to the client's claims within the time limits and in the manner set forth in the Agreement.

9. Other Services Rendered by an Investment Management and Consulting Firm

- 9.1. Where besides the management of his securities portfolio the client intends to use other services rendered by the Firm, the said services shall be clearly enumerated in the Agreement and thus segregated from other operations of portfolio management.
- 9.2. Other services rendered by the Firm:
- 9.2.1. Consultation of third parties in assessing the value of securities;
 - 9.2.2. Consultation of third parties in investment in securities, purchase and sale thereof;
 - 9.2.3. Announcement and publication of analytical research giving advise on the matters of investment;
 - 9.2.4. Other services which the Firm is not prohibited to render in accordance with the laws of the Republic of Lithuania, the corporate documents of the Firm, and the services rendering of which is not otherwise prohibited by laws.

10. Confidentiality

- 10.1. The Agreement shall provide for the obligation of the Firm not to disclose the client's confidential information to any third persons, except the information which was disclosed by the client himself or by his authorized persons.
- 10.2. The client has a right to notify the Firm in the Agreement or by a separate letter which information is confidential.

11. Payment of Fees to the Investment Management and Consulting Firm

- 11.1. The Agreement may establish only the following payment to the Firm for the management of the client's securities portfolio:

- 11.1.1. the fixed management fee, established at the day of concluding the Agreement; and
- 11.1.2. percentage of the client's proceeds from sale of securities, and dividends, interest and other income from investment, which shall not exceed 10% of all income of this type.
- 11.2. For other services provided by the Firm as specified under item 9.2. of this rule the client shall pay the fee set forth in the Agreement or on the basis of the current charges of the Firm. The client shall be familiarized with the charges of the Firm, which shall be confirmed by the client's signature.
- 11.3. The Agreement shall set forth the order and terms of payments of fees to the Firm with the following restrictions imposed:
 - 11.3.1. management fee shall be paid no less frequently than once a month;
 - 11.3.2. percentage from the client's proceeds may be paid only after the proceeds have been actually received.

12. Validity of the Agreement

- 12.1. Coming into effect and termination of the Agreement is set forth by the Civil Code of the Republic of Lithuania and items 7.5. and 12.2. of this Rule.
- 12.2. The Agreement shall set forth the following conditions of termination the Agreement:
 - 12.2.1. The client has a right to unilaterally terminate the Agreement at any time by way of written notice to the Firm.
 - 12.2.2. The Firm has a right to unilaterally terminate the Agreement by way of 14 days' of written notice to the client.
- 12.3. The client, having delivered to the Firm the notice referred to in the item 12.2.1. may also give a notice on the termination of the Agreement to the financial brokerage firm at which his securities portfolio and the funds are deposited, although this action is not an indispensable condition for the Agreement to be deemed terminated.
- 12.4. In the event the Securities Commission suspends or revokes the license issued to the Firm, the Agreement shall be deemed terminated.
- 12.5. From the moment of termination of the Agreement the Firm shall forfeit its right to act in the client's name, although the termination of the Agreement does not prevent the Firm from executing the orders that had been already placed in the client's name.
- 12.6. Upon the termination of the Agreement the Firm shall be prohibited from presenting any claims to the client, except the payment of fees due to the Firm for the period preceding the termination of the Agreement.
- 12.7. Upon the termination of the Agreement, the client may instruct the Firm to liquidate the portfolio (sell the securities comprising the portfolio). The Firm shall have no right to refuse to follow the instructions. Requirements set forth to the Firm upon liquidation of the portfolio shall be identical to those for the management of the portfolio.

13. Amendments to the Agreement

- 13.1. All amendments and supplements to the Agreement, all supplementary agreements and amendments and supplements thereof shall be executed in writing.
- 13.2. Upon changing the terms and conditions of portfolio management, the Firm shall notify all its clients whose portfolios the Firm manages about the changes.
- 13.3. When within 14 days from the receipt of the notification the client fails to notify the Firm in writing of his acceptance of the changed terms and conditions of the Agreement, the Firm shall have a right to terminate the Agreement.
- 13.4. When within 14 days from the receipt of the notification the client fails to notify the Firm of his acceptance of the changed terms and conditions of the Agreement, and the Firm fails to notify the client of the termination of the Agreement, the original Agreement shall remain in effect.

14. Liability

Liability for violations of the Agreement shall be set forth by laws of the Republic of Lithuania and other legal acts. The Firm shall not bear any liability for the losses inflicted to the client due to the fluctuations of the exchange rates and inflation provided the Firm has acted in compliance with the terms and conditions of the Agreement.

15. Settlement of Disputes

All disputes arising from interpretation or fulfilment of the Agreement which the parties fail to settle by mutual agreement, shall be settled in the courts of the Republic of Lithuania, with an exception of cases which the parties have agreed to be resolved by way of arbitration.

16. Portfolio Management Agreement with Foreign Persons

- 16.1. At concluding the portfolio management agreements with the foreign natural and legal persons, laws of the Republic of Lithuania shall be applied. The original text of Agreement shall be in the Lithuanian language, i.e. in the event of any discrepancies as to the interpretation of the Agreement, the Lithuanian version shall prevail.
- 16.2. Portfolio management agreements with foreign natural or legal persons may provide for extra payment for the services rendered by the Firm, or reimbursement of expenses related to servicing such clients.
- 16.3. In cases when portfolio management agreements are concluded with foreign legal or natural persons residing outside the Republic of Lithuania, the Firm may undertake an obligation to convert the foreign currency into Litas, the client assuming the risk related to fluctuation of exchange rates and the obligation to cover the expenses related to currency exchange.

17. Final Provisions

17.1. Firms which have been granted the licences to act as investment management and consulting firms prior to the enactment of this Rule, shall by _____, 1998 amend and supplement the securities portfolio management agreements (investment management agreements) in accordance with the requirements of this Rule and submit the same to the Securities Commission.

17.2. Having amended and supplemented the portfolio management agreements in accordance with the requirements of this Rule the Firms shall be obliged to suggest to the client whose portfolios they manage to amend the terms and conditions of the agreements in accordance with the requirements of this Rule.

Securities Lending Transactions (Securities Transfers)

Lending (transfers) of financial instruments may be of different types: secured and unsecured borrowings, repurchase agreements, options written or held, pledges or sales of the collateral, transfers of interest, etc.

Securities lending transactions are performed by transfer of securities. In the event of securities transfers, they shall be entered into another holder's account performing all necessary entries in the Central Securities Depository (the fact of sale, however, shall not be fixed).

The transfer of financial assets into custody of a management enterprise or a depository, the donation or contribution of financial assets or other similar actions shall not be deemed lending (transfer) of securities.

In securities lending a certain collateral is required, commonly cash. Other securities and standby letters of credit may also serve as a collateral. Their value must be slightly higher than that of the securities "borrowed". In the event the collateral is securities or other financial instruments, their value must be marked to market daily or even more often where necessary in order not to fall below the value of the securities transferred.

Lending (transfer) of securities may be of two types: (a) secured borrowing (transfer for the collateral), (b) securities lending (transfer) which meets the criteria of selling.

The type of securities lending (transfer) is chosen with regard to the conditions of the loan agreement. If the lender (transferor) reserves some control over the securities it transfers, the securities should be transferred for the collateral. If the lender (transferor) surrenders control over those assets to the borrower (transferee), the lender (transferor) should "sell" the securities he/she transfers, i.e. the transfer is accounted for as a sale for the amount equal to the value of the collateral.

Securities Lending Transaction for the Collateral (Secured Borrowing)

Securities lending transactions are usually concluded between financial brokerage firms or other financial institutions that need specific securities to cover a short sale or in other similar cases.

The securities loan agreement for the collateral shall entitle and obligate the lender (transferor) to repurchase or redeem transferred securities (financial assets) under the following conditions: (a) the assets to be repurchased or redeemed are the same or substantially the same as those transferred; (b) the lender (transferor) is able to repurchase or redeem them on substantially the agreed terms, even in the event of bankruptcy, i.e. the collateral is sufficient for the lender not to suffer a loss in the event of default by the transferee, (c) redeemable or repurchasable securities may be redeemed or repurchased at the easily determinable price.

In case of securities lending (transfer) for a collateral, the received collateral is recognized in the lender's financial statements, while the loaned securities are derecognized from the financial statements and entered as a borrower's liability.

The conditions of the agreement permitting, in certain cases, the lender may sell, repledge or otherwise transfer collateral held under a pledge. The accounting for collateral by the lender and the borrower depends on the rights that the result from the collateral agreement:

- (a) If (1) the lender, on the basis of the agreement, is permitted to sell or repledge the collateral and (2) the borrower does not have the right and ability to redeem the collateral on short notice, e.g., by substituting other collateral or terminating the agreement, then:
 - (i) the lender shall reclassify that asset and report that asset in its financial accounts separately, for example, as receivable securities;
 - (ii) the borrower shall recognize that collateral as its asset at its fair value, and also recognise its obligation to return it.
- (b) If the lender sells or repledges collateral with another lender (i.e. becomes the borrower itself) on terms that do not give it the right and ability to repurchase or redeem the collateral from the transferee on short notice and thus may impair the debtor's right to redeem it, the lender shall recognize the proceeds from the sale (repledge) of that collateral and its obligation return the asset to the extent it has not already recognized them.
- (c) If the borrower defaults under the terms of the secured lending agreement and is no longer entitled to redeem the collateral, it shall derecognize the collateral, and the lender (the secured party) shall recognize the collateral as its asset to the extent it has not already recognized it and evaluate at its fair value.
- (d) In the event the lending agreement does not grant the lender the right to dispose of the received collateral at his discretion, the borrower shall continue to carry the collateral as its asset, and the lender shall not recognize the pledged asset.

Securities Lending (Transfers) that Meet the Criteria of Sales

In securities lending (transfer) that is a sale the lender (transferor) surrenders all control over transferred securities. The collateral shall be accounted for in the same way as in the case of securities lending treated as a secured borrowing.

A lending (transfer) of securities in which the transferor surrenders control over those securities must be accounted for as a sale to the extent of the value of the collateral or the amount received in cash, i.e. securities must be derecognized from financial statements, the received cash recorded and forward repurchase commitment recognized in its financial statements. The borrower (transferee) must recognize the borrowed securities as its asset, derecognize the cash or other financial assets transferred as the collateral and record forward resale commitment. Such a "sale" is not reported to the Exchange.

This type of securities lending should meet the following conditions: (a) the transferred assets have been isolated from the transferor and its creditors, i.e. the creditors cannot make use of the transferred securities even in bankruptcy of the lender, (b) the borrower (transferee) obtains the right to pledge or sell it, (c) the transferor does not

maintain effective control over the transferred assets through an agreement to repurchase or redeem them before their maturity.

In any transfer of financial assets, the transferor may transfer the full or partial amount or cash flows received on their basis, etc.

Accounting for a Securities Lending Transaction

Securities Lending Transaction Treated as a Secured Borrowing

Lender (Transferor)

1. D Securities loaned
 K Securities
To reclassify securities into loaned securities
2. D Cash
 K Amount payable under securities loan agreement
To record cash collateral
3. D Off balance personal securities account
 K Off balance general securities account
To derecognize securities in off balance accounting
4. D Securities transferred under loan agreement
 K forward repurchase commitment
To recognize forward repurchase agreement in off balance accounting

Borrower (Transferee)

1. D Securities
 K Payable securities (obligation to return borrowed securities)
To record borrowed securities
2. D Amount receivable under securities loan agreement
 K Cash
To record transfer of cash collateral
3. D Off balance general securities account
 K Off balance personal securities account
To recognize securities in off balance accounting
4. D Receivable under securities loan agreement
 K obligation to return borrowed securities
To recognize forward return commitment of borrowed securities in off balance accounts

Securities Lending Transaction Treated as a Secured Borrowing

Lender (Transferor)

1. D Cash
 - K. Securities
 - K. Gain on sale of securities
 To recognize the sale of securities and gain
2. D Off balance personal securities account
 - K Off balance general securities account
 To derecognize securities in off balance accounts

Borrower (Transferee)

1. D Securities
 - K Cash
 To recognize borrowed securities
2. D. Off balance general securities account
 - K Off balance personal securities account
 To record securities in off balance accounts

Other Transactions with Securities

1. In the event of a cash loan when the collateral may not be sold or replighted:
 - D Amount receivable under loan agreement
 - K Cash
 To record transfer of the loan. No entries are made either in securities accounts or in the Central Securities Depository, yet their pledge may be confirmed by the notary.
2. Repurchase agreement is made, but the securities are not transferred to the borrower (transferee) of the securities but are in temporary custody of the Central (or some other) Securities Depository:
 - 2.1. D Cash
 - K Obligation under securities repurchase agreement
 To record borrowed cash
 - 2.2. D Off balance personal own or customer's securities account
 - K Off balance personal account of securities sold under repurchase agreement
 To reclassify securities in off balance account from own or client's securities into securities sold under repurchase agreement.
3. Reverse repurchase agreement is made, but the lender (transferor) of cash does not receive securities from the borrower (transferee) which are temporarily in custody of the Central (or some other) Depository.
 - D Amount receivable under reverse repurchase agreement
 - K Cash
 To record the cash loan. No entries in off balance securities accounts are made.

Amendments to the Law on Public Trading in Securities of the Republic of Lithuania

| Law on Public Trading in Securities | Amendments | Notes |
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| Art.2, par.8 investor means a natural or legal person who has acquired in its name or holds securities by the right of ownership | investor means a natural or legal person or <u>an enterprise which has not been granted the rights of a legal person</u> who has acquired in its name or holds securities by the right of ownership | Ministry of Finance (06.19.1997 and 09.30.1997): investor is a <u>natural or legal person or sole proprietorship</u> which has not been granted the rights of a legal person or a <u>partnership</u> who has acquired in its name or holds securities by the right of ownership. Bank of Lithuania (06.25.1997): investor is a natural or legal person or a person who has not been granted the rights of a legal person who has acquired in its name or holds securities by the right of ownership. <u>In the proposed amendments suggestions of the Ministry and the Bank were partly accepted</u> |
| Art.2, par.15 activities of a stock exchange means the activities whereby by technical and organisational means for the meeting (either directly or by using technical means) of persons intending to buy or sell securities or transfer them in any other manner | | Bank of Lithuania (06.25.1997): activities of a stock exchange means organising securities trading . <u>The proposal was rejected.</u> |
| Art.2, par.19 public trading in securities means offer, allotment or transfer of securities carried out through the intermediaries of public trading in securities and (or) by offering securities to the public through advertisements or in any other manner and (or) by offering securities to more than 50 persons. | Supplement: public trading in securities means offer, allotment or transfer of securities or offer to transfer securities carried out through the intermediaries of public trading in securities and (or) by offering securities to the public through advertisements or in any other manner and (or) by offering securities to more than 100 persons. | |
| Art.2, par.21 Ethics Code of the Intermediaries of Public Trading in Securities means a set of ethics rules intended for ensuring honest activities of brokerage firms, investment management and consulting firms, and brokers. | Amend and supplement: Ethics Code of the Intermediaries of Public Trading in Securities means a set of ethics rules intended for ensuring honest activities of intermediaries of public trading and brokers . | |
| Art.3, par.3 This Law shall regulate the issue and trading of securities which evidence the debt of the state and (or) are issued by the Bank of Lithuania, provided that its | | Bank of Lithuania (11.07.1997) proposed to amend this wording so that this Law or certain articles of this Law be not applied in |

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| <p>provisions do not contravene the laws and other legal acts regulating the issue and trading of these securities.</p> | | <p>case of issues and trading of securities which evidence the debt of the state, or that the order of its issue and trading be prescribed by the Government of Lithuania. <u>The proposal was not accepted.</u></p> |
| <p>Art.4,par.1,item2 2) according to the data of the end of the last day of the preceding business year the number of owners of at least one class of securities exceeded 50.</p> | <p>Amend: 2) according to the data of the end of the last day of the preceding business year the number of owners of at least one class of securities exceeded 100.</p> | |
| <p>Article 4 par. 5. The Securities Commission must within 30 days consider the documents filed for the purpose of securities registration and give a written response to the issuer. The Securities Commission shall have the right to request from the issuer additional information necessary to ensure the protection of the investors' interests, as well as to explain or revise the furnished data. In such a case the 30-day period specified herein shall be calculated anew from the moment additional information or explanations and amendments are submitted. If the data submitted by the issuer are not in conformity with the rules set by the Securities Commission or if the issuer refuses to present documents, data or explanations specified herein and in pars. 2 and 3 of this Article, the Securities Commission shall have the right to refuse registration of securities. The decision concerning the refusal of securities registration must be justified. Upon eliminating the specified deficiencies, the issuer may repeatedly file the documents for consideration. Documents filed repeatedly shall be considered according to the general procedure. The decision to refuse registration of securities may be appealed to court.</p> | <p>Article 4 par. 5. Supplement and change: The Securities Commission must within 30 days consider the documents filed for the purpose of securities registration, re-registration or withdrawal from registration and give a written response to the issuer. The Securities Commission shall have the right to request from the issuer additional information necessary to ensure the protection of the investors' interests as well as to explain or revise the furnished data. In such a case the 30-day period specified herein shall be calculated anew from the moment additional information or explanations and amendments are submitted. The Securities Commission shall have the right to refuse registration, re-registration or withdrawal from registration of securities if: 1) the data presented by the issuer are not in conformity with the rules set by the Securities Commission; 2) the issuer refuses to present documents, data or explanations specified herein and in pars 2 and 3 of this Article; 3) securities to be issued by the issuer, their type, class or nominal value are changed or securities are annulled in breach of this law, other laws of the Republic of Lithuania or resolutions of the Securities Commission. 6. The decision of the Securities Commission concerning the refusal of securities registration, re-registration or withdrawal from registration must be justified. Upon eliminating the specified deficiencies, the issuer may repeatedly file the documents for consideration. Documents filed repeatedly shall be considered according to the general procedure.</p> | |

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| | The decision to refuse registration, re-registration or withdrawal from registration of securities may be appealed to court. | |
| | Supplement Art.4 with a new par.7: 7. Upon registration of securities with the Securities Commission, the offering procedure and its terms indicated in the prospectus (memorandum) may be changed only with the permission of the Securities Commission. To change the price, nominal value, class or type of securities shall be forbidden. | |
| | Pars. 6 and 7 shall become pars. 8 and 9 accordingly. | |
| Article 5 par. 4. The Board of the accountable issuer must disclose to the general meeting which approves annual reports the data on all shareholders which, to its knowledge, have by the right of ownership or hold more than 5% of all votes. This information must state the full names of shareholders (names of enterprises), the number of shares held by each of them and the percentage of votes. The data must be submitted and announced as annexes to the annual prospectuses-reports. | Amend and supplement: The Board of the accountable issuer must disclose to the general meeting which approves annual reports the data on all shareholders which, to its knowledge, have by the right of ownership or hold more than 5% of all votes. This information must state the full names of shareholders (names of enterprises), personal codes (company register codes) the number of shares held by each of them and the percentage of votes. The data must be announced as annexes to the annual prospectuses-reports. | |
| Article 6 par. 1. The accountable issuer must no later than within 5 working days present to at least one national daily paper, the Securities Commission and the Stock Exchange an information report signed by its manager about every material event with the exception of events specified in par. 3 hereof. The information report must state the type and short description of the event. The title of the national daily paper in which information about stock events will be announced must be specified in the issuer's Statutes and the prospectus. | Supplement: The accountable issuer must no later than within 5 working days present to at least one national daily paper, the Securities Commission and the Stock Exchange an information report signed by its manager about every material event with the exception of events specified in par. 3 hereof. The information report must state the type and short description of the event. The title of the national daily paper in which information about stock events will be announced must be specified in the issuer's Statutes and the prospectus. The Securities Commission, taking into consideration the size of the issuer and the turnover of securities it has issued, may establish a shorter than 5 working days period to inform about a material event. | Bank of Lithuania (06.25.1997 and 07.11.1997) proposes that notification take place on the same or on the following business day. Ministry of Finance (12.12.1997) proposes to harmonise Art.6 with the EU Directives, <u>which was done.</u> |
| Art.6,par.4 Natural and legal persons who are aware of the information which has not been disclosed to the public, shall have no right to enter into transactions relative to | Amend: Persons who, by virtue of the exercise of their employment, profession or duties, possess inside information concerning material events , shall be | |

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| <p>securities until this information is disclosed following the requirements set forth in pr. 1 hereof.</p> | <p>prohibited from concluding a transaction with securities to which that information relates as long as that information is not publicly disclosed in the manner prescribed by paragraph 1 of this Article. The prohibition laid down in this paragraph shall apply to legal persons and enterprises that do not have the status of a legal person in the event that at least one manager of the enterprise, a person authorising the transaction on behalf of the enterprise or a controlling person of the enterprise.</p> | |
| <p>Prior to each material event the issuer must compile a list of persons which alongside with the executives of the issuer shall have the right to get to know such information prior to its public disclosure. It shall be assumed that the executives of the issuer always know information concerning material events. Persons, who by virtue of the positions occupied by them or for some other lawful reasons are aware of the stock event, shall be prohibited from informing other persons thereof until its public disclosure.</p> | <p>5. Persons who possess inside information about material events prior to its public disclosure shall be also prohibited from:</p> <ol style="list-style-type: none"> 1) disclosing that inside information, either directly or indirectly, to any third party unless such disclosure is made in the normal course of the exercise of his regular employment duties or as the compulsory order from the authorised person; 2) recommending or procuring a third party, on the basis of that inside information, to conclude transactions with securities. | |
| <p>Art.6, par.6 Persons who have concluded transactions with securities by making use of the information about material events not subject to disclosure shall be held liable under laws.</p> | <p>Amend: The prohibitions laid down in pars. 4 and 5 of this article shall apply to any person the direct or indirect source of inside information of which could be persons referred to in paragraph 4, or any person who acquires that information in the manner contradictory to the law.</p> | |
| | <p>Supplement Art.6, par.6 with new pars.7 and 8. 7. It shall be assumed that managers of the issuer always possess inside information about the issuer's material events. Prior to any planned material event or a material event that depends on the decision of the managing bodies, the accountable issuer must make a list of persons who, alongside with the managers of the issuer, shall have the right to learn that inside information before its public disclosure. It shall be assumed that these persons and persons associated with them and with the managers of the issuer referred to in paragraph 1 of Article 9 also possess the inside information about material events.</p> | |

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| | 8) Persons having concluded transactions with securities on the basis of that inside information they possess, or having recommended or procured a third party to conclude a transaction with securities and / or having disclosed the inside information to any third party, shall be liable in the manner prescribed by law. | |
| Art. 8, par.2 Secondary public trading in securities must be carried out on the stock exchange if: 1) the authorised capital of the issuer whose securities are listed is not less than 1 million litas; 2) the securities are on the Official List of the Stock Exchange compiled in accordance with the procedure established in Chapter 5 of this Law. | Change by the following wording: The Securities Commission, taking into account the size of the issuer and the trading volume of its securities, shall establish, supplement and change the list of issues, the secondary trading of which must be carried out on the stock exchange. | Bank of Lithuania (06.25.1997) proposed to delete the provision about mandatory trading on the exchange. <u>The proposal was rejected.</u> Ministry of Finance did not agree with the provision of the mandatory listing of shares on the exchange. <u>The proposal was accepted.</u> |
| Article 9 par.1. A natural or legal person who, acting independently or in concert with other persons, acquires shares of an accountable issuer registered in the Republic of Lithuania which award him in excess of 1/10, 1/5, 1/3, 1/2, or 2/3 of votes must, within 15 days from the moment the relevant limit is exceeded, inform the Securities Commission and the issuer about the total number of shares of this issuer belonging to him. The provisions shall also apply in cases where the specified limits are exceeded in the diminishing order. | Amend: A natural or legal person who, acting independently or in concert with other persons, acquires shares of an accountable issuer registered in the Republic of Lithuania which award him in excess of 1/10, 1/5, 1/3, 1/2, or 2/3 of votes must, within 7 days from the moment the relevant limit is exceeded, inform the Securities Commission and the issuer about the total number of voting shares and votes belonging to him. The provisions shall also apply in cases where the specified limits are exceeded in the diminishing order. For the purposes of par. 1 of this Article persons acting in concert shall mean: 1) assigner and assignee (proxy) when the assignee has the right to realise votes at his discretion; 2) controlling and controlled persons; 3) persons who have agreed in writing to pursue common policy with regard to the management of the issuer; 4) persons one of which transfers his voting right to another to vote at the latter's discretion; 5) managers of the issuer; 6) spouses. | |
| Article 9, par. 4. As used in the Law, such persons shall be considered as acting in concert who have agreed in writing to pursue common policy with regard to the issuer when disposing of property and non-property rights attaching | Substitute by: The voting rights held by persons acting in concert shall be established by the Securities Commission. | |

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| <p>to the shares. It shall be deemed that such an agreement always exists without written confirmation between:</p> <ol style="list-style-type: none"> 1) the executives of the issuer, with the exception of persons who are not members of the managing bodies of the issuer; 2) the issuer and the subjects controlled by it; 3) the subjects which are controlled by the same persons; 4) spouses, parents and their children, brothers and sisters. | | |
| <p>Article 10, par.2. Tender offers to acquire shares of accountable issuer may be mandatory and voluntary. If a person, acting independently or in concert with other persons, acquires more than 50% of votes at the general meeting of shareholders of the issuer who has issued securities into public trading, he must submit a tender offer to buy up the remaining shares at the price stated in the offer. This price shall be registered with the Securities Commission and it must not be less than the weighted average of prices of the shares, which the bidder acquired over a year before exceeding the 50 % limit.</p> | <p>Article 10, par.2. Amend: Tender offers to acquire securities of accountable issuer may be mandatory and voluntary. If a person, acting independently or in concert with other persons, acquires more than 50% of votes at the general meeting of shareholders of the issuer who has issued securities into public trading, he must submit a tender offer to buy up the remaining securities of the issuer granting the voting right and securities evidencing the right to acquire the securities mentioned above at the price stated in the offer. This price shall be registered with the Securities Commission and it must not be less than the weighted average of prices of the securities the bidder acquired over a year before exceeding the 50 % limit.</p> | <p><i>securities account</i></p> <p><i>W. J. H.</i></p> |
| <p>Art. 10, par.3 Tender offers shall be registered and the rules for their submission and execution shall be established by the Securities Commission</p> | <p>Supplement Article 10 with a new par. 3: 3. A person acting independently or persons acting in concert shall lose their voting rights at the general meeting of shareholders from the moment the limit of 50% set forth in par. 2 of this Article is exceeded till the registration of the tender offer with the Securities Commission. Par.3 shall become par.4 and run as follows: Tender offers shall be registered and the rules for their submission and execution shall be established by the Securities Commission, taking into consideration the size of the issuer and the turnover of its securities. The Securities Commission shall have the right to establish exemptions when, after the limit of 50% set forth in par. 2 of this Article is exceeded, the tender offer requirement is not applied.</p> | |
| <p>Art. 12, par.2, items 1,2,4,5,7,8, and 9 Brokerage firms may engage in the</p> | <p>Supplement: 2. Brokerage firms may engage in the</p> | |

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| <p>following activities:</p> <p>1) act as intermediaries in public trading in securities, being members of one or several stock exchanges or in any other manner not prohibited by laws.</p> <p>2) buy or sell securities in their own name or on behalf of their clients and with their own or their clients' funds in compliance with the provisions set forth in Article 13 of this Law;</p> <p>4) manage their clients' investment portfolios and funds allocated for operations with securities;</p> <p>5) hold the securities of their clients in safekeeping;</p> <p>7) under an agreement with the issuer, arrange and carry out the issue of its securities;</p> <p>8) conduct the accounting of the securities of issuers and investors;</p> <p>9) in accordance with the regulations approved by the Securities Commission, loan securities to the clients as well as their own funds for the acquisition of securities.</p> | <p>following activities:</p> <p>1) act as intermediaries in public trading of securities by:</p> <ul style="list-style-type: none"> - buying and selling securities in their own name and in the name of their clients; - managing securities portfolios of their clients (except managing securities portfolios of investment companies and pension funds) and cash for operations with securities; - under the agreement with the issuer, offering its securities and underwriting securities issues; <p>2) buy and sell securities in their own name and for their own account;</p> <p>3) advise investors on the prices of securities and other issues of investing into securities and their selling and purchasing;</p> <p>4) advise issuers on securities issues and attraction of investments;</p> <p>4) shall be deleted;</p> <p>1) safe custody of their clients' securities;</p> <p>7) shall be deleted;</p> <p>8) conduct the accounting of the securities of issuers and investors as well as the accounting of securities acquired in their own name;</p> <p>9) in accordance with the regulations approved by the Securities Commission, loan securities to the clients as well as their own funds for the acquisition of securities and borrow securities from their clients.</p> | |
| <p>Art. 12, par. 4</p> <p>Brokerage firms shall have the right to establish subsidiaries only for carrying out or servicing the activities provided for in items 3 through 8 of par. 2 hereof. Brokerage firms shall be prohibited from establishing subsidiaries for carrying out activities not specified in this part.</p> | <p>4. Brokerage firms shall have the right to establish subsidiaries. Subsidiaries of a brokerage firm shall have the right to engage only in the activities specified in indents two and three of item one of par. 2 of this article and in items 3 through 6. These firms shall not be subject to the prohibition set forth in indent 2 of item 1 of par. 2 of this article to manage securities portfolios of investment companies or pension funds. Brokerage firms shall be prohibited from establishing subsidiaries for carrying out activities not specified in this paragraph.</p> | |
| <p>Article 13, par. 1.</p> <p>1. Brokerage firms must conduct separate accounting of their own securities and the securities and cash funds of their clients.</p> | <p>Art. 13, par. 1</p> <p>1. Brokerage firms must conduct separate accounting of their own securities and the securities and cash funds of their clients. A client's securities, cash that a client transfers</p> | <p>The proposed provision of the second sentence may be applied only after respective amendments to the Bankruptcy Law are adopted. <u>Rejected.</u></p> |

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| | <p>to the brokerage firm for the purchase of securities, and the proceeds that are received by the brokerage firm after the sales of the client's securities is an exclusive benefit of the client and cannot be used to collect the debts of a financial brokerage firm. The cash of all clients of a financial brokerage firm shall be deposited in a separate clients' cash account in the bank, which is opened by the financial brokerage firm in its own name. A client's cash and securities accounts shall be serviced on the basis of the agreement drawn between the financial brokerage firm and its client.</p> | |
| <p>Art. 13, par. 4 A brokerage firm may carry out security transactions on its own account only after the execution of the orders of all its clients to perform this operation or if it offers better terms than the client: higher price when there is an order to buy, or lower price when there is an order to sell them.</p> | <p>Supplement: A brokerage firm may carry out security transactions on its own account only after the execution of the orders of all its clients to perform this operation or if it offers better terms than the client: higher price when there is an order to buy, or lower price when there is an order to sell them, unless the trading rules of the exchange provide otherwise.</p> | |
| <p>Art. 13, par. 6 Brokerage firms must comply with the capital adequacy requirements approved by the Securities Commission as well as keep accounting and other documents according to the rules approved by the Commission, present to their clients documents certifying securities transactions, statements of accounts, and reports of their financial position, keep the securities of their clients, prepare annual and periodical reports on their activities and financial position.</p> | <p>Supplement: Brokerage firms must comply with the capital adequacy requirements approved by the Securities Commission as well as keep accounting and other documents according to the rules approved by the Commission, present to their clients documents certifying securities transactions, statements of accounts, and reports of their financial position, keep the securities of their clients, prepare annual and periodical reports on their activities and financial position as well as comply with other legal acts regulating their activities.</p> | |
| <p>Art. 13, par. 7 In buying or selling securities, consulting on the issues of their trading, as well as providing portfolio management services, a brokerage firm shall be represented by a broker who has passed qualifications exams organised by the Securities Commission or who has some other qualifications certificate recognised by the Commission.</p> | <p>Amend and supplement: In buying or selling securities, consulting on the issues of investing in securities, providing portfolio management services as well as carrying other activities set forth by the Securities Commission a brokerage firm shall be represented by its employee who has the broker's licence provided for in Article 17 of this Law or other qualification certificate recognised by the Securities Commission.</p> | |

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| <p>Art. 15, par. 1 Management contracts under which an investment management and consulting firm is authorised to manage an investment portfolio must be executed in writing in compliance with the rules set by the Securities Commission. A copy of such contract must be presented to the brokerage firm in which securities referred to in the contract are deposited. If a brokerage firm accepts orders from an investment management and consulting firm which are not in compliance with management contract, both firms shall be jointly liable for the consequences.</p> | <p>Management contracts under which an investment management and consulting firm is authorised to manage an investment portfolio must be executed in writing in compliance with the rules set by the Securities Commission. A copy of such contract must be presented to the brokerage firm or to other persons who, in the manner prescribed by this Law, have the right to manage securities accounts of persons, in which securities referred to in the contract are deposited. If a brokerage firm accepts orders from an investment management and consulting firm which are not in compliance with management contract, both firms shall be jointly liable for the consequences.</p> | |
| | <p>Supplement Article 17 with a new par. 4: Brokers in their activities must comply with this Law and other legal acts of the Republic of Lithuania, rules and regulations and the Ethics Code of intermediaries of public trading in securities. They shall be prohibited from acquiring securities which are listed on the trading lists of the Stock Exchange in their own name outside the Stock Exchange, unless these securities are inherited by them or these securities were acquired during liquidation and reorganisation of enterprises or these securities were acquired while realising their pre-emptive rights as shareholders</p> | <p>Ministry of Finance (12.12.1997): <u>the supplemented provision restricts brokers' possibilities of participating in the OTC trading, which is unacceptable.</u> <u>????????????</u></p> |
| <p>Art. 20, par. 2(1): The Stock Exchange is a non-profit specialised enterprise registered in the Republic of Lithuania, which is engaged only in the activities of a stock exchange.</p> | <p>Supplement and change: The Stock Exchange is a self-regulatory public company registered in the Republic of Lithuania, which is engaged only in the activities of a stock exchange. Its activities shall be regulated by the Company Law of the Republic of Lithuania in as much as its provisions do not contradict this Law.</p> | <p>Ministry of Finance (09.30.1997) did not agree to the reorganisation of the stock exchange into a public company. <u>Rejected.</u> Ministry of Finance also proposed to delete the words 'self-regulatory'. <u>Accepted.</u> Ministry of Finance proposed to delete the word 'only'. <u>Rejected.</u></p> |
| <p>Article 20, par. 2, item 2. Its purpose is: 2) to organise trading in securities, their listing, quotation, safe and efficient transactions and settlement.</p> | <p>Supplement: Its purpose is: 2) to organise primary public trading and trading in securities, their listing, quotation, safe and efficient transactions and settlement.</p> | |
| | <p>Amend: The stock exchange may issue only ordinary registered shares. The name of the Exchange must contain</p> | <p>Ministry of Finance (06.19.1997 and 09.30.1997) did not agree to an earlier proposal to</p> |

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| <p>Art.20, par.3</p> <p>The authorised capital of the Exchange shall be divided into equal parts represented by shares not entitled to dividend. The Exchange is a legal entity and has its name, seal, and a bank account. The name of the Exchange must contain the words <i>vertybinių popierių birža</i> (stock exchange) (or the acronym VPB). The name of the stock exchange must meet the requirements of the regulations of the names of enterprises, offices and organisations approved by the Government. Disputes concerning the name of the Exchange shall be settled in court.</p> | <p>the words <i>vertybinių popierių birža</i> (stock exchange) (or the acronym VPB). Shares of the Exchange may be listed on the Exchange.</p> | <p>expand the number of enterprises holding the Exchange shares including "enterprises, the activities of which are directly related to the securities market". <u>Restrictions on transfer of the Exchange shares were rejected.</u> Ministry of Finance (12.12.1997) proposes: The stock exchange may issue only ordinary registered shares. The name of the Exchange must contain the words <i>vertybinių popierių birža</i> (stock exchange) (or the acronym VPB). <u>Accepted.</u></p> |
| <p>Article 20, par. 4.</p> <p>The Exchange is a limited liability firm. It shall be liable for its obligations to the extent of all its property. Shareholders shall be liable for its obligations only to the extent of the amount that they must pay as their contributions to the authorised capital. Contributions to the authorised capital shall be represented by registered shares not yielding dividend, which entitle to participate in the trading and management of the Stock Exchange. One share in the stock exchange shall carry one vote. Stock exchange shares may be acquired only by brokerage firms, commercial banks which have been licensed in the manner prescribed by this Law to carry out operations in securities, the Ministry of Finance of the Republic of Lithuania and the Bank of Lithuania.</p> | <p>Delete par.4. Replace paragraph 4 with a new text: 4. A shareholder of the Exchange, except the Ministry of Finance and the Bank of Lithuania, may not have more than 5% of votes at a general meeting of shareholders of the Exchange.</p> | <p>The deletion was proposed by the Ministry of Finance. <u>Accepted.</u></p> |
| <p>Art.20, par.5</p> <p>A shareholder of the Stock Exchange, upon terminating his activities as an intermediary in public trading in securities, must, no later than within 30 days sell the share of the Stock Exchange held by him to another person entitled to be a shareholder of the Exchange. If he fails to sell the share within the specified period, the shareholder must address the Stock Exchange which shall mediate in selling the share held by him at the market price ruling at the moment. In the event of failure to sell the share within a year's period, the Stock Exchange shall repurchase it at its nominal value. The shares of the Stock Exchange repurchased by it may account for no more than 10% of its authorised capital.</p> | <p>Delete Art.20, par.5</p> | |

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| <p>Art. 20, par. 6: One shareholder, with an exception of the Ministry of Finance of the Republic of Lithuania and the Bank of Lithuania, may hold more than one share of the Stock Exchange.</p> | <p>Delete par. 6.</p> | |
| <p>***Art.20, par. 7, item 1: 7. The Stock Exchange shall have no right to acquire securities in its own name except in cases when: 1) the Stock Exchange repurchases its own shares for reasons provided in par. 5 hereof;</p> | <p>This par. shall become a par. of Art.5. Delete item 1, and items 2 and 3 shall become items 1 and 2 respectively, supplement with new item 3: 3) Funds of the Guarantee Funds are used in accordance with the rules approved by the Securities Commission.</p> | <p>Ministry of Finance 91997.06.19. and 1997.09.30), the Bank of Lithuania (1997.06.25), the Legal Department (1997.05.23.) proposed to delete item 1. <u>Taken into consideration.</u> <u>Ministry of Finance does not approve of the previous wording.</u> <u>Taken into consideration.</u></p> |
| <p>***Art.21, par.1 and 2: 1.Stock Exchanges may be founded only on the decision of the Government: 2. The founders of the Stock Exchange may be natural or legal persons, <i>who meet the requirements of par.4 of Art.20 of this Law</i> and who have concluded the founding agreement in a notarised form.</p> | <p>*** Change: 2. The founders of the Stock Exchange may be natural or legal persons, and who have concluded the founding agreement in a notarised form.</p> | <p><u>Changing of par.1 was refused on the proposal of the Ministry of Finance</u></p> |
| <p>*** Art.21, par.5: The Statute of the Stock Exchange must contain the following data: 5) the competence of the meeting of the Exchange <i>members</i>, the procedure for calling the meeting and adopting decisions as well as conditions of invalidity thereof;</p> | <p>*** Amend: The Statute of the Stock Exchange must contain the following data: 5) the competence of the meeting of the Exchange shareholders, the procedure for calling the meeting and adopting decisions as well as conditions of invalidity thereof;</p> | |
| <p>Art. 21, par. 10: The Board of the Exchange shall lodge with the Commission an application for registration of the Exchange: 2) after the statutory meeting of <i>shareholders</i> has been held;</p> | <p>***Amend: The Board of the Exchange shall lodge with the Securities Commission an application for registration of the Exchange: 2) after the statutory meeting of shareholders has been held;</p> | |
| <p>***Art.22: Members of the Stock Exchange 1. The shareholders of the Stock Exchange shall be called its members. Only persons</p> | <p>Art. 22: Shareholders and members of the Stock Exchange 1. Rights and duties of the shareholders of the Stock Exchange, which are not provided for by this law, shall be set</p> | <p><u>Ministry of Finance (1997.12.12.) has proposed to change the concepts of the member of the Stock</u></p> |

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| <p>specified in par.4 of Article 20 of this Law may be members of the Stock Exchange, with the exception of cases provided for in par.3 of Article 41.</p> <p>2. Members of the Stock Exchange shall have the following rights:</p> <p>1) to participate in the management of the Exchange and to obtain information concerning the activities and financial position thereof;</p> <p>2) to take part in the trading of the Exchange upon being issued the licence of the Securities Commission in accordance with the procedure established by this Law.</p> <p>3) to make use of the services offered by the Exchange.</p> <p>3. When realising his rights and performing his obligations on the Exchange, a member of the Stock Exchange must comply with this Law and the rules of the Stock Exchange.</p> | <p>forth by the Company Law of the Republic of Lithuania and the By-laws of the Stock Exchange.</p> <p>2. Shareholders of the Stock Exchange upon being issued the licence of the Securities Commission and having fulfilled other conditions set forth in the trading rules of the Stock Exchange, shall become a member of the Stock Exchange and participate in trading at the Stock Exchange.</p> <p>3. Trading rules of the Stock Exchange shall set forth the rights and duties of the members of the Stock Exchange, the list of violations of the Stock Exchange trading rules and sanctions imposed for violations of the rules. When realising his rights and performing his obligations on the Exchange, a member of the Stock Exchange must comply with this Law and the rules of the Stock Exchange.</p> | <p><u>Exchange and the shareholder.</u> <u>Taken into consideration</u></p> |
| <p>Art.22, par.4: In the case when a member of the Exchange violates the rule regulating the activities of the Exchange the Board of the Exchange shall have the right to suspend for up to three months his right to take part in the trading of the Exchange. The list of such violations shall be presented in the rules of trading of the Exchange. The decision concerning the suspension of the member's participation in the trading of the Exchange shall be adopted by a 2/3 vote of all the members of the Exchange Board. If the member of the Exchange who has violated the rules regulating the activities of the Exchange (either directly or through his representatives), the Board of the Exchange may suspend his powers for the above-specified period or remove the member from the managing bodies. The sanctions provided for in this item may also be imposed on the brokerage firms operating</p> | <p>Delete par. 4.</p> | |

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| on the Exchange which are not members of the Exchange. | | |
| <p>Art. 22, par.5: If a member of the Exchange repeatedly commits violations specified in this Law, the Board of the Exchange may, on the decision of ½ of all the Board members, propose to the general meeting of the Exchange members (hereinafter referred to as the general meeting) to expel such a member from the Exchange suspending until the meeting the member's rights to participate in the trading on the Exchange. The Board of the Exchange shall suspend for the period the member's (his representative's) powers to take part in the management of the Exchange.</p> | Delete par. 5 | |
| <p>Art. 22, par.6: <i>A natural or legal person who is expelled from the Exchange shall not be returned his contribution into the authorised capital of the Exchange, and the share owned by him shall be either sold to another intermediary in public trading in securities who aspires for membership of the Exchange, or cancelled. The losses inflicted on the Exchange by the expelled member shall be recovered in accordance with the procedure established by laws of the Republic of Lithuania.</i></p> | Delete par. 6. | |
| <p>Art.22, par. 7: The member of the Exchange may appeal to court against the decisions of the Board of the Exchange and the general meeting concerning the suspension of termination of membership. The filing of the appeal shall not reverse the decision of the board of the Exchange or the general meeting.</p> | Delete par. 7. | |
| <p>***Art. 22, par. 8: The Statute of the Exchange may also provide for other</p> | *** Delete par. 8. | |

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| rights and obligations of the Exchange members provided that they are in compliance with the effective laws. | | |
| <p>***Art. 24, par. 1.</p> <p>The authorized capital of the Exchange shall be formed from cash and property (non-monetary) contributions of its founders and <i>members</i> (shareholders).</p> | <p>*** Amend:</p> <p>The authorized capital of the Exchange shall be formed from cash and property (non-monetary) contributions of its founders and members.</p> | |
| <p>*** Art. 24, pars.3-6</p> <p>3. The profit of the Exchange shall consist of its revenues less its expenditures. The received profit shall be distributed into:</p> <p>1) the profit reserve of the Exchange used for purchasing fixed assets and for expanding and improving the activities of the Exchange ;</p> <p>2) the mandatory reserve of the Exchange used for covering losses;</p> <p>3) the annual payments (honorariums) which may account for no more than 1/10 of the annual net profit of the Exchange.</p> <p>4. The authorized capital of the Stock Exchange may be increased only by issuing additional shares.</p> <p>5. It shall be prohibited to increase the authorised capital of the Exchange from the mandatory reserve, profit reserve or other reserves of the Exchange. A permission must be obtained for making any changes in the authorised capital.</p> | <p>*** Amend par.3:</p> <p>The procedure for profit appropriation shall be set forth in the by-laws of the Stock Exchange. No less than 50% of the profit received shall be transferred to the reserve funds for the development of the infrastructure, and no more than 20% shall be used to pay bonus shares and dividends.</p> <p>Delete par. 4</p> <p>4. A permission must be obtained for making any changes in the authorised capital.</p> <p>Par.6 shall become par. 5.</p> | <p>MF proposes that changes regarding the profit appropriation be discussed.</p> |
| <p>Art. 25, Par.2 and 3:</p> <p>1. The proceeds from the Exchange activities may consist of:</p> | | |
| <p>1) fee for the registration of the Exchange transactions</p> <p>2) annual membership fee</p> | <p>1) payment for the registration of the transactions of the Stock Exchange</p> <p>2) annual payment of the member of the Stock Exchange for permission to trade.</p> | <p>Approved: Proposal of the Ministry of Finance to replace the word "fee" by the word "payment"</p> <p>The Ministry of Finance did not approve (1997.06.19 and 1997.09.30) of amendments to this</p> |

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| <p>3) fee for obtaining the Stock Exchange listing</p> <p>4) fee for the training of the participants of the Stock Exchange</p> <p>5) fee for the fitting out of the work places and use thereof:</p> <p>6) fee for information and communications services.</p> <p>7) fee for attending the Exchange without the right to participate in the trading on the Exchange</p> <p>8) income from publishing and advertising activities relative to securities</p> <p>2. Specific amounts of fees and payments provided for in part 1 hereof shall be determined by the Board of the Exchange upon the co-ordination thereof in advance (prior to their coming into effect) with the Securities Commission.</p> | <p>3) payment for obtaining the Stock Exchange listing and annual payment for quoting of securities</p> <p>4) payment for the training of the participants of the Stock Exchange</p> <p>5) payment for the fitting out of the work places and use thereof:</p> <p>6) payment for information and communications services.</p> <p>7) payment for attending the Exchange without the right to participate in the trading on the Exchange</p> <p>8) income from publishing and advertising activities relative to securities</p> <p>2. Specific amounts of payments and payments provided for in part 1, items 1-3 hereof shall be determined by the Board of the Exchange upon the co-ordination thereof in advance (prior to their coming into effect) with the Securities Commission.</p> | <p>article. <u>Ignored.</u></p> |
| <p>3. Other payments for the services provided by the Exchange may be prescribed only upon obtaining permission from the Securities Commission.</p> | <p>Other payments specified in par.1 of this article for the services provided by the Exchange may be prescribed only by the Board of the Stock Exchange.</p> | <p>MF does not approve of the amendments to par. 3. (1997.12.12). <u>Ignored</u></p> |
| <p>Art. 26. Par.2,3,4,</p> <p>2. The Stock Exchange may have two trading lists - the Current List and the Official List.</p> <p>3. Securities shall be included in the Current List of the Stock Exchange on the decision of the Board of Exchange, pursuant to the application of the issuer of securities or the brokerage firm. Appended to the application must be the prospectus and the annual prospectus-statement. If the application of the listing of securities is filed by the brokerage firm, it must additionally present a copy at least one order to buy or sell relevant securities.</p> <p>4. All securities registered with the Securities Commission may be included into the Current list of the Stock Exchange.</p> | <p>*** Supplement:</p> <p>2. The Stock Exchange may have the Current, the Official and other trading lists. The procedure for drawing up and managing the Current and other trading lists, conditions and procedure for suspension of trading in securities, delisting the securities shall be set forth by the trading rules of the Stock Exchange.</p> <p>Delete par 3 of Art. 26.</p> <p>4. All securities registered with the Securities Commission may be included into the lists of the Stock Exchange in</p> | |



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| <p>The Board of the Exchange shall have no right to refuse to include securities in the Current List of the Exchange, except in case when documents specified in par. 3 hereof are not presented or when such list is not compiled altogether. The issuer whose securities are included into the Current list of the Exchange must present to the Exchange, in accordance with the procedure and within the time period set by it, information concerning</p> <ol style="list-style-type: none"> 1) changes in the authorized capital (if the issuer is a public company) 2) changes in the nominal value or the amount of quoted securities ; 3) changing of the type or class of the quoted securities; 4) reorganization of the issuer, announcement of bankruptcy or liquidation proceedings. | <p>accordance with the requirements of the trading regulations of the Stock Exchange. The issuer whose securities are included into the lists of the Stock Exchange must present to the Stock Exchange, in accordance with the procedure and within the time period set by it, information required in accordance with other articles of this law.</p> | <p>MF (1997.12.12) did not approve of the proposal to delete par. 4. <u>Taken into consideration</u></p> |
| | <p>Supplement Art. 26. par.8 by new items 5 and 6. 8. The Stock Exchange may suspend, for no longer than a 3-months period, trading in securities which are on the Official list, if: 5). The issuer fails to fulfil the requirements of the trading rules, 6) it is requested by the issuer for reasons indicated in the trading rules of the Stock Exchange.</p> | |
| <p>*** Art. 26, par. 12. The procedure for furnishing information specified in par. 1 shall be established by the Securities Commission.</p> | <p>*** Art. 26, par. 12. The procedure for furnishing information specified in shall be established by the Securities Commission.</p> | |
| <p>Art. 26, par. 14: Brokerage firm, intending to conclude a transaction on the Stock Exchange must submit an order <i>in its name</i> and guarantee the payment of the securities or delivery thereof to the other party of the transaction.</p> | <p>Amend: Brokerage firm, intending to conclude a transaction on the Stock Exchange must submit an order and guarantee the payment of the securities or delivery thereof to the other party of the transaction.</p> | |
| <p>Art. 26. Par. 15 The Stock Exchange must form the Guarantee Fund which would help to improve the situation if one or several brokerage firms are not in the position to fulfil their</p> | <p>Amend: The Stock Exchange must form the Guarantee Fund which would help to improve the situation if one or several brokerage firms are not in the position to fulfil their obligations. The Guarantee Fund shall be composed of the deposits of</p> | |

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| <p>obligations. The Guarantee Fund shall be composed of the deposits of the intermediaries of public trading in securities. The rules of the Guarantee Fund formation and use shall be approved by the general meeting of the Exchange shareholders. The funds of the Guarantee Fund shall not be used to finance current expenditure of the Exchange. The Securities Commission shall have the right to determine minimum requirements for the amount and activities of the Guarantee Fund.</p> | <p>the members of the Stock Exchange. The rules of the Guarantee Fund formation and use shall be approved by the Securities Commission. The Guarantee Fund shall not be used to finance current expenditure of the Exchange. The Securities Commission shall have the right to determine minimum requirements for the amount and activities of the Guarantee Fund.</p> | |
| | <p>Supplement Art. 26 by new pars. 15 and 16: 15. It shall be prohibited to perform the following actions with a purpose to artificially increase or decrease the market price of the securities, procure other people to acquire or sell the securities and create an impression of active trading in the said securities: 1) transfer or acquire the securities; 2) disseminate false or incomplete information on the current and intended activities of the issuer, its financial status, transactions effected regarding transaction of his securities 16. The Stock Exchange is entitled to obtain information on the financial and economic activity of the issuer, inspect how intermediaries of public trading in securities active in the securities market comply with the requirements set forth in the trading regulations and other legal acts, and impose sanctions for violations committed.</p> <p>Par.15 of this Article 26 shall become par. 17.</p> | <p>MF will approve of par. 15 (1997 06 19 and 1997 06 30) provided criteria how to determine that by executing the selling-purchase transactions an attempt was made to artificially affect the market is provided . <u>Prohibitions on price manipulation laid down by the MF are very broad and need to be made more specific.</u> <u>Ignored</u> The Bank of Lithuania (1997 06 25) proposed to indicate what area of the activity of the commercial banks may be subject to the inspection by the Stock Exchange and what sanctions it is entitled to impose. <u>Partly taken into consideration</u></p> |
| <p>Art. 27, par. 2: The Stock Exchange shall be liquidated in the following cases: 1) <i>upon the development of a situation provided for in the Statute of the Exchange</i></p> | <p>1) the general meeting by a 2/3 majority vote and having obtained the consent of the Securities Commission in</p> | |

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| <p>2) the general meeting adopts a decision to liquidate the Exchange</p> <p>3) when the own assets of the Exchange are reduced to over 50% of the authorized capital of the Exchange.</p> <p>4) when the Securities Commission revokes the license to engage in the activities of the Stock Exchange</p> <p>5) when the registration of the Exchange is revoked by the decision of the court <i>or state institution</i></p> <p>3. Liquidating itself or suspending its activities, the Stock Exchange must immediately notify the Securities Commission thereof. At least one liquidator of the Exchange shall be appointed by the Securities Commission</p> <p>4) After settlement with creditors and payment of all taxes the assets of the Stock Exchange in liquidation, <i>upon deducting the value of the reserves specified in par. 5 hereof</i>, shall be proportionately distributed among its members-shareholders.</p> <p>5) The profit reserve of the Stock Exchange, mandatory reserves and other reserves approved at the general meeting of the Exchange shall be transferred to other non-profit organizations (enterprises) or the Lithuanian State Budget. Each member-shareholder of the Exchange shall have the right to indicate, within 3 months after the discharge of the Exchange liabilities, a non-profit organization (enterprise) to which the liquidators must transfer a portion of the Exchange reserves in proportion to its contribution. The amount of the reserves of the Exchange in liquidation that has not been transferred to other non-profit organizations</p> | <p>advance adopts a decision to liquidate the Exchange.</p> <p>2) when the Securities Commission revokes the license to engage in the activities of the Stock Exchange</p> <p>3) when the registration of the Exchange is revoked by the decision of the court.</p> <p>3. Liquidating itself or suspending its activities, the Stock Exchange must immediately notify the Securities Commission thereof. In cases specified in Par.2, item 2 the Securities Commission adopts a decision to liquidate the Exchange and appoints a liquidator. The liquidation procedure is carried out on the account of the Stock Exchange.</p> <p>4) After settlement with creditors and payment of all taxes the assets of the Stock Exchange in liquidation, shall be proportionately distributed among its members-shareholders.</p> <p>5) Delete par. 5.</p> | |
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| <p>(enterprises) shall be transferred to the Lithuanian State Budget in accordance with the procedure established by the Government of the Republic of Lithuania.</p> | | |
| <p>Art. 28, par. 1 first sentence All securities which may be an object of public trading shall be recorded by entries in the personal securities account opened in the name of the securities owners.</p> | <p>*** Supplement by a new sentence: The issuer shall open an account with the Central Securities Depository (hereinafter - Central Depository) for its shares registered with the Securities Commission no later than within 5 business days after the registration of the authorized capital, as well as its decrease or increase in the Enterprise Register. Accounts at the Central Depository for other securities shall be opened no later than within 5 business days after the registration of the securities with the Securities Commission. All securities which may be an object in public trading in securities, also conducting the primary public trading of securities, shall be recorded by entries in the personal securities accounts opened in the name of the securities owner.</p> | <p>Changes proposed by the FM contradict the provisions underlying the title of ownership, since for a certain period of time the ownership is undefined. Thus it is necessary to define when the public trading is allowed to be effected.</p> <p><u>Rejected.</u></p> |
| <p>Art. 28, par. 2. Issuers who issue securities into circulation or intermediaries of public trading (brokerage firms or banks) who are participants of the Central Securities Depository of Lithuania (hereinafter referred to as the Central Depository) operating in accordance with the procedure established by Article 29 of this Law shall have the right to open and manage personal securities account. In the event that the provisions of this Law concerning the operating of securities accounts both apply to issuers and public trading in securities, both shall be hereinafter referred to an account operators.</p> | <p>Art. 28, par. 2. Issuers who issue securities into circulation or intermediaries of public trading (brokerage firms or banks) who are participants of the Central Securities Depository of Lithuania (hereinafter referred to as the Central Depository) operating in accordance with the procedure established by Article 29 of this Law shall have the right to open and manage personal securities account. Personal securities accounts may be opened and operated with the Central Depository in the manner established by the Securities Commission. In the event that the provisions of this Law concerning the operating of securities accounts both apply to issuers and public trading in securities, both shall be hereinafter referred to an account operators.</p> | |
| <p>Art. 29, par. 1 The Central Securities Depository is a non-profit institution the main function of which is to conduct the general accounting of securities, prepare and implement the accounting</p> | <p>Supplement: The Central Securities Depository is a public company, a non-profit institution the main function of which is to conduct the general accounting of securities, prepare and implement the accounting system for securities book keepers,</p> | <p>MF (1997.09.30) does not approve the reorganization of the Central Depository into a public company.</p> |

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| <p>system for securities book keepers, execute their servicing and supervision.</p> | <p>execute their servicing and supervision. The Central Depository shall conduct its activities in compliance with this law and the by-laws approved by its shareholders. Provisions of the Company Law shall be applied to the Central Depository to the extent they do not contradict this Law.</p> | <p>Not accepted.</p> |
| <p>Art. 29, par. 2. The founders of the Central Depository are the Ministry of Finance of the Republic of Lithuania, the Bank of Lithuania and the National Stock Exchange of Lithuania. The founders of the Central Depository must provide conditions for all stock exchanges founded in accordance with the procedure established by this Law to become its co-owners, however, the shares held by the Ministry of Finance and the Bank of Lithuania must entitle them to at least 51 % of votes at the meeting of shareholders of the Central Depository. <i>The Central Depository shall operate in accordance with this Law and the bylaws approved by its owners.</i></p> | <p>Supplement and amend: The founders of the Central Depository are the Ministry of Finance of the Republic of Lithuania, the Bank of Lithuania and the National Stock Exchange of Lithuania. The founders of the Central Depository must provide conditions for all stock exchanges founded in accordance with the procedure established by this Law to become its co-owners, however, the shares held by the Ministry of Finance and the Bank of Lithuania must entitle them to at least 51 % of votes at the meeting of shareholders of the Central Depository. The Central Depository may issue only ordinary registered shares. No less than 50% of the profit gained shall be transferred to the reserves for the development of infrastructure, and no more than 20% of the profit gained shall be used to pay bonus shares and dividends.</p> | |
| <p>Art. 29, par. 2, items 3,4 and 10. The Central Depository shall perform the following functions: 3) Open securities accounts of account operators and operate them; 4) Ensure that during the carrying out of transactions in securities said securities be timely removed from the securities accounts of one account operator and placed to the securities account to another account operator. 10) issue the statement of securities account to the account operator.</p> | <p>Supplement and amend: The Central Depository shall perform the following functions: 3) Open securities accounts of account operators and, in the manner prescribed by the Securities Commission, personal (investors') accounts, and operate them; 4) Ensure that during the carrying out of transactions in securities said securities be timely removed from the securities accounts of one account operator or personal securities account and placed to the securities account to another account operator. 10) issue the statement of securities account to the account operator and investors. .</p> | <p>Bank of Lithuania proposed to delete item 11 (1997.06.25) <u>Taken into consideration.</u></p> |
| <p>Art. 29, par. 6:</p> | <p>Supplement Art. 29, par. 9:</p> | <p>MF (1997.12.12.) states that the concept</p> |

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| <p>The Securities Commission shall have the right to impose pecuniary penalties on:</p> <p>1) The issuers who have to register securities, pursuant to Article 4 of this Law but either avoid or refuse doing that - in the amount up to 10% of the total nominal value of the securities subject to registration;</p> | <p>The Securities Commission shall have the right to impose pecuniary penalties on:</p> <p>1) The issuers who have to register securities, open an account at the Central Depository pursuant to Article 4 of this Law but either avoid or refuse doing that - in the amount up to 10% of the total nominal value of the securities subject to registration.</p> | |
| | <p>Add new items 5 and 9:</p> <p>5) economic entities which failed to submit a tender offer - in the amount up to 100 000 LTL;</p> <p>Items 5, 6 and 7, of par.2 of Article 38 shall be parts 6, 7 and 8 accordingly.</p> <p>9) economic entities which violate the requirements of par.6 of Article 6 and par.15 of Art. 26, - up to the triple amount of the proceeds received illegally of up to 100 000 LTL.</p> | |
| <p>Art. 41, par. 4:</p> <p>Until the law regulating remuneration of employees of offices and organisations financed from the state budget is adopted, the Chairman of the Securities Commission shall be paid a salary of 4 average monthly wages. The deputy chairman shall be paid a salary lower than that of the Securities Commission Chairman by 15%, and other Commissioners - by 25%. <i>The Chairman of the Securities Commission, his deputies and other members of the Commission may not be paid any additional supplements and bonuses.</i> Wages of the administrative staff of the Securities Commission shall be set by the Chairman following the order of payment established by the Government Office.</p> | <p>Art. 41, par. 4:</p> <p>Until the law regulating remuneration of employees of offices and organisations financed from the state budget is adopted, the Chairman of the Securities Commission shall be paid a salary of 40 basic monthly wages. The deputy chairman shall be paid a salary lower than that of the Securities Commission Chairman by 15%, and other Commissioners - by 25%. By motion of the Ministry of Finances the Government sets forth cash bonuses equal to a monthly salary to be paid to the Chairman of the Commission, his Deputy and other members of the Commission. Wages of the administrative staff of the Securities Commission shall be set by the Chairman following the order of payment established by the Government Office.</p> | <p>The MF (1997.06.19) proposed a salary for the Chairman of the Commission of 6 average monthly wages.</p> |

The Legal Department: proposes to amend 23 articles out of the total 41. In the event more than half of the articles are amended, the law is then presented in a new wording, or a new law is to be drafted.

After some new discussions the number of articles subject to amendments mounted to 25, thus a decision has been passed to prepare anew wording of this law.

Information Dissemination

18. What sort of electronic dissemination mechanism is being sought? Is it to be two-way or just broadcast?
19. The choices for two-way communications are primarily VSAT and the telephone service. What is the availability and quality of those services in Lithuania?
20. The additional choices for broadcast are the Vertical Blanking Interval (VBI) of television and FM and other radio transmission. What is their availability, coverage and viability? If broadcast is used how would terminals (as opposed to intelligent workstations) be able to display on demand and how would they achieve dynamic update?
21. Can the requirement for charting and analytic capability be limited to intelligent workstations or must this service be available to terminals as well?

Communications

22. Why the insistence on dynamically updates of dumb terminals? This places an exceptional load on the central server or mainframe and on the communications facilities.
23. Will the system be entirely WAN-based or will a floor be supported?

Technology Platform

24. The Statement of Requirement suggests compatibility with systems in operation in the other Baltic States. What systems do they have?

Other Requirements

25. Will brokers be provided access to clearing and settlement via their trading system terminals and workstations?
26. What percentage of the required 60 to 100 simultaneous terminal connections would be terminal-based as opposed to workstation-based?



Automated Trading System

**Presentation on proposed Requirements to:
National Stock Exchange of Lithuania
by Bill Gorman**



Screen-Based Trading

The Stock Exchange of Lithuania is on the threshold of an irreversible transformation of the way its participants do business!

Let's review and vet the Requirements.



Bill Gorman 2

Trading System Requirements

- Automated Order-driven continuous trading
- Multi-instrument - stocks, bonds, other debt
 - Derivatives may be added in the future
- Multiple Limit Order Books
 - Public, Block, Odd-lot, Member
- Manual trading support

Bill Gorman 3

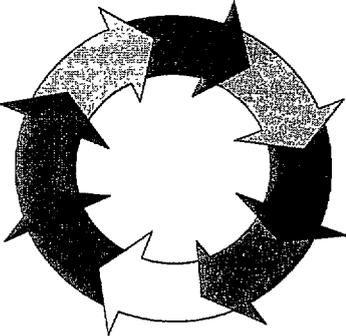
Market Operation

- Brokers enter orders at workstations *market limit*
- Computer keeps unexecuted buy & sell orders in an electronic "Limit Order Book"
- Orders are aggregated at each price
- The best bid and best offer prices for each security are published on a "real-time" basis
- The computer matches buy and sell orders and creates trades
- Orders are executed in price /time priority *price first time second*

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Market Segments

- Pre-opening
- Opening
- Continuous Trading
- Closing
- Post Close
- Primary Issuance
- Off-exchange Trading



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Opening Auction

- Pre-Open
 - Members enter orders accumulated since previous close (close)
- Open
 - System executes trades at that price at which the largest number of shares would trade
 - If two or more prices qualify, the price closest to the previous days close is chosen

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Automated Trading

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Order Processing</p> <ul style="list-style-type: none">• Order Entry• Order Validation• Trade Execution• Trade Reporting | <p>Order Types:</p> <ul style="list-style-type: none">• Markets & Limits• Opening Only• Day• GTC - Good unTil Cancelled• AON - All or None |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Bill Gorman 7

Order Books & Price Discovery

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>• Types of Order Books</p> <ul style="list-style-type: none">• Regular• Odd-Lot• Large Parcels (Blocks)• Member |  |
|  | <p>★ Price Discovery</p> <ul style="list-style-type: none">- Single Price Auction- Continuous Auction- Market-making |

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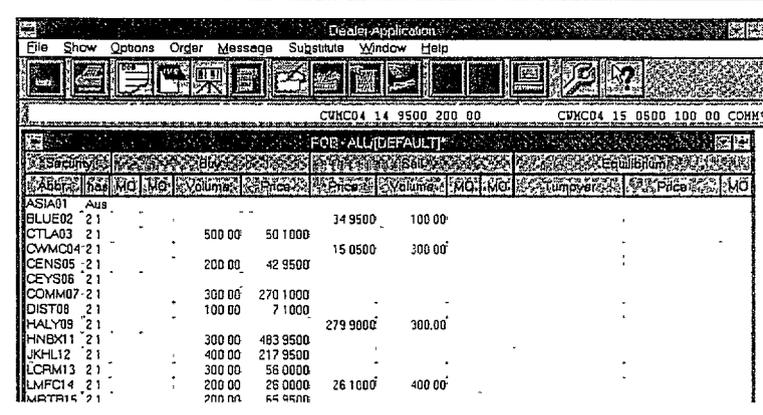
Limit Order Book

- In Order Driven systems, orders at a "Limit" price form the basis for trading
 - Limit orders are stored in an "electronic book" patterned after an old fashioned Specialist's (market maker /dealer) book
 - The Book provides market depth & liquidity
- Market Orders (i.e. buy or sell at the best price) are immediately executed (if possible)



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Order Book (example from Madras Stock Exchange)



The screenshot shows a window titled "Dealer Application" with a menu bar (File, Show, Options, Order, Message, Substitute, Window, Help) and a toolbar. Below the toolbar, there are two lines of data: "CWKC04 14 9500 200 00" and "CWKC04 15 0500 100 00 COMH". The main area displays a table with columns for various market parameters. The table title is "FOR ALL (DEFAULT)".

| Symbol | Qty | MO | MO | Volume | Price | Price | Volume | MO | MO | Empower | Price | MO |
|--------|-----|----|----|--------|----------|-------|----------|----|--------|---------|-------|----|
| ASIA01 | Aug | | | | | | 34 9500 | | 100 00 | | | |
| BLUE02 | 2 1 | | | 500 00 | 50 1000 | | | | | | | |
| CTLA03 | 2 1 | | | | | | 15 0500 | | 300 00 | | | |
| CWKC04 | 2 1 | | | 200 00 | 42 9500 | | | | | | | |
| CENS05 | 2 1 | | | | | | | | | | | |
| CEYS06 | 2 1 | | | | | | | | | | | |
| COMM07 | 2 1 | | | 300 00 | 270 1000 | | | | | | | |
| DIST08 | 2 1 | | | 100 00 | 7 1000 | | | | | | | |
| HALY09 | 2 1 | | | | | | 279 9000 | | 300 00 | | | |
| HNBX11 | 2 1 | | | 300 00 | 483 9500 | | | | | | | |
| JKHL12 | 2 1 | | | 400 00 | 217 9500 | | | | | | | |
| LCRM13 | 2 1 | | | 300 00 | 56 0000 | | | | | | | |
| LMFC14 | 2 1 | | | 200 00 | 26 0000 | | 26 1000 | | 400 00 | | | |
| LMTR15 | 2 1 | | | 200 00 | 64 9500 | | | | | | | |

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Order Entry (example from Madras Stock Exchange)

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Order Execution

- Traders view orders in the Book and can get an immediate execution against them
- Traders entering orders at better prices step to the front of the queue
- Orders are matched on a real-time basis
- Orders collected prior to the opening of trading are matched in a single-price auction
- Matching is by time within price preference
- In most systems Market Orders have priority
- Orders are time-stamped at every stage

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Trade Reporting

- **Buying Broker**
- **Selling Broker**
- **Clearing & Settlement**
- **Broadcast to Public**
- **Audit Trail**

- **Hardcopy Printouts & Computer-to-computer**



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Information Dissemination

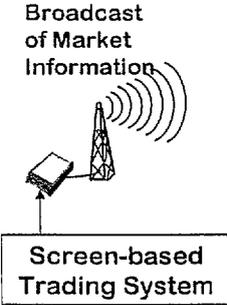
- **Ticker Broadcast - Stock (& indices), price, volume, Broker ID are provided real-time**
- **Audit Trails - The trading system provides transaction Audit Trails**
- **Historical Data - Available via online inquiry**
- **Manually entered Data - These are collected via paper, fax and phone. Ultimately these should be filed electronically**

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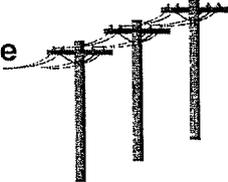
14

Market Data Broadcast

Broadcast of Market Information



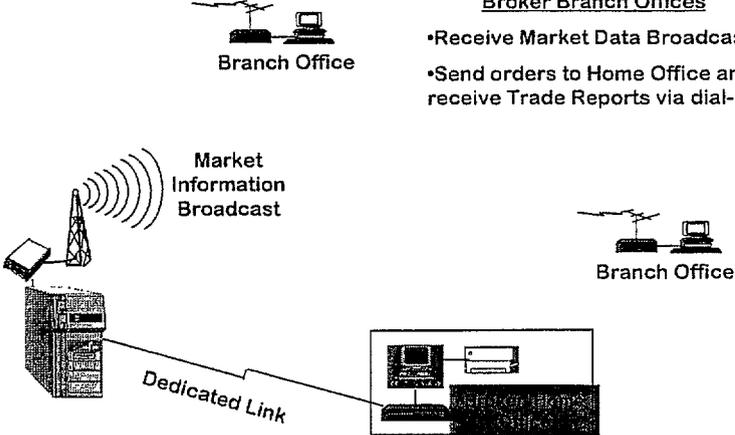
Screen-based Trading System

- ✦ Leased phone lines 
- ✦ FM Radio
- ✦ Piggyback on TV signal (VBI)
- ✦ Satellite (VSAT) 2-way & broadcast 

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Low Cost Broker Network

Market Information Broadcast

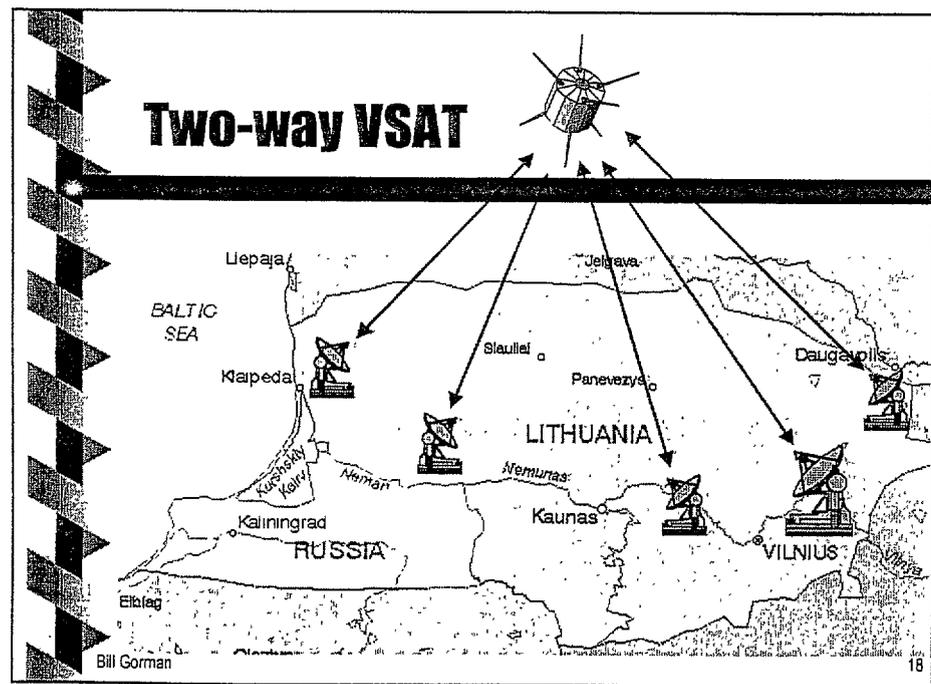
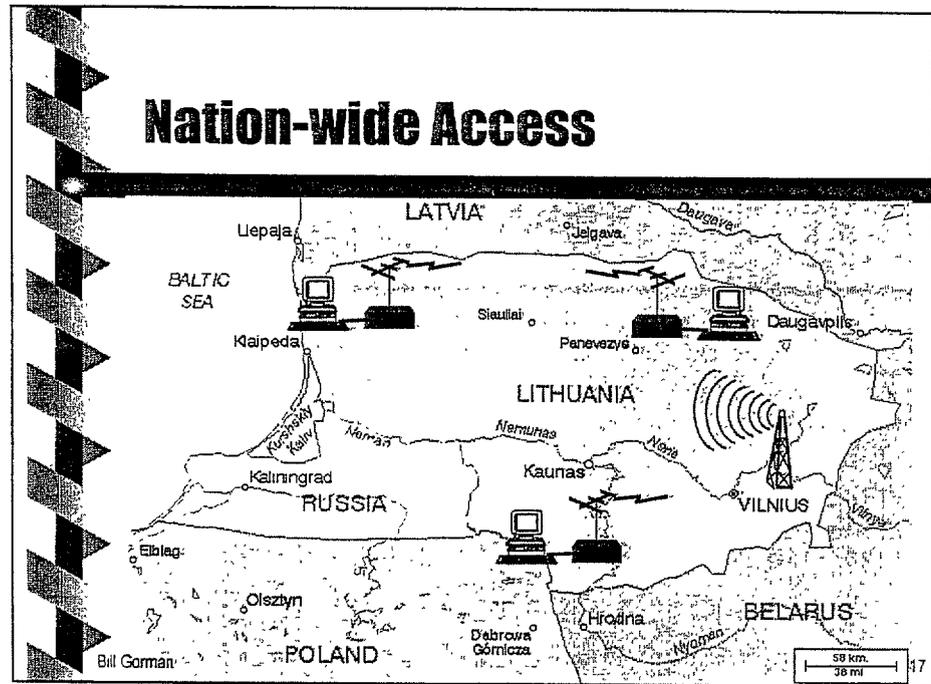


Dedicated Link

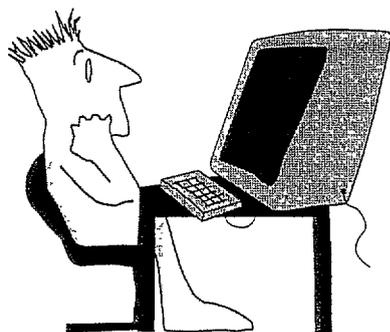
Broker Branch Offices

- Receive Market Data Broadcast
- Send orders to Home Office and receive Trade Reports via dial-up

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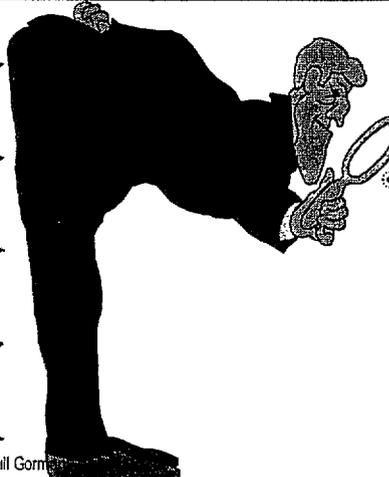
Market Management



- **Open, Close, Halt, Suspend Trading**
- **Suspend & Resume Members, Stocks**
- **Circuit Breakers**
- **Alerts**

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Surveillance



- **Use statistically based alerts which take into account factors like time of the day trading volume through the use of carefully constructed benchmarks**

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Surveillance needs

- **Real-time 'Alerts':**
 - **Price, Volume, Indices, Positions**
- **Comprehensive Transaction Audit Trails**
- **Full Database Inquiries:**
 - **Market data - Current & Historical**
 - **re Participants and Individuals**
- **Real-time Member Exposure Monitoring**
- **Ability to reconstruct market**

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Surveillance Modules

- **Price Watch - monitors intra-day price fluctuations and signals unusual changes**
- **Volume Watch - monitors intra-day trading volumes and signals unusual increases**
- **Block Watch - monitors block trading**
- **Insider Detection - identifies changes in price, volume & activity level before and after news**
- **News Pending Trading Halts - initiates a trading halt if important company news is pending. Enables members to cancel /adjust stale orders**

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Technology Platform

- Client Server
- Windows type interface
- Member database
- Intelligent Workstations
- Warm Back-up
- Relational Database
- C2 level security
- LAN & WAN support

WAN = WIDE AREA NETWORK

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Question and Answer Time

Bill Gorman 24

MEMORANDUM

DATE: January 4, 1998

TO: NSEL (hard copy & e-mail), USAID (via e-mail) and Pragma (via e-mail)

FROM: Bill Gorman, Pragma Vilnius 

SUBJECT: Preparation of bidding document for NSEL Automated Trading System

As I am getting involved in the procurement process, I am finding that a number of important issues are surfacing which require agreement among all parties before we can proceed or while we are proceeding. This is to be expected and from now on, until completion of my assignment, I intend to send you memos that bring forth important issues and assumptions and request your input. Since the schedule is tight, I shall usually offer a solution to these issues and proceed along the lines of that assumption. Because my own participation is extremely limited, I expect to receive your comments and feedback within one or two business days.

At the present time, I am proceeding under the following assumptions (Please let me know if you have any comments or if you object to any of them):

1. We are writing specifications for a software system. The Pragma contract does not include procurement of hardware nor does it include any modification of the existing IBM AS/400 computer.
2. We are assuming that NSEL will upgrade its AS/400 computer to accommodate the new system or, if the chosen system does not operate on the AS/400, NSEL will acquire whatever new computers are required to run the system.
3. We are assuming a preference for software that would run on an AS/400 computer but that this is not a requirement.
4. The Request for Proposals (RFP) will ask respondents to define the hardware configuration needed to run their proposed system as sized to meet NSEL's projected transaction volumes. The RFP will require bidders to define the required hardware with sufficient clarity and precision that NSEL can determine the precise cost of any hardware they must procure. It will invite (but not require) respondents to make a separate financial proposal for the needed hardware.
5. USAID, NSEL and Pragma will work out the modalities for selecting a system taking into consideration the dual funding nature of the procurement.
6. We assume that we can spend only US\$250,000 for software procurement and training through the Pragma contract. This assumption eliminates certain potential systems such as those provided by: The Chicago Stock Exchange, TCAM /Stratus and Teknekron/Sun, since these systems will likely cost \$500,000 or more.
7. If we take an additional \$50,000 (or more) from the Pragma budget for support of installation and training and add it to software procurement, the new larger total will

probably increase somewhat the population of vendors who could supply a system. This option however, requires your approval and concurrence.

8. I am sending under separate cover a Gantt Chart showing a schedule for the procurement process. That schedule is quite ambitious. I would like to call your attention to four items on the critical path: 1) the duration of my initial consultancy (scheduled to end at this time), 2) the time required for the USAID/IRM review process (10 to 28 days) 3) the time required for advertisement of the procurement (21-30 days) and 4) the time responding vendors need to prepare their proposals (21 days). Items two and three are outside of our control and may vary substantially. Therefore, I am offering you three scenarios for the procurement process (beginning of the process until selection of the vendor): optimistic: 120 days; realistic: 175 days; and pessimistic: 200 days.
9. I am assuming that trading rules for the new automated trading system will be close to those stated (or implied) by the current draft specifications. I am further assuming the stock exchange has, in general, accepted those specifications and that it will perform a final review and sign-off within a few days.
10. The Specifications ask for a parameter-driven system. This means that a maximum number of trading system functions will be controlled by parameters that can be set by the exchange at will. I am assuming that, in the interests of minimizing costs and time, the trading rules will not be changed in any significant way following sign-off. If rules are not available, or are incomplete, I assume we will use by default the rules provided by the vendor.

Please let me have your comments as soon as possible.

SUTARTIS

Vilnius

199 __ m. _____ d.

Nacionalinė finansų maklerių asociacija, toliau vadinama "KONTRAHENTU", atstovaujama direktoriaus H.Daublio, veikiančio pagal įstatus, uždaroji akcinė bendrovė "Rivilė", toliau vadinama "AUTORIUMI", atstovaujama direktoriaus Rimanto Bikino, veikiančio pagal įstatus, ir Lietuvos Respublikos pil. Rimvydas Gedminas (asm. kodas 35412260768), toliau vadinamas "AUTORIAUS TEISIŲ PERĖMĖJU, sudarė šią sutartį.

1. Sutarties objektas

1.1 Pagal šią sutartį BENDROVĖ, vadovaudamasi 1995 m. gruodžio 20 d. BENDROVĖS akcininkų tarpusavio perleidimo sutartimi, perduoda visas kompiuterinės vertybinių popierių apskaitos programos "Balansas + VP apskaita" (toliau vadinamos "programa") autoriaus teises (išskyrus autorystės teisę) AUTORIAUS TEISIŲ PERĖMĖJUI, o AUTORIAUS TEISIŲ PERĖMĖJAS ir ASOCIACIJA įsipareigoja bendradarbiauti platinant programą.

1.2. Ši sutartis kartu yra autorinė licencinė sutartis tarp AUTORIAUS TEISIŲ PERĖMĖJO ir KONTRAHENTO

1.3. AUTORIUS perduoda AUTORIAUS TEISIŲ PERĖMĖJUI, o AUTORIAUS TEISIŲ PERĖMĖJAS prisiima visas kitas teises ir pareigas pagal sutartį Nr.95027, sudarytą tarp AUTORIAUS ir KONTRAHENTO.

1.4. Šalims pasirašius šią sutartį, nustoja galioti sutartis Nr.95027, sudaryta tarp AUTORIAUS ir KONTRAHENTO, išskyrus šios sutarties 2.5. p. numatytą atvejį.

2. Šalių teisės ir pareigos, sutarties vykdymo ir atsiskaitymo pagal sutartį sąlygos bei tvarka

2.1 AUTORIAUS TEISIŲ PERĖMĖJAS perduoda programą KONTRAHENTUI su licencine teise platinti šią programą tretiesiems asmenims.

2.2 AUTORIAUS TEISIŲ PERĖMĖJAS įsipareigoja pagal KONTRAHENTO pareikalavimą per tris darbo dienas atvykti išsiaiškinti pastebėtus sutrikimus bei klaidas programoje ir savo lėšomis per dvidešimt darbo dienų juos pašalinti.

2.3 AUTORIUS įsipareigoja pateikti AUTORIAUS TEISIŲ PERĖMĖJUI ir (ar) Mokesčių inspekcijai visus reikalingus dokumentus, liudijančius programos autoriaus teisių perdavimą. KONTRAHENTAS neatsako, jeigu tokių dokumentų nepateikus AUTORIUS apmokestinamas didesniu mokesčių tarifu, ir neatlygina AUTORIUI su tuo susijusių nuostolių, jeigu tokie bus.

2.4 KONTRAHENTAS įsipareigoja:

2.4.1. atlikti programos einamąją priežiūrą ir informuoti AUTORIAUS TEISIŲ PERĖMĖJĄ apie pastebėtus sutrikimus bei klaidas programoje;

2.4.2. be AUTORIAUS TEISIŲ PERĖMĖJO sutikimo nekeisti, nemodifikuoti atskirų programos dalių ar visos programos;

2.4.3. kiekvieno mėnesio pradžioje iki 5-os dienos pasirašyti su AUTORIAUS TEISIŲ PERĖMĖJU pardavimų protokolą ir per tris darbo dienas su juo atsiskaityti.

2.5. AUTORIAUS TEISIŲ PERĖMĖJAS sutinka, kad pasirašius šią sutartį AUTORIUS turės teisę parduoti dvi programas pagal sutartį Nr.95027, sudarytą tarp AUTORIAUS ir KONTRAHENTO, nemokant AUTORIAUS TEISIŲ PERĖMĖJUI jokio atlyginimo. Atsiskaitymai dėl šio dviejų programų pardavimo tarp AUTORIAUS ir KONTRAHENTO vykdomi pagal jų sutartį Nr.95027, o taip parduotų programų, taip visų anksčiau AUTORIAUS parduotų programų techninę priežiūrą vykdo AUTORIAUS TEISIŲ PERĖMĖJAS.

3. Licencijos kaina

3.1 KONTRAHENTAS pardavęs kiekvieną naują programos vienetą moka AUTORIAUS TEISIŲ PERĖMĖJUI 30% pinigų sumos (toliau vadinamos "realiomis pajamomis") licencinį mokestį, iš tos sumos prieš tai atskaičiavęs Lietuvos Respublikos įstatymų numatyto dydžio autorinį mokestį, kuris nustatyta tvarka pervedamas Mokesčių inspekcijai.

3.2. Realiomis pajamomis pagal šią sutartį yra suma, gaunama iš programos pardavimo kainos (be PVM) atėmus programinio produkto paruošimo pardavimui išlaidas, kurias sudaro:

- išlaidos, susijusios su aprašymo paruošimu ir išleidimu; *(Ar nereikėtų apibrėžti pinigine išraiška ? Ž.Z.)*
- išlaidos instaliacinėms disketėms;
- išlaidos reklamai.
- *(Ar nereikėtų apibrėžti pinigine išraiška ? Ž.Z.)*

4. Sutarties galiojimas

4.1 Ši sutartis įsigalioja nuo jos pasirašymo dienos.

4.2 Ši sutartis galioja neterminuotai. AUTORIAUS TEISIŲ PERĖMĖJAS ir KONTRAHENTAS gali nutraukti šią sutartį, apie tai raštu įspėjęs kitą šalį prieš trisdešimt dienų.

5. Kitos sąlygos

5.1 Pagal šalių susitarimą tolimesnis programos tobulinimas, išskyrus klaidų taisymą, turi būti AUTORIAUS TEISIŲ ir KONTRAHENTO patvirtintas atskiru rašytiniu protokolu ir apmokamas atskirai.

5.2 Visi ginčai susiję su šita sutartimi, jos aiškinimu ir (ar) vykdymu turi būti sprendžiami šalių susitarimu. Šalims nesusitarus, ginčai sprendžiami pagal Lietuvos Respublikos įstatymus

5.3 Ši sutartis sudaryta trim egzemplioriais lietuvių kalba, kurie turi vienodą galią ir kurių po vieną tenka kiekvienai šaliai.

6. Juridiniai šalių adresai ir rekvizitai

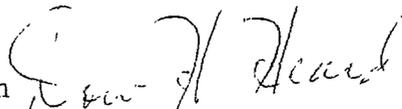
The Pragma Corporation

Lithuanian Capital Market
Development Project
Stock Exchange Building
Ukmergės 41, Suite 206
2662 Vilnius, Lithuania
Tel: (370 2) 72 48 26, 72 15 19
Fax: (370 2) 72 49 42

MEMORANDUM

To: Aldas Kriaučiūnas (USAID-Lithuania)

From: Dow Heard
Chief of Party, The Pragma Corporation



Phone: 72 49 42

Re: Status Report for the Month of February, 1998

Lithuania Capital Markets Development Project
CONTRACT EPE-I-00-95-00040-00, Task Order 05

C/C: Beverly Loew (USAID - Washington, D.C.)
Kevin O'Hara (Pragma - Falls Church, VA.)
Jacques De Fay (Pragma - Falls Church, VA.)
Diana Sokolova - Office File

Date: 27 March 1998

Project Description

The Pragma Corporation ("Pragma") is implementing the Lithuanian Capital Markets Development Project ("Project") funded by the United States Agency for International Development ("USAID"). The Project is to provide legal and regulatory development assistance to the Lithuanian Securities Commission ("Commission") and organizational development to the National Stock Exchange of Lithuania ("NSEL"), the Central Securities Depository and the National Association of Finance Brokers of Lithuania ("Association"). In addition, the Project is providing assistance in the procurement of software and operations capabilities to support an order-driven, continuous trading stock exchange.

Professional Staffing

During January, 1998, Dow Heard, Chief of Party, provided expert legal assistance to the counterparties.

Primary Areas of Focus

The areas of concentration for the Team during February 1998 were working on legislation as well as communicating and educating important outside organizations. Mr. Heard met with representatives of the World Bank to review the capital markets situation and to make suggestions for future capital markets needs. Mr. Heard and other USAID advisors met with the U.S. Ambassador to Lithuania and his staff to report on the status of the capital markets and to recommend steps to improve activity. In addition, Mr. Heard met with USAID and other USAID Team heads to coordinate efforts among the various projects.

Mr. Heard gave a speech to the Capital Markets Committee made up of the heads of the Commission, the NSEL, the Central Depository, the Association and various brokers. The purpose of the speech was to focus attention on the need to better educate individual investors in Lithuania, to attract more institutional investors, and to better coordinate with the Lithuanian Parliament ("Seimas"). In particular, focus was drawn to the need for tax law changes to facilitate investment company formation and operation.

The Pragma team began working with Dorothy Ballantyne, an International Executive Service Corps volunteer. She currently is advising the brokerage firm, Vilfima, regarding investment companies. Pragma supplied her with knowledge of the current status of regulation, arranged meetings with counterparties and for a seminar of investment companies in March to Association Members.

The Pragma Team continued to work with the NSEL regarding the forthcoming procurement of a software system for the Exchange. In addition, the team worked with the NSEL to help expedite the advent of continuous trading in April prior to the acquisition of the new software trading system.

Changes to the Law on Public Trading in Securities were suggested to the Commission by Mr. Zinkevičius and Mr. Heard. This included numerous modifications, especially those dealing with proxies and shareholder rights. Mr. Zinkevičius reviewed two enforcement cases with the Commission Enforcement Division staff. Meetings and discussions were carried out with the Association regarding secondary trading in securities. Newly prepared amendments and supplements to the Law on Public Trading in Securities were completed and presented to the Commission, the Central Depository and the NSEL for their final review.

Work was begun on drafting changes to the Law on Stock Companies. Mr. Rečiūnas continued working on amendments to the Rule on Licencing of Management Enterprises of Investment Companies. Mr. Rečiūnas advised the asset management arm of Vilfima regarding issues of investment fund management. Also, he worked on the draft rule on Discretionary Account for Investment Management and Consulting Firms. In addition, Mr. Heard worked with the brokerage firm Balticum Management regarding the procedures and internal bookkeeping of establishing an investment company.

Mr. Skirmantas Rimkus worked on the Chart of Accounts for financial brokerage firms as well as formats and notes to the financial reporting statements of brokerage firms.

Professor Arvydas Paškevičius prepared an analysis and survey of tax law on the capital markets. In particular, he focused on investment company treatment and the taxation of unrealised capital gains. He also worked with the Commission staff to develop the Commission Workplan for the year 1998. Mr. Heard and Professor Paškevičius met with the tax advisor of the Ministry of Finance on tax law proposals for the capital markets (See Attachment "A").

Ms. Jurga Dermontaite worked on the prospectus requirements of European Union for both equity and debt issues. The formation of disclosure criteria and ratios in prospectuses continues. She also worked on the listing particulars to the admission of shares to NSEL and on the Internet web page for the Commission.

Major Achievements

The Budget Committee of the Parliament approved the amendments and supplements to the Law on Public Trading in Securities. With the participation of the Commission, the NSEL and the Central Depository, Mr. Zinkevičius worked to pass the amendments and supplements which the Pragma Team has laboured over for some time. These amendments should be adopted in March (See Attachment "B").

The Rule on Tender Offer was adopted by the Commission. (See Attachment "C").

During February the Commission adopted the Code of Ethics for Financial Brokers which are not members of the Association. This Code is substantially the same as the Code of the Association and applies penalties for unethical behavior by brokers and brokerage firms.

Workshops/Seminars

None

Update of Previous Report:

Completed and adopted: Rule on Tender Offers.

Completed: Amendments to the Law on Public Trading in Securities.

Completed: Code of Ethics for Financial Brokers

In Progress: Rule on Securities Portfolio Management Agreement (On Discretionary Accounts) for Investment Management and Consulting Firms.

In Progress: Accounting and Financial Statements.

In Progress: Survey of Tax Law and Analysis.

Plans for Next Month

In the month of March 1998, Pragma plans to work to pass the Law on Public Trading in Securities through appropriate Parliamentary Committees and full Seimas approval. The plan is to make recommendations for the tax law modifications necessary to aid the capital markets, and in particular the investment companies, by March 20, 1998. Also, plans are to complete amendments to the Company Law before the end of March.

Anticipated Problems or Issues

None.

Attachments

- A. Memoranda Concerning the Analysis of the Lithuanian Taxation System in the Capital Markets (plus Annexes 1 and 2), - dated January 26, 1998, and February 26, 1998.
- B. Amendments to the Law on Public Trading in Securities.
- C. The Rule on Tender Offer. - (adopted February 20, 1998).

MEMORANDUM

To: Chairman of the Securities Commission Mr. Poderys
Commissioners
Central Securities Depository
National Stock Exchange of Lithuania
National Association of Finance Brokers
Dow H. Heard
Skirmantas Rimkus

From: Arvydas Paskevicius, the Pragma Corporation

Subject: Concerning the Analysis of the Lithuanian Taxation System on the Capital Markets

Date: January 26, 1997

I. Problem

Currently, 17 different taxes or duties are applied when taxing natural and legal persons in Lithuania. Unfortunately, all these legal acts do not take into consideration the specific character of the activities of financial institutions that were founded on the basis of the Law on Public Trading in Securities of the Republic of Lithuania and the Law on Investment Companies of the Republic of Lithuania.

Some of the reasons for the tax laws impeding investment are as follows:

- 1) Different taxes are applied on investments of natural and legal persons, e.g. if a natural person invests into securities and gains capital, the capital gain will not be taxed. In the event a natural person acquires redeemable shares of a unit trust, and the fund gains capital, the capital gain will be taxed by 29% of a profit tax of a legal person. That means that while investing through a unit fund an individual will lose 29% of his profit.
- 2) There is a discrepancy in defining and understanding the concept of investment in different legal acts. The Law on Profit Tax of a Legal Person, for instance, gives a definition of an investment which evidently covers only investment into the means of production. The definition is obscure as to how to treat financial investment. Further in the Law, on the contrary, the concept is used in the sense of financial investment.
- 3) In the Law on Profit Tax of a Legal Person the "taxable unrealized income" does not include dividend and interest on bonds, i.e. this type of income is not taxed by 29% of a profit tax of a legal person. Other income from investment activities (capital gain and unrealized appreciation of the investment portfolio) is taxed.
- 4) The Law on the Road Fund does not clearly set forth that the road duty is not applied to securities trading. Therefore, some investment stock companies and financial brokerage firms pay it. Actually, Resolution 25N of the Ministry of Finance "On Deductions to the Road Fund" provides that "income received from lease, securities trading, overdue liabilities are considered unrealized income, the deduction to the road fund on which is not made".

- 5) There is a number of other problems in the system of taxation concerning capital markets.

In order to develop the taxation system in such a way that it would encourage the development of a modern capital market, including financial institutions, it is worthwhile to:

- 1) analyse the laws and regulations of the taxation system;
- 2) review the practical problems of taxing capital markets participants.

2. The Methodology of Solving the Problem

The theoretical part of this analysis covers the laws, their amendments and rules and regulations passed under them from the point of view of the market participants:

- 1) Law on Profit Tax of Legal Persons;
- 2) Law on VAT;
- 3) Law on Income Tax of Natural Persons;
- 4) Law on the Road Fund;
- 5) Other laws and regulations which have impact on the development of the capital market

The practical part of this analysis will include interviews and discussions with::

- 1) financiers of finance brokerage firms;
- 2) financiers of investment holding companies;
- 3) financiers of the emerging investment funds;
- 4) financiers of investment management and consulting firms;
- 5) foreign investors interested in the capital market;
- 6) representatives of the Ministry of Finance and Tax Inspectorate.

3. Proposed Results

After the study is completed, the following documents will be prepared:

- 1) The Survey of the Analysis to evaluate the results of the law study and the interviews; ways of solving the problems will be proposed.
- 2) The draft letter for the Ministry of Finance to discuss the drawbacks of the current system of taxes and to make proposals to the laws and as to how tax laws and rules should be amended.

THE PRAGMA CORPORATION

MEMORANDUM

To: Chairman of the Securities Commission Mr. Poderys
Commissioners
Central Securities Depository
National Stock Exchange of Lithuania
National Association of Finance Brokers
Dow H. Heard
Skirmantas Rimkus

From: Arvydas Paškevičius, the Pragma Corporation

Subject: Concerning the Analysis of the Lithuanian Taxation System in the Capital Markets

Date: February 26, 1997

I. Problem

Currently, 17 different taxes or duties are applied when taxing natural and legal persons in Lithuania. Unfortunately, all these legal acts do not take into consideration the specific character of the activities of financial institutions that were founded on the basis of the Law on Public Trading in Securities of the Republic of Lithuania and the Law on Investment Companies of the Republic of Lithuania. While solving this problem, it is indispensable to essentially change some of the articles of the Law on Taxes on Profits of Legal Persons of the Republic of Lithuania and a number of notes of the Ministry of Finance and orders of the Minister of Finance dealing with this issue; to partially amend the wording of the Provisional Law on Income Tax of Natural Persons of the Republic of Lithuania and related regulations; to provide more detailed and accurate explanations of the provisions of the Law on Value Added Tax of the Republic of Lithuania and the Law on the Road Fund of the Republic of Lithuania by notes of the Ministry of Finance and the State Tax Inspectorate.

2. Amendments to the Law on Taxes on Profits of Legal Persons

2.1 Taxation of realized and unrealized capital gains from operations with securities and other financial instruments

The resolution of the Government of the Republic of Lithuania No 804 of October 27, 1993 approved the Order of Recognition of Revenue and Expenses in the Financial Statements (hereinafter - "Order"). Item 28 of this Order provides that "Dividends received and to-be-received shall be attributed to investment revenues, as well as interest for investment in other entities". Besides this form of revenues on investment activity there is a realized and unrealized capital gain from operations in securities and other financial instruments".

As these forms of revenue were not distinguished in due time, Par. 3 of Article 3 of the Law on Taxes on Profits of a Legal Person provides that "when computing taxable profit dividends and interest income received on bonds shall be eliminated", while other revenue from financial investment activities, i.e. realized and unrealized capital gain from operations with securities and other financial instruments, are currently subject to taxation.

It was the taxation of these revenues that prevented the establishment of at least one new investment company in the course of the last two years. The number of investment stock

companies founded in the period of primary privatization decreased from 250 to 22, which were re-registered into investment holding companies. The remaining investment stock companies either started the liquidation procedure themselves or will be liquidated pursuant to the Law on Investment Companies.

The destructive impact of taxation finds its expression in the following way:

- 1) If a natural person invests into securities, later sells them at a higher price and gains capital, the capital gain will not be taxed. In the event a natural person acquires redeemable shares of an investment fund, and the fund gains capital, the capital gain will be taxed at 29% profit tax of legal persons. That means that while investing through a unit fund an individual will lose 29% of his profit.
- 2) If a legal person acquires redeemable shares of an investment fund and the fund gains capital, this capital gain will be taxed by 29% of a profit tax of a legal person in the fund itself, and when it shows its revenue in the Profit (Loss) Account, it will have to pay 29% on the received revenue.

It is evident that in case of revenue from investment into financial instruments through an investment company an additional 29% of income tax is to be paid by both a natural and a legal person.

Recommendation: firstly, amend Par. 3 of Article 3 of the Law on Taxes on Profits of Legal Persons by the following wording: "When computing taxable profit, the following income shall be eliminated from non-operating revenues:

- 1) dividends and interest income received on bonds;
- 2) **realized and unrealized capital gain from operations with securities and other financial instruments;**

Secondly, prepare the Note or the Order of the Ministry of Finance "Concerning the Accounting of Operations with Securities and Other Financial Instruments" (analogous to Note No 11N of the Ministry of Finance "Concerning the Accounting of Currency Operations" defining the concepts of capital gain from operations with securities and unrealized appreciation of the investment portfolio, the methods of accounting the stocks in securities (weighted average), rules on establishment of the securities market price, etc.(see Annex 1).

2.2. Taxation of realized and unrealized capital depreciation from operations with securities and other financial instruments

The instances provided above illustrate taxation on investment in case of received revenues. The question is how taxes are applied in case of losses, i.e. when investment into securities or other financial instruments result in a loss.

Note No 7N of the Ministry of Finance of February 3, 1995 "Concerning the Computation of the Income Tax for the Year 1994 for Legal Persons" provides that "companies themselves may re-value long-term and financial assets, the market value of which is higher than the purchase or production cost of those assets. The appreciation resulting from that re-evaluation, which, pursuant to the Law on Taxes of Legal Persons (Article 3), shall be attributed to non-operating revenue (in the same way as other revenue not related to production, sales, or services) and recorded in line 080 of the financial statements of a legal person."

In the event the market value of the financial assets falls below the cost and the assets must be re-valued in the diminishing order, the loss arises which, pursuant to the current order of taxation, is not treated as taxable non-operating loss. Therefore, it must be compensated from net profit.

In simple terms, the revenue and loss that appear from investment into securities and other financial instruments shall be taxed differently, which contradicts to the International Accounting Standards as well as to other accounting standards and requirements that are based on the comparison of revenue and expenses.

Recommendation: until the supplement to the Law on Taxes on Profits of Legal Persons as proposed above is effected, promptly amend the wording of Note 7 N of the Ministry of Finance "Concerning the Computation of the Income Tax for the Year 1994 for Legal Persons" of February 3, 1995 in the following way: "companies themselves may re-evaluate long-term and financial assets, the market value of which is higher (lower) than the purchase or production cost of those assets. The appreciation (**depreciation**) resulting from the revaluation, which, pursuant to the Law on Taxes of Legal Persons (Article 3), shall be treated as non-operating revenue (**loss**) (likewise other revenue not related to production, sales, or services) and recorded in line 080 of the financial statements of a legal person."

2.3. Making the Concept of Investment More Accurate

Article 7 of the Law on Taxes on Profits of Legal Persons stipulates that "2) taxable profit used for investment shall be taxed at zero (0%) rate" and provides that "for the purposes of this Law the amount of an investment shall be the difference between the acquisition cost, at the close of the taxation period, of the fixed assets being used (construction in progress) and the acquisition cost of the fixed assets being used (construction in progress) at the beginning of the period, also the loan capital used during the taxation period for the acquisition of the fixed assets and the depreciation charges for the period. Upon sale of such assets, all received sales revenue shall be subject to taxation without deducting the residual value of the assets."

The description of investment as provided in this Law contradicts the concept of investment as given in Article 8 of the same Law when applied to foreign investment. The quoted definition also contradicts the definition of the "investor" as given in Article 2 of the Law on Public Trading of Securities as well as the definitions of the "investment company", "investment portfolio" and "diversified investment portfolio" provided in the Law on Investment Companies.

The above specified calculation of investment in principle contradicts the same concept as laid down in the Note of the Ministry of Finance No.8N "On Investment Accounting" of January 14, 1992.

Finally, the concept of investment as specified in Art. 7 of the Law on Profit Tax of Legal Persons does not correspond to the globally accepted concept of investment, as it is universally used in text-books.

Recommendation¹ : To amend Art. 7 of the Law on Profit Tax of Legal Persons in the following way: 2) taxable profit used for investment **related to acquisition of long-term material assets** shall be taxed at zero (0%) rate; and the last paragraph of this Article in the following way: "For the purposes of this Law the amount of an investment **related to acquisition of long-term material assets** shall be the difference between the acquisition cost, at the close of the taxation period, of the fixed assets being used (construction in progress) and the acquisition cost of the fixed assets being used (construction in progress) at the beginning of the period, also the loan capital used during the taxation period for the acquisition of the fixed assets and the depreciation charges for the period. Upon sale of such assets, all received sales revenue shall be subject to taxation without deducting the residual value of the assets".

2.4. Taxation of foreign financial intermediaries

The explanatory note to the Order of the Minister of Finance No. 71 of May 15, 1997 states: "The object of profit tax of foreign enterprises is the total revenues received from legal persons of the Republic of Lithuania for the market research, consulting and intermediary services". Further, "intermediary services cover financial intermediation, including lease (except accumulation of insurance and pension funds, as well as activities of the Central Bank and commercial banks)".

This order provides for taxation of commission fees of foreign financial brokerage firms in cases when legal persons of the Republic of Lithuania acquire securities or other financial instruments of foreign countries. Besides, taxes are withheld, i.e. an investment company or a financial brokerage firm is obliged to withhold the taxes from the foreign financial intermediary, even though the latter is not aware of this obligation. Since the amounts payable are quite insignificant, financial brokerage firms prefer paying them from their net profit to challenging their business relations with foreign financial intermediaries. Suppose the volumes of trading in foreign securities increase, taxation of the commission fee would become a pressing issue.

It is important to note, that other financial institutions are excepted from this kind of taxation. The above referred order states: (except accumulation of insurance and pension funds, as well as activities of the Central Bank and commercial banks). The exception is absolutely groundless, since some financial institutions are granted considerable tax privileges over other.

Proposal: To supplement the Order of the Minister of Finance No. 71 of May 15, 1997 in the following way: "The object of profit tax of foreign enterprises is the total revenues received from legal persons of the Republic of Lithuania for the market research, consulting and intermediary services". Further, intermediary services cover financial intermediation, including lease (except accumulation of insurance and pension funds, as well as activities of the Central Bank and commercial banks as well as **investment companies and financial brokerage firms**).

2.5 Taxation of foreign financial intermediaries and agreements on avoidance of double taxation

¹ Maybe it would more logical to present the definition of the concept of INVESTMENT in the "Law on Investment Companies", or "Law on Public Trading in Securities", rather than "Law on Profit Tax of Legal Persons", "Law on Income Tax of Natural Persons" or other laws.

The Annex to the Order of the Minister of Finance of May 15, 1997 "On Application of Agreements on Double Taxation" indicates that "Amounts paid to the companies of Belarus, Denmark, China, Poland, Norway and Sweden for other intermediary services shall not be subject to taxation". Seeking to practically apply the provisions of agreements on avoidance of double taxation it is necessary that a financial intermediary of the above referred countries, having paid the taxes in its own country, is handed a statement on taxes paid on profits derived from rendering financial intermediary services, and is obliged to submit the statement to the Lithuanian State Tax Inspectorate .

It is but natural, that in the view of such a complicated and time consuming procedure avoidance of double taxation is rarely exercised. Maybe the procedure would not seem that tiring, if the financial intermediary would be obliged to submit the statement on a quarterly or on a monthly basis. However, commissions are generated at each sale or purchase of securities, consequently commission fees are paid to financial intermediaries every day.

Thus we propose to repeal taxation of financial intermediaries, since accounting of taxes would be more costly than the amounts of taxes collected. Besides, we propose to introduce supplements to the Explanatory Note -1 of the Order of the Minister of Finance No. 71 of May 15, 1997, in the way specified under item 2.4 of this Note.

2.6. Proposals of the Lithuanian Confederation of Industrialists regarding amendments and supplements to the "Law on Taxes of Profits of Legal Persons" are discussed in Annex 2.

3. Amendments to the "Provisional Law on Income Tax of Natural Persons"

3.1. Taxation of interest received by public companies and other legal persons.

Item 6 of Article 35 of the "Provisional Law on Income Tax of Natural Persons" sets forth: Income tax shall not be levied on: ...6) "Sums paid for bonds issued by the State or municipality". This means that sums or interest paid for bonds of public companies shall be subject to taxation. It is obvious that due to this provision, bonds of public companies are much less attractive to natural persons as compared to the bonds issued by the state or municipality

Recommendation: Wording of par. 6 of Article 35:

"Income tax shall not be levied on sums paid for bonds" ~~issued by the State or municipality~~"

3.2. The appreciation of the par value of shares issued to shareholders.

Par. 14 of Article 35 of the "Provisional Law on Income Tax of Natural persons" sets forth: "The income tax shall not be levied on: par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995 and 1996, or the sum by which the par value of shares issued earlier has been increased"; According to this wording of the Law and based on the business results of the year 1997, appreciation of the par value of shares issued to the shareholders must be subject to taxation, but this would mean that the effecting of the law predates its adoption.

Therefore, we **support** the **proposal** of the Lithuanian Confederation of Industrialists to lay down par. 14 of Article 35 as follows: "The income tax shall not be levied on: par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995, 1996 and 1997, or the sum by which the par value of shares issued earlier has been increased, **untill the Law on the Income Tax of Natural Persons of the Republic of Lithuania comes into effect**";

3.3. Taxation of the amount exceeding the par value of shares of a liquidated public company"

Note of the State Tax Inspectorate No. 06-06/762 of January 27, 1998, signed by Mrs. Ratkeviciute states that in case of liquidation of a public company: "In the event shareholders receive assets of a company exceeding the par value of shares held by them, the exceeding amount shall be subject to taxation in the manner prescribed by the Provisional Law on the Income Tax of Natural Persons"²

In reference to this we can only cite the par. 14 of Article 35 of the "Provisional Law on Income Tax of Natural Persons: "The income tax shall not be levied on: par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995 and 1996, or the sum by which the par value of shares issued earlier has been increased"

3.4. Incompatibility between the "Provisional Law on Income Tax of Natural Persons" and "Law on Profit Tax of Legal Persons" of the Republic of Lithuania in the view of the development and growth of public companies

"The Provisional Law on Income Tax of Natural Persons" does not set forth taxation of dividends, whereas the "Law on Profit Tax of Legal Persons" provides for taxation of the capital gain of institutional investors. This creates a significant problem. Contradiction between the two laws discourages institutional investors from developing public companies. An investor, having acquired shares, may gain double benefit: appreciation of shares (capital gain) and dividends. For example, an investor bought a share at a price of LTL 100 at the beginning of the year, so in one year he may receive LTL 5 interest, and sell the share at LTL 110. The capital gain resulted from the fact that the investor appropriated for dividends only part of the profit (LTL 5), the other part - LTL 10 was left as part of unappropriated profit to be reinvested into the development of the company. In Lithuania, though, an interested investor will always vote in favour of the decision to allocate the entire profit for dividends, otherwise he will suffer taxation related losses. In the event all the profit is paid out in the form of dividends, for his 100 LTL investment at the beginning of the year the investor would receive LTL 115. Whereas in the event of zero dividends, when the entire profit generated is reinvested, an institutional investor would receive only LTL 110,65 ($100+15-15*0.29$), while the remaining 4.35 would be paid as the profit tax of legal persons.

Recommendation: Following the proposal contained in item 2.1. of this study, the capital gain to be tax exempt.

3.5. Payment of Dividends from Profit Taxable at a 0(10) % profit tax rate.

² The amount exceeding the par value is comprised of different elements: indexation by the resolution of the Government, unappropriated profit, reserves and many other items. It would be very complicated to decide which component should be subject to taxation, and which component should be tax exempt.

Part "On Profit (Income) Tax of Legal Persons and Entities That Has no Rights of a Legal Person" of the "Explanatory Notes to the Calculation of Profit (Income) and Payment for the Year 1997" approved by the Order No.12 of the Minister of Finance of January 15, 1998 "On calculation of Profit (Income)" includes the following provision: "In the event the profit taxable at 0(10) per cent rate is allocated for payment of dividends, this taxable profit must be taxed at a 29% rate".

In practice this provision means that a 29% tax rate shall not be levied only on the part of dividends which does not exceed the difference between the "Net result (profit) of the accountable period" and the profit taxable at 0(10) % rate.

Firstly, this provision of taxation of legal persons contradicts the provisions of the Law on Income Tax of Natural Persons to exempt dividends from taxation with no reservations.

Secondly, the current accounting system does not provide for accounting of profit taxable at 0(10)% rate. This means, that unless specific accounting procedure is introduced the profit taxable at 0(10)% rate will blend with profit taxed in a regular way and will be identifiable only by means of some special procedures.

Thirdly, profit taxable at 0(10)% rate is in its essence not a profit. It is an investment which shall be calculated as "the difference between the acquisition cost, at the close of the taxation period, of the fixed assets being used (construction in progress) and the acquisition cost of the fixed assets being used (construction in progress) at the beginning of the period, also the loan capital used during the taxation period for the acquisition of the fixed assets and the depreciation charges for the period". In other words, 0(10)% rate is levied upon appreciation of long-term assets during the accountable period, and this amount is distant in relation to profit, profit for appropriation and, finally, the dividends.

Proposal: to reject taxation of dividends, since:

- a) the requirement contradicts the provisions of the Provisional Law on Income Tax of Natural Persons;
- b) dividend taxation would require more complicated accountign, which in its turn boost the bureaucracy arrangements inside a company and beyond it, and would inflict additioanl expenses;
- c) revenues into the national budget resulting from this tax will be rather insignificant.

4. More accurate wording of provisions of the Law "On Value Added Tax"

Article 4 of the Law "On Value Added Tax" sets forth: The following goods and services shall be exempt from VAT:

6) insurance and banking services, the list of which shall be approved by the Government of the Republic of Lithuania and revenues from trading in securities, lotteries.

Trading in securities covers three major areas of groups of services: 1) services related to the transfer of securities, 2) services related to distribution of securities, 3) services related to offering of securities. Regretfully in many cases the VAT tax is levied upon services related to treading in securities. The State Tax Inspectorate in its letter "Trading in Securities" No. 08-07/7582 of 1997.12.12. to the Securities Commission presents a list of

services to be assigned to trading in securities and should not be subject to the value added tax. However, the proposal contained in the letter is only a draft and has not been finally approved. Besides, the list does not cover a full range of services related to trading in securities.

Recommendation: To supplement the list of services related to trading in securities in the manner prescribed in the Note of the Securities Commission No. 04-04-1870 of October 3, 1997 "On Value Added Tax", and subject it to final approval.

5. Specification of provisions of the Law on Road Funds.

The Letter of the Ministry of Finance No. 25 N "On Deductions to the Road Fund" of September 25, 1996, sets forth: "Revenues from the rent of assets, sales of securities, overdue credit indebtedness shall be assigned to the non-operating revenues, from which deductions to the Road Fund shall not be made". However, in this case there is no specification what is covered by the concept of sales of securities.

Recommendation: The Ministry of Finance must approve the list of services related to sales of securities. The list should coincide with the list of services specified in the Note of the Securities Commission No. 04-04-1870 of October 3, 1997 "On the Value Added tax".

ANNEX 1

INSTRUCTION ON FINANCIAL ACCOUNTING OF INVESTMENT IN SECURITIES

1. General Part

- 1.1. Instruction on financial accounting of investment in securities applies to investment funds, acting in accordance with the Law on Investment Companies, also to intermediaries of public trading in securities, acting in accordance with the Law on Public Trading in Securities and to other economic entities, which have no rights of legal persons, and have invested in securities.
- 1.2. Instruction on financial accounting on investment in securities has been prepared in accordance with the International Accounting Standard No.25 "Investment Accounting", Directive Four of European Communities 78/660/EEC "On Annual Financial Statements of Some Type of Enterprises", Directive of European Communities 86/635/EEC "On Annual and Consolidated Annual Financial Statements of Banks and Other Financial Institutions" and the Generally Accepted Accounting Principle No.29 "On Investment in Debt and Equity Securities".

All enterprises, investing in securities (financial instruments), shall establish its own financial accounting policies. Financial accounting policy shall include but not be limited to: establishing of the costs of acquiring the investment, establishment of the investment sales costs, procedure for revaluation of investment and establishing of market value thereof, the procedure for establishing and recognition of investment capital gain and depreciation (realized profit and loss).

2. Terms Used For the Purpose of This Instruction:

- 2.1. **Investment** - securities (financial instruments) held by an enterprise, which are expected to generate income, such as interest, dividends etc., or are expected to generate profit by appreciation on the market (realized and unrealized profit);

This instruction does not provide for the procedure of financial accounting of investment into reserves or long-term material assets, amounts receivable, etc.

- 2.2. **Short-term investment** - investment of an enterprise in debt or equity securities, seeking to trade in them on a regular basis, or sell them no later than a year, and in case when securities have a fair value.
- 2.3. **Long-term investment** - investment of a company into debt or equity securities to be sold no earlier than one year, provided the securities do not have a fair price.
- 2.4. **Securities held until redemption** - debt securities, the maturity of which may be one year or longer, to be held until redemption. Financial statements may report these securities as either long, or short term investment, depending on the maturity term.
- 2.5. **Debt securities** - securities reflecting the issuer's liability to the holder of a security. Upon maturity these securities shall be redeemed or converted into other

securities. Debt securities include government and municipal securities, corporate bonds, convertible corporate bonds, etc.

2.6. Equity securities - Securities issued by the issuer, which confirm the participation of the holders of the securities in the capital of the issuer, and grant them property and non-property rights. Equity securities include: ordinary shares, preference shares, other capital shares and securities (financial instruments), which are derived or otherwise related to equity securities, such as rights, options, etc.

The present instruction does not provide for the procedure of financial accounting of investment in equity securities, when securities are invested pursuing to influence or participate in the issuer's capital.

2.7. Price of Securities - the market price of securities or the fair price thereof, to be established on the basis of results of trading at the central market of the NSEL or any other recognized and regulated stock exchange. Besides, the fair price of securities may be established in accordance with the recognized methods of establishing the price of securities.

The value of securities, the quoting of which on the Stock Exchange is restricted and trading in which is temporary suspended may be established on the basis of the last price quoted on the Stock Exchange, acquisition price and other value, in case it is assumed that the value of securities have significantly diminished. I.e. establishing of the price of securities should be based on the principle of conservatism, which states that the financial accounting should recognize possible losses as soon as possible, and refrain from groundless recognition of profit.

3. Costs of Investment in Securities

3.1. Cost of investment in securities include the price of purchasing the securities, commission fees paid to intermediaries of public trading in securities and other intermediaries, bank fees and other charges, related to investment in securities.

3.2. Proceeds from securities, such as interest, dividends and other are normally recognized as income, although in some cases such proceeds should be treated as partial defrayal of the value of securities. E.g. where securities (bonds) are acquired following the date of their issuance, they are acquired with a certain amount of interest accrued, which was incorporated into the selling price. In this case interest earned on bonds should be divided into two parts: accrued prior to the date of acquisition of securities, and accrued within the period of disposal of securities. The total amount of interest, accrued before the date of acquisition of the bonds is subtracted from the cost of acquisition of bonds, since that part of accrued interest belongs to the previous bondowner. Interest accrued in the period the bonds are owned by the new owner shall be recognised as income of an enterprise from securities.

3.3. Where debt securities are acquired at a price different from the price of redemption, the difference between the acquisition price and redemption price shall be depreciated during the entire period of ownership of the securities. I.e. upon acquisition of securities bonus is paid or discount is received. The bonus or a discount shall be depreciated by debiting or crediting the interest account

respectively, and shall be added or subtracted from the bond acquisition price. The resulting value shall be deemed the bond acquisition cost.

4. Short - Term Investment in Securities: Financial Accounting and Reporting in Financial Statements

4.1. In the balance-sheet securities, acquired as a short term investment shall be reported at their market value, or at the lower of the market value or acquisition value.

Where short-term securities are accounted at the lower of the market value or acquisition value, the lower value may be established either for each individual security or for the entire portfolio of securities. In the event securities are accounted at their market value or at the fair market value, the latter shall be established for each individual type of securities.

4.2. Where short term securities are accounted in accordance with the methods specified under item 4.1., a company shall report an unrealized profit or loss, since normally costs of acquisition of securities differ from the value indicated in the balance sheet. Unrealized profit or loss resulting from revaluation of securities shall be reported in the profit/loss account for the accountable period. An entry of the profit/loss account of the accountable period shall also record proceeds from securities (interest, dividends, etc.).

5. Long - Term Investment in Securities: Financial Accounting and Reporting in Financial Statements

5.1. Securities acquired as long-term investment shall be recorded in the balance sheet at their acquisition cost, value after revaluation (market value) or at the lower of the market or acquisition costs.

Where long term securities are accounted and recorded in the balance sheet at the value after revaluation, an enterprise must develop a long term investment revaluation policy approved by the management of the enterprise. The policy shall provide for the criteria of revaluation of securities and the periodicity thereof.

5.2. Where long term securities are accounted at their value after revaluation (market value) or the lower of the market or acquisition value, an enterprise shall have the unrealized profit or loss. The unrealized profit or loss shall be reported in the shareholders' ownership section of the balance sheet. The unrealized profit increases the revaluation reserve of financial assets, while unrealized loss decreases the revaluation reserve of financial assets.

In the event long term securities are intended for sale, they must be reclassified from long term securities into short term securities. The accrued unrealized profit or loss shall be recognised in the profit/loss account of the accountable period. In the event securities are immediately sold, the realized profit and loss resulting from sale of securities shall be reported in the profit/loss account.

6. Sale of securities

- 6.1. Upon selling the securities the realized profit or loss shall be recognized as a difference between the cost of acquisition of securities and the price at which the securities were sold. The result shall be reported in the profit/loss account of the accountable period.
- 6.2. The sold securities shall be debited by way of specific identification, where specific securities are debited, or on the basis of average acquisition costs, where it is difficult or impossible to identify specific securities. E.g. a company purchased a considerable number of specific securities at different prices, thus selling of securities may be based upon method of weighted average.

7. Reclassification of Securities

- 7.1. Upon reclassification short term securities to long term securities, or to securities hold till redemption date, the unrealized profit or loss, which had previously been recognized in the profit/loss account shall not be recovered. The further result of revaluation shall be recorded in the balance sheet, shareholders property section and financial asset revaluation reserves.
- 7.2. Upon reclassification short term securities into long term securities or reclassification of securities held until redemption to short term securities, the accrued unrealized profit or loss shall be immediately recognized in the profit/loss account.
- 7.3. Upon reclassification the securities held until redemption to the long term securities, the unrealized profit or loss at the moment of conversion is recognised in the balance sheet, shareholders' property section and financial asset revaluation reserves.
- 7.4. Upon re-classification from long term securities to securities held until redemption, the accrued unrealized profit or loss, which is recorded in the financial asset revaluation reserve and further remains until redemption of securities **at depreciation of the bonus or discount.**
- 7.5. Companies shall, at least once a year, or more often if necessary, review all the categories of securities and decide whether they must be rearranged. In case there are some uncertainties concerning the terms of securities, it is recommended to qualify them as long term securities. Securities may be reclassified only upon the decision of the management of the company or an appropriate body (investment committee). It shall be forbidden to re-classify securities seeking to misrepresent the results of the company or its financial status.

8. Final Part

- 8.1. The fair price of investment in securities shall be determined in accordance with the recommendations approved by the Securities Commission (recognised methods of establishing the price of securities), where it is impossible to establish the price according to the results of trading at the Stock Exchange.

8.2. Other peculiarities of the financial accounting of investment in securities shall be established by the Ministry of Finance and the Lithuanian Securities Commission.

ANNEX 2

Proposals of the Lithuanian Confederation of Industrialists regarding amendments and supplements to the "Law on Taxes of Profits of Legal Persons"

1. To amend Article 1 as follows:

b) legal persons engaged in non-commercial activities who nevertheless received income from commercial-economic activities, with the exception of the Bank of Lithuania **and the state enterprise Deposit Insurance Fund**, and non-budgetary resources of institutions whose expenditures are fully reimbursed from the State Budget **and investment funds acting in accordance with the Law on Investment Companies.**

The proposed amendment is rather convenient and easy to implement, although it will not facilitate the solution of the above referred problems. First, close-end investment funds (CIF) and investment holding companies (IHC) will continue to be subject to taxation, thus no changes will emerge in this respect. Second, CIFs and IHCs will have no future as investment funds are increasingly gaining a much more advantageous position as compared to that of CIFs and IHCs. Third, CIFs and IHCs will probably make attempts to establish actually not functioning IFs, as a means to avoid paying taxes (shell companies). Fourth, it has not been clarified whether IFs will be completely exempt from profit tax, which would mean the emergence of some theoretical, though hardly conceivable possibilities for other legal or natural persons to avoid paying taxes on a legitimate basis. And last, concepts of capital gain from operations in securities and other financial instruments, unrealised appreciation of the investment portfolio as well as the issues of calculation thereof remain rather pressing for other capital market participants.

2. Par. 3 of Article 3 to be amended in the following way:

"Non-operating revenues shall constitute payments received from economic sanctions and other income not related to the production and sale of goods and services, including income received for leased or invested assets, **interest, the used part of subsidies and dotations, gains from changes in exchange rate**". This means that the tax burden is becoming even heavier, as previously interest received by legal persons was not singled out.

3. Item 1 of Par. 4 of Article 3 to be amended in the following way:

When computing taxable profit, the following income shall be eliminated from non-operating revenues:

1) dividends and interest income received on **corporate bonds of economic entities of the Republic of Lithuania and the government and municipal securities.**

First, it is obvious that the burden of taxation is getting heavier, since earlier all dividends and interest received for corporate bonds were exempt from taxes, and now only dividends and interest received from corporate bonds of Lithuanian entities. **Second**, the wording of the amendment is rather obscure and not clear. It is hard to

understand why the Lithuanian government and municipal securities has been singled out, where earlier it states "economic entities of the Republic of Lithuania". Are the Government of Lithuania and Municipalities the economic entities? **Third**, the wording of the amendment leaves open the question whether all the dividends are exempt from taxes, or of Lithuanian economic entities only? **Fourth**, a number of uncertainties arise with respect to the founding the investment funds. Are the investment funds obliged to pay taxes for dividends received from foreign countries? If the answer is positive, it is impossible to ensure the diversification of the investment portfolio, since the official trading list of the Stock Exchange contains only 5 companies. If there were 20 companies, it would be possible to invest into different securities following the provisions of the Law on Investment Companies.

Consequently, we propose to accept the amendments to Article 3, as specified in item 2.1. of this study, since the suggested wording of the amendment inhibits the development of capital market, and brings a lot of confusion and uncertainties.

4. The following amendments are proposed to item 1 Par. 1 of Article 5:

" 1) material costs and other comparable costs, including ~~business trip expenses~~ **losses caused by changes in exchange rate, and the used part of subsidies and grants.**"

The essence of the amendment is that costs specified in the amendment previously were were not assigned to costs, and they had to be compensated from the net profit. As noted in item 2.2. of this study, currently the net profit is used as a source to cover losses related to depreciation of capital and investment portfolio.

Proposal: until the proposed amendments regarding taxation of capital gain are implemented, to supplement the amendment in the following way:

" 1) material costs and other comparable costs, including ~~business trip expenses~~ **losses caused by changes in exchange rates, and the used part of subsidies and grants, realized and unrealized capital depreciation resulting from operations in securities and other financial instruments**"

5. To supplement the last paragraph of Part 4 of Article 7, and set forth as follows:

"For the purposes of this Law, investment ..." The definition of "investment" as given in this supplement is very misleading again. We propose the same amendment as in item 2.3 of this Analysis.

Amendments to the Law on Public Trading in Securities of the Republic of Lithuania

Article 2 paragraph 20: to supplement: public trading in securities means offer, allotment, transfer or **offer of transfer** of securities carried out through the intermediaries of public trading in securities and (or) by offering securities to the public through advertisements or in any other manner and (or) by offering securities to more than **100** persons.

Article 2 paragraph 22: to change and supplement: Ethics Code of the Intermediaries of Public Trading in Securities means a set of ethics rules intended for ensuring honest activities of **intermediaries of public trading** and brokers;

Article 2 par. 23: to change: securities means the means of financing issued in a series, evidencing participation in share capital or (and) the rights arising from credit relations, and granting the right to receive dividends, interest or other income.

Supplement Article 2 with a new paragraph 24: **Derivative securities means the means of financing issued in a series, evidencing the right or obligation to acquire (transfer) securities.**

Disputable amendment! Article 4 par. 2 (2): change (NSEL): The issuer who intends to register securities must file the following documents with the securities Commission:

2) prospectus **or memorandum.**

NAFB proposal:

2) prospectus (if the securities are intended for private placement **or the issuer was established during the first period of privatisation for investment vouchers**, the memorandum, an abridged variant prospectus, may be submitted);

LSC proposal:

2) prospectus (if the securities are intended for private placement **or securities are registered, evidencing the right or obligation to purchase (sell) other securities**, the memorandum, an abridged variant prospectus, may be submitted);

Article 4. Supplement with a new paragraph 6:

After registration of securities with the Securities Commission, order of offering and its terms may be changed only with the permission of the Securities Commission. To change the price, nominal value, class or type of securities shall be forbidden.

Par. 6 and 7 shall be considered par. 7 and 8 accordingly.

Article 5 par. 4: to change and supplement: The Board of the accountable issuer must disclose to the general meeting which approves annual reports the data on all shareholders which, to its knowledge, have by the right of ownership or hold more than 5% of all votes. This information must state the full names of shareholders

(names of enterprises), personal codes (company register codes) the number of shares held by each of them and the percentage of votes. The data must be announced as annexes to the annual prospectuses-reports.
[Note: include such information into quarterly reports]

Article 6 par. 1: supplement: The accountable issuer must no later than within 5 working days present to at least one national daily paper, the Securities Commission and the Stock Exchange an information report signed by its manager about every material event with the exception of events specified in par. 3 hereof. The information report must state the type and short description of the event. The title of the national daily paper in which information about stock events will be announced must be specified in the issuer's Statutes and the prospectus. **The Securities Commission, taking into consideration the size of the issuer and the turnover of securities it has issued, may establish a shorter than 5 working days period to inform about a material event.**

Article 6 par. 5: supplement: Prior to each predictable material event **or material event arising from the decision of the issuer**, the issuer must compile a list of persons which alongside with the executives of the issuer shall have the right to get to know such information prior to its public disclosure . It shall be assumed that the executives of the issuer always know information concerning material events. Persons, who by reason of the positions occupied by them or for some other lawful reasons are aware of the information concerning the material event, shall be prohibited from informing other persons thereof until its public disclosure according to the requirements of par. 1 of this Article.

Supplement Article 6 with a new paragraph 7: The order of disclosure of information about material events shall be established by the Securities Commission, taking into consideration the size of the issuer and the turnover of its securities.

Article 8 par.2. Change par. 2 (1): Secondary trading in securities must be carried out on the stock exchange if:

- 1) the authorised capital of the issuer whose securities are listed is less than 4 million litas;

Disputable issue! Article 8 par. 3: supplement (NAFB): The provisions of par. 2 shall not apply if:

- 1) other laws prescribe a different procedure for trading in securities;
- 2) intermediaries of public trading in securities buy and sell securities on their own account.

Article 9 par. 1. Change (LSC): A natural or legal person who, acting independently or in concert with other persons, acquires shares of an accountable issuer registered in the Republic of Lithuania which award him in excess of 1/10, 1/5, 1/3, 1/2, or 2/3 of votes musts, within 7 days from the moment the relevant limit is exceeded, inform the Securities Commission and the issuer about the total number of voting shares and votes belonging to him. The provisions shall also

apply in cases where the specified limits are exceeded in the diminishing order. For the purposes of par. 1 of this Article persons acting in concert shall mean:

- 1) assigner and assignee (proxy) when the assignee has the right to realise votes at his discretion;
- 2) controlling and controlled persons;
- 3) persons who have agreed in writing to pursue common policy with regard to the management of the issuer;
- 4) persons one of which transfers his voting right to another to vote at the latter's discretion;
- 5) managers of the issuer;
- 6) spouses.

1. Article 9, par. 4: change (LSC): For the purposes of par.1 of this Article voting rights held by a natural person or legal entity acting in concert shall mean the following:

1) voting rights attaching to the shares held by that person or entity by right of ownership except for the cases where such shares are lodged as security with another person and the pledge agreement provides for transfer of the voting rights to the holder of the security;

2) voting rights which the person has the right to exercise at his own discretion acting as a proxy of another person;

3) voting rights attaching to the shares owned by an undertaking controlled by that person or entity;

4) voting rights attaching to the shares owned by another person with whom that person or entity has concluded a written agreement to pursue common policy towards the management of the issuer;

5) voting rights attaching to the shares owned by a third party under a written agreement concluded with that person or entity providing for the transfer of the voting rights in question;

6) in case the person is the manager of the issuer, voting rights attaching to the shares owned by all other managers of the issuer;

7) voting rights attaching to the shares owned by spouses.

Article 10, par.2: change: Tender offers to acquire securities of accountable issuer may be mandatory and voluntary. If a person, acting independently or in concert with other persons, acquires more than 50% of votes at the general meeting of shareholders of the issuer who has issued securities into public trading, he must submit a tender offer to buy up the remaining securities of the issuer granting the voting right and securities evidencing the right to acquire the securities mentioned above at the price stated in the offer. This price shall be registered with the Securities Commission and it must not be less than the average of prices of the securities the offeror acquired over a year before exceeding the 50 % limit.

Supplement Article 10 with new par.3 and 4:

3. The Securities Commission shall establish exemptions when, after the limit of 50% set forth in par. 2 of this Article is exceeded, the tender offer requirement may be [neglected?].
4. A person acting independently or persons acting in concert shall lose their voting rights at the general meeting of shareholders from the moment the limit of 50% set forth in par. 2 of this Article is exceeded till the registration of the tender offer with the Securities Commission.

Par. 3 shall become par. 5 and run as follows:

5. Tender offers shall be registered and the rules for their submission and execution shall be established by the Securities Commission, **taking into consideration the size of the issuer and the turnover of its securities.**

Article 12, par. 2 (9): supplement: Brokerage firms may engage in the following activities:

9) in accordance with the regulations approved by the Securities Commission, loan securities to the clients as well as their own funds for the acquisition of securities **and borrow securities from their clients.**

Article 13, par. 6: supplement: Brokerage firms must comply with the capital adequacy requirements approved by the Securities Commission as well as keep accounting and other documents according to the rules approved by the Commission, present to their clients documents certifying securities transactions, statements of accounts, and reports of their financial position, keep the securities of their clients, prepare annual and periodical reports on their activities and financial position as well as **follow requirements of other legal acts regulating their activities.**

Article 13, par. 7: Change and supplement: In buying or selling securities, consulting on the issues of **investing in securities**, providing portfolio management services **as well as carrying other activities set forth by the Securities Commission** a brokerage firm shall be represented by a **its employee who has the broker's licence provided for in Article 17 of this Law or other qualification certificate recognised by the Securities Commission.**

Article 15, par. 1: supplement and change: Management contracts under which an investment management and consulting firm is authorised to manage an investment portfolio must be executed in writing in compliance with the rules set by the Securities Commission. A copy of such contract must be presented to the brokerage firm or **to other persons who, in the manner prescribed by this Law, have the right to manage securities accounts of persons, in which securities referred to in the contract are deposited.** If a brokerage firm accepts orders from an investment management and consulting firm which are not in compliance with management contract, both firms shall be jointly liable for the consequences.

Supplement Article 17 with a new par. 4 (VPK): **Brokers in their activities must comply with this Law and other legal acts of the Republic of Lithuania, rules and regulations and the Code of Ethics of Intermediaries of public trading in**

securities. They shall be prohibited from acquiring securities which are listed on the trading lists of the Stock Exchange in their own name and on their own account outside the Stock Exchange, unless these securities are inherited by them. It shall be prohibited to transfer these securities to the broker's spouse, parents, foster parents, brothers, sisters, grandparents or parents-in-law.

[Note: besides brokers, to include employees of FBH, Stock Exchange, Depository, etc.?]

Article 20, par. 2(1): supplement and change (NSEL): Stock Exchange is a self-regulatory specialised enterprise registered in the Republic of Lithuania, which is engaged only in the activities of a stock exchange. **Its activities shall be regulated by the Company Law of the Republic of Lithuania in as much as its provisions do not contradict this Law.**

Article 20, par. 2(2): supplement: its purpose is: 2) to organise **primary public trading and trading** in securities, their listing, quotation, safe and efficient transactions and settlement.

Article 20, par. 4: supplement (NSEL): The Exchange is a limited liability firm. It shall be liable for its obligations to the extent of all its property. Shareholders shall be liable for its obligations only to the extent of the amount that they must pay for their contributions to the authorised capital. Contributions to the authorised capital shall be represented by registered shares not yielding dividend, which entitle to participate in the trading and management of the Stock Exchange. One share in the stock exchange shall carry one vote. Stock exchange shares may be acquired only by brokerage firms, commercial banks which have been licensed in the manner prescribed by this Law to carry out operations in, **other financial institutions, the activities of which is directly related to the capital market,** the Ministry of Finance of the Republic of Lithuania and the Bank of Lithuania. Following the decision of the regular meeting of shareholders, the Exchange must issue such number of new shares as there are applications for the acquisition thereof filed by brokerage firms and banks possessing a licence issued by the Securities Commission.

Article 20, par. 5 and 6 (for discussion)

5. A shareholder of the Stock Exchange, upon terminating his activities as an intermediary of public trading in securities, **except the Bank of Lithuania and the Ministry of Finance,** must no later than within 30 days sell the share of the Stock Exchange held by him to another person entitled to be a shareholder of the Stock Exchange. If he fails to sell the share within the specified period, the shareholder must address the Stock Exchange which shall mediate in selling the share held by him at the market price ruling at the moment. In the event of failure to sell the share within a year's period, the Stock Exchange shall repurchase it at its nominal value. The shares of the Stock Exchange repurchased by it may account for more than 10% of its authorised capital. The shares which exceed the limit must be cancelled in accordance with the procedure established by law and the authorised capital must be reduced.

6. one shareholder, except for the Ministry of Finance and the Bank of Lithuania, may hold no more than one share of the Stock Exchange or a **block of shares the size of which shall be determined by the meeting of shareholders upon the co-ordination with the Securities Commission.**

Article 20, par. 7 with part 4 (NSEL): to be discussed and supplemented: 7. The Stock Exchange shall have no right to acquire securities in its own name except in cases when:

- 4) **monies of the Guarantee Fund are used.**

Article 21, par. 1: Stock Exchanges may be founded only **on the permission of the Securities Commission.**

Article 22, par. 1: change: **The shareholders of the Stock Exchange - intermediaries of public trading in securities which execute securities trading on the exchange shall be called members of the Stock Exchange.**

Article 25, par. 2 and 3. Supplement and change (NSEL- to be discussed with LSC): 2. Specific amounts of fees and payments provided for in parts 1 - 3 of par.1 shall be determined by the Board of the Exchange upon the co-ordination with the Securities Commission.

3. **Other fees and payments for the services provided by the Exchange shall be prescribed by the Board of the Stock Exchange.**

Disputable issue. Article 26, par. 3: supplement (NSEL): Securities shall be included in the Current List of the Stock Exchange on the decision of the Board of the Exchange, pursuant to the application of the issuer of securities or the brokerage firm. Appended to the application must be the prospectus or **memorandum** (NAFB proposes: or **memorandum if the securities issue of the issuer was registered with the Securities Commission during the first stage of privatisation for investment vouchers**) and the last annual prospectus-report. If the application for the listing of securities is filed by the brokerage firm, it must additionally present a copy of at least one order to buy or sell relevant securities.

Supplement Article 26, par.8 with new parts 5 and 6:

8. The Stock Exchange may suspend, for no longer than a 3-month period, trading in securities which are on the Official List, if:
 - 5) **the issuer does not with requirements prescribed by the regulations of the trading on the Exchange;**
 - 6) **that is requested by the issuer of these securities because of reasons provided for in the regulations of the trading on the Exchange.**

Supplement Article 26 with new par. 15 and 16:

15. **It shall be prohibited to transfer or acquire securities for the purpose of creating a false or misleading appearance of active trading in them, disseminate false or incomplete information about the activities performed or**

intended to perform by the issuer, its financial status, transactions effected for transfer of its securities, if due to these activities the market price of these securities is artificially raised or depressed for the purpose of inducing the purchase or sale of these securities by other persons.

16. The Stock Exchange shall have the right to receive information about financial and business activities of members of the Stock Exchange, inspect how intermediaries of public trading in securities acting on the Exchange comply with the regulations of trading on the Exchange and other legal acts of the Exchange. The Stock Exchange shall have the right to organise inspections of intermediaries of public trading in securities acting on the Exchange and apply sanctions provided for in its trading rules.

Par. 15 of Article 26 shall be par. 17.

Article 27, par. 4 -5: change (NSEL):

4. After payment of taxes into the Budget, settlement with creditors and employees, the remaining assets of the Stock Exchange shall be distributed among its shareholders proportionally to the nominal value of shares held by right of ownership.

Par. 5 shall be cancelled.

Article 28, par. 1: supplement with a new sentence:

It shall be a must to open a securities account with the Central Securities Depository of Lithuania (further - Central Depository) no later than within 5 working days after the registration of the authorised capital in the enterprise register and of other securities with the Securities Commission. All securities which may be an object of public trading, as well as during the primary trading on the Exchange, shall be recorded by entries in the personal securities accounts opened in the name of the securities owners.

Article 28, par. 2: supplement: Personal securities accounts may be opened and managed at the Central Depository in the manner prescribed by the Securities Commission.

Article 28 shall be supplemented with a new par. 5: **Intermediaries of public trading in securities must segregate from their own assets and identify separately assets of each investor. Recovery of claims of creditors of intermediaries of public trading shall not be done from the investor assets in custody of intermediaries of public trading.**

Par. 5, 6, 7, 8, 9, 10, 11 shall become par. 6, 7, 8, 9, 10, 11, 12 accordingly.

Article 29, par. 1: supplement: The Central Securities Depository of Lithuania is a **joint-stock company**, the main function of which is to conduct the general accounting of securities, prepare and implement accounting systems for securities book keepers, execute their servicing and supervision. **The Central Depository**

shall act under this Law and By-laws approved by the general meeting of its shareholders. Provisions of the Company Law shall be applicable to it only to the extent they do not contradict this Law.

Article 29, par. 2: change and supplement:

The authorised capital of the Central Depository shall be formed from monetary and property contributions of its shareholders. Monetary and property contributions shall be registered as inscribed shares not subject to dividend. The authorised capital of the Central Depository may be increased only issuing new shares.

Article 29, par.3, parts 3, 4, and 10: supplement and change:

The Central Depository shall perform the following functions:

- 3) open securities accounts of account operators and, in the manner prescribed by the Securities Commission, personal (investor's) accounts and operate them;
- 4) ensure that during the carrying out of transactions in securities said securities be timely removed from the securities account of one account operator or personal securities account and placed to the securities account of another account operator or personal securities account;
- 10) issue the statement of securities account to the account operators and investors;
- 11) accept and keep in custody monies under the basis of the laws of the Republic of Lithuania, other legal acts and contracts, prepare and implement measures to ensure safety of these monies.

Article 29, par. 6: supplement: The instructions and directions issued by the Central Depository on the issues of securities accounting shall be obligatory to all account operators. The general accounting principles shall be applicable to the Central Depository itself when it acts as an account operator.

Article 31, par. 2: supplement (LSC): During the formation of the first Securities Commission after the entry into force of this Law, powers shall be granted to the Chairman of the Commission for the period of 5 years. Other members of the Commission shall be appointed to the first Securities Commission after the entry into force of this Law at the discretion of the President of the Republic for the period of 4, 3, 2, or 1 year accordingly in such a manner that in each subsequent year one member of the Commission shall designate one member of the Commission as his deputy. The same person may be re-elected for no longer than two term period.

Supplement Article 32, par. 2 with a new part 9 (LSC):

2. While implementing the tasks provided for in par.1 hereof, the Securities Commission shall perform the following functions:
 - 9) may apply to the court to protect the violated rights of the investors in case the harm inflicted on each investor by the issuer, intermediary of

public trading, other economical subjects or brokers is small but such actions violate interests of many investors.

Parts 9 and 10 of par.2 Article 32 shall be 10 and 11 accordingly.

Article 37 to be supplemented with a new par.3:

3. To implement the rights stipulated in par. 2 of this Article the Securities Commission may request services of the police.

Article 38, par.1, part2: change: 1. Economic entities who violate this Law must: compensate for the inflicted losses.

Article 38, par.2, part 1: supplement: The Securities Commission shall have the right to impose pecuniary penalties on:

1) the issuers who have to register securities, open an account at the Central Depository pursuant to Article 4 of this Law but either avoid or refuse doing that - in the amount up to 10% of the total nominal value of the securities subject to registration;

Article 38, par.2: supplement with new parts 5 and 9:

5) economic entities which failed to submit a tender offer - in the amount up to 100 000 Lt;

9) economic entities which violate the requirements of par.6 of Article 6 and par.15 of Article 26 - up to the triple amount of the proceeds received illegally or up to 100 000 Lt.

Article 41, par.4: supplement (LSC): Until the law regulating remuneration of employees of offices and organisations financed from the state budget is adopted, the Chairman of the Securities Commission shall be paid a salary of 8 average monthly wages. The deputy chairman shall be paid a salary lower than that of the Securities Commission Chairman by 15%, and other Commissioners - by 25%. Wages of the administrative staff of the Securities Commission shall be set by the Chairman following the order of payment established by the Government Office.

Disputable Articles in the Amendments to the Law on Public Trading in Securities

1. Article 8

Version 1: The Securities Commission, taking into account the volume of the issued securities, shall determine, supplement and amend the list of issues, the secondary trading of which must be conducted on the Stock Exchange.

Version 2: Article 8: Secondary Public Trading in Securities

1. *The secondary public trading in securities shall be conducted in pursuance with the rules set forth by the Securities Commission.*
2. *Transactions of sale and/or purchase of securities shall be executed on the Stock Exchange only if the securities are included in the official or current trading list of the Stock Exchange.*
3. Provisions of Par.2 shall not apply if other laws prescribe a different procedure for trading in securities.
4. *The Stock Exchange shall provide conditions for trading in those securities of accountable issuers, which are meant for public trading.*
5. *Investment companies, banks, insurance companies, institutions engaged in insurance of pensions shall conduct trading in securities through the Stock Exchange.*
6. Persons who according to this Law in the course of secondary offering register outside the Stock Exchange a transaction regarding the issuer's securities listed in the Stock Exchange must, in the cases, according to the procedure and the date prescribed by the Securities Commission, specify the number of securities transferred by the transaction and the unit price.

Version 3: Secondary Public Trading in Securities:

1. Secondary public trading in securities shall be carried out only through intermediaries of public trading in securities.
2. *Sale and purchase of securities shall be conducted at the Stock Exchange when:*
 - 1) *Securities have been issued for public trading*
 - 2) *Securities are included into the official or current list of the Stock Exchange.*
3. Provisions of Par. 2 shall not apply if:
 - 1) other laws prescribe a different procedure for public trading in securities;
 - 2) *a purchase and/or sale transaction in securities is concluded between two natural persons, and they do not use services provided by intermediaries in public trading in securities;*

- 3) *a purchase and/or sale transaction in securities is concluded between a parent company and a subsidiary.*
4. The rules of the secondary public trading outside the boundaries of the Stock Exchange shall be established by the Securities Commission.
5. Persons who according to this Law in the course of secondary offering register outside the Stock Exchange a transaction regarding the issuer's securities listed in the Stock Exchange must, in the cases, according to the procedure and the date prescribed by the Securities Commission, specify the number of securities transferred by the transaction and the unit price.

THE LITHUANIAN SECURITIES COMMISSION

RESOLUTION No 7

Vilnius, February 20, 1998

Concerning the Rules on Submission, Registration and Execution of a Tender Offer

The Lithuanian Securities Commission resolves to:

1. approve of the Rules on Submission, Registration, and Execution of a Tender Offer (the Rules) (appended);
2. obligate the National Stock Exchange of Lithuania (NSEL), within 30 days from the announcement of the Rules in the "Valstybes Zinios" ("Official Gazette") to prepare and submit to the Securities Commission for approval the procedure of execution of a tender offer through the NSEL;
3. provide that the Rules on Submission, Registration, and Execution of a Tender Offer shall come into effect on June 1, 1998;
4. provide that the obligation to announce a tender offer shall be binding to persons who have acquired more than 50% of an accountable issuer's votes at its general meeting after the Law on Public Trading in Securities of the Republic of Lithuania came into effect if they hold more than 50% of an issuer's votes on the day these Rules come into effect.

Persons who have acquired more than 50% of an accountable issuer's votes at a general meeting on the secondary trading of securities which was conducted outside the exchange while privatizing state and municipality property pursuant to the Law on Privatization of State and Municipality Property the obligation to announce a tender offer shall not be binding.

Chairman of the Securities Commission

V. Poderys

Approved by Resolution 7 of
the Securities Commission of
February 20, 1998

RULES ON REGISTRATION, SUBMISSION AND EXECUTION OF A TENDER OFFER

I. GENERAL PROVISIONS

1. Rules on Registration, Submission and Execution of a Tender Offer regulate the order of purchase of the shares of an accountable issuer by way of a tender offer in which all investors of the issuer - the target company - are guaranteed equal possibilities to sell securities and to acquire information about the sales of securities.
2. The legal basis for Rules on Registration, Submission and Execution of a Tender Offer (further - these Rules) is Article 10 of the Law on Public Trading in Securities of the Republic of Lithuania.

II. DEFINITIONS OF THE CONCEPTS USED IN THESE RULES

3. Unless a different definition is provided in these Rules, all concepts used in these Rules shall have the same meaning as in the Law on Public Trading in Securities of the Republic of Lithuania.
4. Concepts used in these Rules shall mean the following:
 - 4.1. "**target company**" ("**target**") is a natural or legal person whose securities registered with the Securities Commission are to be acquired by way of a tender offer on the secondary market;
 - 4.2. "**bidder**" is a natural or legal person that intends to acquire a part or all target's securities and persons acting in concert with him. For the purposes of these Rules the target company may not be a bidder;
 - 4.3. "**tender offer**" is a procedure for stating that a natural or legal person is willing to acquire a part or all securities of the target company;
 - 4.4. "**voluntary tender offer**" is a tender offer announced by a person in case of his intention to acquire a block of the target's securities at the conditions set by that person;
 - 4.5. "**mandatory tender offer**" is a tender offer mandatory to a person who, acting alone or in concert with other persons, has acquired more than 50% of votes at a general meeting of an issuer registered in the Republic of Lithuania;
 - 4.6. "**a competing tender offer**" is a tender offer that exists during the period of another tender offer and is announced by a person other than the earlier bidder concerning the acquisition of the same securities under different conditions;

4.7. "circular" is the document disclosing the main information about the tender offer to investors and the public.

4.8. "persons acting in concert":

- 4.8.1. a person who has authorized another person to vote at his discretion and his proxy;
- 4.8.2. controlled and controlling persons;
- 4.8.3. persons who have made a written agreement to vote jointly on issues of the target company's management;
- 4.8.4. executives of the company;
- 4.8.5. persons who transfer the right to vote to other persons on a discretionary basis;
- 4.8.6. spouses, parents and children, brothers and sisters.

For the purposes of these Rules, a management enterprise which has been transferred the management of an investment company's assets or part of them shall not be deemed a proxy if the management enterprise is exercising the voting rights of the company at the issuer's general meeting.

A person specified in items 4.8.1 - 4.8.6 is deemed to be **acting in concert** only if he has at least one vote attaching to the shares held by right of ownership (or shares pledged with him where the pledge agreement provides for the transfer of the voting right to the holder of the collateral) at the target's general meeting of shareholders on the day of exceeding the limit of 50% set forth in item 70 or on the day of filing a voluntary tender offer with the Commission by other person(s) specified in item 4.8.1 - 4.8.6 in the manner prescribed by item.

4.9. "national daily paper specified in the circular" is a means of national daily paper specified in the By-laws of the issuer which publishes the information about the issuer's material events.

If an issuer's By-laws do not provide for any national daily paper, the **national daily paper specified in the circular** shall be deemed the national national daily paper selected by the bidder, in which information about the tender offer and its implementation will be announced in the cases prescribed by these Rules. This national daily paper must be specified in item 24 of a tender offer circular.

III. ORDER OF ANNOUNCEMENT ABOUT A TENDER OFFER

5. A bidder who has decided to acquire a block of the target's shares by way of a voluntary tender offer or who has exceeded the 50% limit referred to in item 73, no later than within 5 working days, must file:

5.1. with the target and the National Stock Exchange of Lithuania (hereinafter - NSEL) a circular of the tender offer prepared according to the requirements of Annex 3 (hereinafter - the circular) with a statement specified in item 1 of Annex 2 to these Rules.

The circular shall be prepared in accordance with the numbering of items specified in Annex 3 to these Rules. If the information of a certain item of the circular is

irrelevant for the person, the name of the item shall be indicated followed by a dash..

5.2. with the Securities Commission (hereinafter - the Commission):

5.2.1. an application to register the tender offer prepared according to the requirements of Annex 1 to these Rules;

5.2.2. a copy of the written resolution of the bidder's authorized managing body to announce a tender offer (if the bidder is a legal person);

5.2.3. the circular - 3 copies;

5.2.4. a copy of the written agreement setting forth rights and/ or mutual obligations and/or liability for failure to meet the obligations under these Rules of persons acting in concert if such an agreement is made (to be provided in case of a mandatory tender offer);

5.2.5. a copy of a permit issued by the State Agency of Competition and Consumer Rights Protection under the Government of the Republic of Lithuania and (or) other state institutions and / or the Bank of Lithuania for the person to acquire the target's securities if such a permit is required under the legal acts of the Republic of Lithuania;

5.2.6. a statement of the bidder's securities account if the bidder holds securities of the target company by the right of ownership and/ or of the securities pledge agreement referred to in item 7.1, if such an agreement is made (to be provided in case of a mandatory tender offer);

5.3. announce the summary of the circular with the statement specified in item 1 of Annex 2 to these Rules to at least one national daily paper referred to in the circular indicating when and where it is possible to familiarize oneself with its contents.

The summary of the circular may be announced only upon the receipt of all the permits indicated in item 5.2.5 and upon filing the required documents of the tender offer to the NSEL and the Commission.

6. The summary of the circular published in a daily national paper specified in the bidder's circular shall, in all instances, contain the information referred to in items 1, 2, 4, 7, 10, 11, 14, 16, 17, 18 and 23 of Annex 3 to these Rules.

7. After the registration of a tender offer at the Commission the bidder must transfer at least 10% of the cash amount into the account specified by the Exchange.

8. Upon the registration of a tender offer, the bidder, within 3 business days, shall:

8.1. submit the summary of the circular registered with the Commission and the statement set forth in item 2 of Annex 2 to these Rules to at least one national daily paper referred to in the circular for publication;

8.2. submit the summary of the circular registered with the Commission and the statement set forth in item 2 of Annex 2 to these Rules to the target company;

8.3. submit the summary of the circular registered with the Commission and the statement set forth in item 2 of Annex 2 to these Rules to each person who requests for it before the end of validity of the tender offer;

8.4. submit the NSEL with the summary of the circular registered with the Commission and the statement set forth in item 2 of Annex 2 to these Rules and other documents as required by the NSEL.

9. Where the bidder offers other securities in exchange of the target's securities, the bidder shall submit to the persons referred to in item 8.3 the prospectus (memorandum) of the securities issue, the latest annual report - prospectus and the semi-annual report or the latest quarterly report (if required by the Commission's rules) of the company which has issued the securities offered.

The bidder must file the prospectus (memorandum) of the securities issue and the reports together with the circular in the order prescribed by item 5 of these Rules.

10. After the registration of a tender offer with the Commission and the dissemination of information in the manner prescribed by item 8, the bidder must start the procedure of execution of the tender offer in the manner established in Chapter IX of these Rules. The execution of a tender offer prior to its registration or of a tender offer, the registration of which is revoked, shall be prohibited.

IV. REGISTRATION OF A TENDER OFFER

11. Having received the documents referred to in item 5.2, the Commission shall, within 4 business days, inform the bidder in writing about its decision concerning the registration of the offer.

12. Prior to registration of a tender offer, the Commission, taking into consideration the size of the target company and the volume of its securities, shall have the right to require that the target select another than the one referred to in the circular national daily paper in order to guarantee an effective disclosure about the submission of the tender offer and its execution to the target company's investors and other market participants. The additional national daily paper selected by the bidder shall be specified in item 24 of the circular.

13. The Commission, while passing the decision with regard to the registration of a tender offer or change of its conditions and performing other functions related to the supervision of a tender offer, shall only follow the principle of compliance with the Law on Public Trading in Securities, these Rules and other legal acts of the Republic of Lithuania regulating the securities market as well as take into consideration whether:

13.1. all shareholders of the target are guaranteed equal rights to use the tender offer;

13.2. all parties of a tender offer are entitled to sufficient time and information to

arrive at the informed decision;

13.3. managers of the target company do not abuse their situation and do not hinder the execution of the tender offer;

13.4. there is no price manipulation with regard to the securities of the target company or any other company related to the offer;

13.5. due to the procedure of the execution of a tender offer or offers the target company's activities are not restricted for too long a period;

13.6. there are no other reasons or conditions hindering the timely and proper implementation of the tender offer.

14. Once the Commission registers the tender offer, the bidder shall be sent a copy of the circular marked with a stamp "REGISTERED" with the date of registration of the tender offer and the number of the resolution thereof.

15. The tender offer comes into effect from the moment of its registration by the Commission until the expiration of its execution as provided in the circular.

During the period of validity of the tender offer no other offers concerning the target company and its securities may be registered, but the competing and mandatory tender offer.

16. In order to enforce the provisions of item 13 of these Rules, the Commission shall have the right to:

16.1. require from the bidder to suspend the execution of the tender offer as well as to revoke the registration of the tender offer. The Commission shall promptly notify the bidder and the NSEL about its decision in writing.

The Commission, upon passing the resolution to obligate the bidder to suspend the execution of the tender offer, may set forth a period for the elimination of the identified violations or for the performance of other necessary actions. In the event the violations are not eliminated or other orders of the Commission ignored, the Commission shall be entitled to revoke the registration of the tender offer.

16.2. request from the bidder or the target company to file additional information in order to make sure that the procedure of the tender offer complies with the Law on Public Trading in Securities, these Rules and other legal acts of the Republic of Lithuania regulating the securities market;

16.3. obligate the bidder or the target company to publicly announce information necessary for the adequate evaluation of the tender offer.

17. Once the circumstances causing the suspension of the execution of a tender offer are rectified, the Commission shall revoke its requirement to suspend the execution of the tender offer. The Commission shall notify the bidder and the NSEL in writing about its decision on the same day.

18. Upon the receipt of the Commission's decisions referred to in items 16.1 and 17, a

bidder, no later than within 2 business days, shall:

18.1. announce about the suspension of the execution of a tender offer or revocation of the suspension or registration in a daily national paper indicated in the circular;

18.2. notify the target and the Exchange about the suspension of the execution of a tender offer or revocation of the suspension or registration.

19. When the Commission revokes the obligation to suspend the execution of an offer, the execution of an offer shall be continued after the bidder announces in the daily national paper specified in the circular in the manner prescribed by item 18 about the revocation of the suspension of the offer. The period from the Commission's decision to obligate the bidder to suspend the execution of the offer until the bidder's announcement in the national daily paper specified in the circular about the suspension of the execution shall not be included into the period of validity of the offer.

In this case the execution of the tender offer shall remain open for the same period which was established before. Where less than 10 days remain from the revocation of the decision to suspend the execution of a tender offer (item 18) until its expiration, the validity of the tender offer shall be prolonged for 10 days more from the day of notification about the revocation of the suspension.

20. Upon notifying about the revocation of the suspension of the tender offer execution in the manner prescribed by item 18 of these Rules, the bidder shall also notify about the changed period of the offer execution, i.e. the bidder must notify how many days the offer will be open.

V. REQUIREMENTS FOR THE BIDDER

21. An offer shall be equally accessible to all holders of the target's securities and each of them shall be granted equal possibilities and rights to get the information about a tender offer and sell their securities. A bidder shall have no right to offer more favourable conditions or give any material information to any holder of the securities to be purchased.

22. Each holder of the target's securities of the same class and type shall be offered the same price.

23. Once a tender offer is announced in the manner prescribed by item 5 of these Rules and/ or the documents for the tender offer are filed with the Commission and/ or the NSEL and/ or the target, the bidder shall have no right to:

23.1. acquire the target's securities (except for the share acquisition by inheritance or the bonus share when the authorized capital is increased from the issuer's funds (share capital for banks)) concerning which a tender offer is announced;

23.2. transfer the target's securities held by the right of ownership concerning which a tender offer is announced;

23.3. issue securities granting the right or obligation to purchase (sell) the target's securities held concerning which a tender offer is announced.

24. Provisions of items 22 and 23 of these Rules shall not apply when the pre-emptive rights for subscription for the target's shares or the rights of conversion of previously issued securities are exercised as well as upon the execution of contracts (transactions) concluded before.

VI. REQUIREMENTS FOR DISCLOSURE OF INFORMATION

25. Before a tender offer is announced in the manner established in items 5, 8, 62, and 67 of these Rules, the bidder, the Commission, the NSEL, the target and any officers, directors, employees, advisors, and any person who is informed of the offer must treat that information as confidential and may not disclose it to any person or influence any person to deal in the target's securities.

26. It is unlawful for the bidder, the target, any of their officers, directors, employees, or advisors to make any untrue statement of a material fact or omit any statement required to be made in the filings to the Commission to make other statements not misleading before the completion of any tender offer.

27. Advertisements made by the bidder must be limited to statements contained in tender offer materials on file with the Commission.

VII. THE OPINION OF THE TARGET'S EXECUTIVES ABOUT THE TENDER OFFER

28. The target's Board shall, no later than within 5 business days from the receipt of the circular registered by the Commission in the manner prescribed by item 8, announce in a national daily paper referred to in the circular their official opinion about the tender offer, prepared according to the requirements of Annex 4 to these Rules. In case the Board is not formed, the official opinion about the tender offer shall be announced by the target's Supervisory Council (the Bank's Council).

The official opinion concerning a tender offer shall be announced following the numbering of items provided in Annex 4 to these Rules.

29. The directors of the target company, at the request of any person, shall make it possible to get acquainted with the official opinion on a tender offer prepared for the purposes of publication.

30. In the formation of their official opinion referred to in item 28 of these Rules, the executives of the target shall be prohibited from acting in their personal interest. This rule shall be applicable irrespective of whether the executives are bidders and/or investors of the target company.

31. The executives of the target company who do not agree with the official opinion of the Board (the Supervisory Council) may publicly announce their personal opinion about

a tender offer according to the requirements of Annex 4 to these Rules. In that case the target's executives must state that the opinion announced is their own personal opinion.

32. Prior to the announcement of the official opinion about a tender offer or amendments to it by the target company's executives, one copy of said announcement shall be submitted to the Commission.

33. Failure to announce the official opinion referred to in item 28 of these Rules shall not suspend the execution of the tender offer.

VIII. DISCLOSURE OF INFORMATION THROUGH THE STOCK EXCHANGE

34. The NSEL, having received a copy of the circular registered with the Commission in the manner prescribed by item 5, may terminate, for no longer than three nearest sessions, the trading in:

- 34.1 the target's securities;
- 34.2. the bidder's securities;
- 34.3. securities to be exchanged for the target's securities.

35. During the execution of a tender offer, the NSEL is required to announce daily on its information system and in each bulletin that is issued during that period the number of securities the bidder intends to purchase and the supply of the target's securities in numbers.

36. The NSEL shall, no later than on the following business day after the settlement between the bidder and the target's investors who accepted the offer is made in the manner prescribed by item 47, or from the deadline set for the settlement between the bidder and the target's investors, announce the results of the tender offer on the information system of the NSEL and in the nearest bulletin. The announcement shall contain the following:

- 36.1. the bidder's requisites;
- 36.2. results of the completion of the tender offer (execution or failure to execute the offer);
- 36.3. number, class and type of securities purchased;
- 36.4. the percentage of the applications satisfied;
- 36.5. other information provided in the Rules of the NSEL.

37. The Exchange, upon the receipt of information from the Commission concerning its decision to terminate the execution of a tender offer, or to obligate the bidder to suspend the execution of a tender offer, or to revoke the suspension of the execution or to revoke the registration of the tender offer, shall promptly announce on its information system

and in the nearest bulletin the Commission's decision thereof.

IX. TENDER OFFER PROCESS

38. A tender offer registered with the Commission shall be executed on the NSEL. A tender offer shall be executed pursuant to these Rules and the rules established by the NSEL.

39. A tender offer shall be executed irrespective of the fact of listing or non-listing of the target's securities on the NSEL. Listing of the target's securities on the NSEL shall not be an additional condition for the execution of a tender offer.

40. The execution of a tender offer shall commence on the fourth business day from the day the Commission's decision to register the tender offer is received.

41. A tender offer shall remain open for no shorter a period than 30 days.

42. A tender offer may not remain open for more than 60 days except in the case specified in item 19.

43. A tender offer may be for cash, other securities registered with the Commission, T-bills issued by the Government of the Republic of Lithuania or a combination thereof.

In case of a mandatory tender offer shares shall be purchased only for cash.

44. The bidder may pay by securities it holds irrespective of their listing on the Exchange trading lists or irrespective of suspension or termination of trading in these securities, or delisting of these securities on the NSEL.

45. Where the payment is made by a combination of cash and securities, the bidder must pay each responding investor of the target in cash and securities on a pro rata basis according to the number of shares to be paid for.

Where the payment is made in securities of different types and classes, each responding investor of the target shall be paid by the bidder in proportion to each class and type of securities from the total amount of securities of that type and class.

46. The bidder must transfer cash or securities for the payment for the deposited shares of the target into the account specified in the Rules of the Exchange prior to completion of the tender offer.

47. The settlement between the bidder and the responding investors of the target shall be made on the first day after the close of the tender offer when the Exchange confirms, in the manner prescribed by its rules, that the bidder has transferred all cash or securities for the consideration into the accounts specified in item 46 and that other conditions of the tender offer have been met. The bidder's and the target's investors' securities and/ or cash that was not used for consideration shall be refunded to their owners in the manner prescribed by the rules of the Exchange.

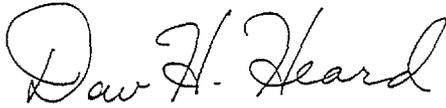
The Pragma Corporation

Lithuanian Capital Market
Development Project
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April 2, 1998 6:30PM

MEMORANDUM

To: Aldas Kriauciunas
USAID - Vilnius, Lithuania

From: Dow H. Heard 
Chief of Party - The Pragma Corporation

Re: STATUS REPORT FOR THE MONTH OF MARCH, 1998
Lithuania Capital Markets Development Project
CONTRACT EPE-I-95-00040-00, Task Order 05

CC: Beverly Loew: USAID - Washington, D. C.
Kevin O'Hara: Pragma Corporation - Falls Church, Virginia
The Pragma Corporation: Vilnius Office File (Diana Sokolova)

PROJECT DESCRIPTION

The Pragma Corporation ("Pragma") is implementing the Lithuanian Capital Markets Development Project ("Project") funded by the United States Agency for International Development ("USAID"). The Project is to provide legal and regulatory development assistance to the Lithuanian Securities Commission ("Commission") and organizational development to the National Stock Exchange of Lithuania ("NSEL"), the Central Securities Depository, and the National Association of Finance Brokers of Lithuania ("Association"). In addition, the Project is providing assistance in the procurement of software and operations capabilities to support an order-driven, continuous trading stock exchange.

PROFESSIONAL STAFFING

During March 1998, Mr. Zilvinas Zinkevicius, attorney on the Project, left the team to join a local Vilnius law firm. Mr. Heard, Chief of Party, and the other members of the team continued to provide expert legal assistance to the Project counterparties.

PRIMARY AREAS OF FOCUS

During March, the Pragma team, worked on the changes to the Law on Stock Companies. Mr. Zinkevicius and Mr. Heard made comments and suggested modifications. In particular, comments were made regarding the responsibilities of Board of Director members for corporations. The draft changes were distributed to all members of the Commission and forwarded to subcommittees in the Seimas ("Parliament"). (See Attachment "A").

Mr. Heard worked with Ms. Dorothy Ballantyne to introduce her to the Association and helped prepare her for a presentation on mutual funds to a large group of brokers and government advisors. Approximately fifty (50) people attended. The seminar was held on March 10, 1998. (See Attachment "B").

The final version of the amendments to the Law on Public Trading in Securities were completed by Mr. Zinkevicius. Mr. Zinkevicius worked with the Seimas committees on behalf of the Commission. The amendments were passed by the Seimas on March 19, 1998. (See Attachment "C").

The survey analysis of tax law was prepared and continually revised by Dr. Arvydas Paskevicius. (See Attachment "D"). Meetings were held with Mr. Heard and Ms. Diane Juzaitis from the Ministry of Finance. Additional changes were made and the recommendations for tax law modifications to aid the capital market were presented to the Commission. After additional changes, a letter containing tax law suggestions was presented to the Ministry of Finance on March 20, 1998. (See Attachment "E").

The Pragma team also worked on the preparation of a draft order "Concerning Accounting of Operations with Securities and Other Financial Instruments". This order originated with the Ministry of Finance. In addition, a draft contract on servicing of securities accounts was prepared for the Brokerage Company, Auksine Karuna.

Mr. Reciunas began working on rules for brokerage firms dealing with personal securities accounts and the placement of client's orders. Also, work on discretionary account contracts continued. He participated in discussions of these drafts with members of the investment companies development group. The Commission adopted the Rule on Discretionary Accounts for Investment Management and Consulting Firms on March 6, 1998. (See Attachment "F").

Ms. Jurga Dermontaite worked on the drafts of Prospectus Disclosure of Shares Issue and on Prospectus on Debt Securities Issue. This work also entails study of financial information disclosure according to International Accounting Standards. She drafted a memorandum on notes to amendments to Annex 2 to "Contents of Securities Issue Prospectus".

Mr. Skirmantas Rimkus worked with the Central Depository concerning off-balance sheet accounting of securities. He participated in meetings between the Commission and the Brokers Association concerning possible amendments to the Capital Adequacy Rule. Mr. Skirmantas prepared a rule on Accounting of Investments in Securities. Most importantly, Mr. Skirmantas completed drafts on the:

- 1.) Forms of Financial Statements:
 - balance sheet,
 - off-balance sheet accounts,
 - statements of changes in owners' equity,
 - profit (loss) account,
 - cash flow statement.
- 2.) Model Chart of Accounts and a detailed description of the Chart of Accounts;
- 3.) Description of financial statements of brokerage firms;
- 4.) Requirements of the Explanatory Notes;
- 5.) Methods of Financial Accounting;
- 6.) Provisions on Accounting of Investments in Securities; and
- 7.) Methods of Financial Accounting of Securities Lending Transactions.

(See Attachment "G").

MAJOR ACHIEVEMENTS

The major accomplishment for the Project during March 1998 was the passage by Parliament of amendments to the Law on Public Trading in Securities. The Pragma team was instrumental in the drafting recommended changes to the tax law of Lithuania to encourage the formation and operation of investment companies and the development of the capital markets. The Rule on Discretionary Accounts for Investment Management and Consulting Firms was passed on March 6, 1998.

WORKSHOPS/SEMINARS

A seminar on Mutual Funds was given to the Brokers Association and a variety of government advisors on March 10, 1998. Approximately 50 persons participated. This seminar dealt with the advantages of mutual fund ownership, the U. S. mutual fund industry, how investors and funds make money, organization and functions of funds, distribution, pricing, analysis, promotion, and types of accounts.

UPDATE ON PREVIOUS REPORT

COMPLETED:

- ☆ Rule on Securities Portfolio Management Agreement (On Discretionary Accounts) for Investment and Consulting Firms.
- ☆ Survey of Tax Law and Analysis.
- ☆ Drafts of Accounting and Financial Statements.
- ☆ Amendments to the Law on Public Trading in Securities.

IN PROGRESS:

- ☆ Amendments to Law on Stock Companies.

PLANS FOR NEXT MONTH AND ANTICIPATED ISSUES

The plans for April 1998 are to meet with U. S. AID representatives to redefine the number of expat labor hours and to modify the budget to more accurately reflect the counterparties current desires. Don Buddenbohn, expat accountant, is to be invited for the month of May 1998 to work on various accounting rules and forms.

ATTACHMENTS TITLE PAGE:

- See Page 5 for complete listings.

ATTACHMENTS:

A. DRAFT CHANGES TO THE LAW ON STOCK COMPANIES.

B. TEXT DOCUMENTS FROM MUTUAL FUND SEMINAR:

☆ DATED MARCH 10, 1998.

C. AMENDMENTS TO THE LAW ON PUBLIC TRADING IN SECURITIES:

☆ PASSED MARCH 19, 1998.

D. TAX SURVEY AND ANALYSIS WITH ANNEX 1 AND ANNEX 2:

☆ DATED MARCH 24, 1998.

E. LETTER TO MINISTRY OF FINANCE ON TAX LAW PROPOSED CHANGES:

☆ DATED MARCH 20, 1998.

F. RULE ON DISCRETIONARY ACCOUNTS FOR INVESTMENT MANAGEMENT AND CONSULTING FIRMS:

☆ ADOPTED MARCH 6, 1998.

G. DRAFTS ON FORMS OF FINANCIAL STATEMENTS, CHART OF ACCOUNTS, ETC.

☆ DATED MARCH 25, 1998.

Amendments to the Company Act

Article 15. Property Rights of Shareholders

1. A shareholder shall have the following property rights:
 - 1) to receive a certain portion of the Company's profit (dividend);
 - 2) to receive a portion of assets of the Company in liquidation;
 - 3) to receive shares without payment if the authorised capital is increased with the funds of the Company;
 - 4) to have a priority (pre-emptive right) in acquiring newly issued shares or convertible securities, unless the company by-laws or the resolution concerning the increase of the authorized capital from supplementary contributions provide otherwise;

(alternative)

- 4) to have a priority (pre-emptive right) in acquiring newly issued shares or convertible securities. This right may not be applied if the company by-laws do not state that shareholders always have the pre-emptive right to acquire newly issued shares or convertible securities of the company and a different procedure for share offering is provided in the resolution concerning the increase of the authorized capital from supplementary contributions;

- 5) to bequeath all or part of shares to one or several persons;

- 6) to sell or transfer in any other way all or part of shares to the ownership of other persons;

- 7) to have other property rights provided for in the company by-laws.

2. Shareholders shall have the right to request of the Company the repayment of their contributions in the cases provided for in Pars. 7 and 8 of Article 6, Par. 3 of Article 8, Par. 3 of Article 40 and Par. 4 of Article 42 of this Law.

3) The pre-emptive right to acquire the newly issued shares or convertible securities of the company shall be granted to the persons who are the company shareholders at the close of the day on which the resolution to increase the authorized capital from supplementary contributions is passed. This record day shall be fixed by the managing body of the company which has passed the resolution to increase the authorized capital. It may not be earlier than the tenth day after the resolution to increase the authorized capital is passed. A shareholder's pre-emptive right to acquire newly issued shares or convertible securities shall be implemented by issuing subscription rights. The record date of the holders of the company's subscription rights shall be announced in the manner prescribed by the Securities Commission for disclosure of material events. The list of shareholders who acquire the pre-emptive subscription right in the primary trading shall be made pursuant to paragraph 2 of Article 19 of this Law.

Article 16. Non-property Rights of the Shareholders

1. Shareholders shall have the following non-property rights:

- 1) to attend the meetings of shareholders as voting members unless this Law or the by-laws provide otherwise;

- 2) to receive information on the business activities of the Company;
- 3) to appeal in court the resolutions or actions of a general meeting or the Board or the Supervisory Council or administration if they violate the shareholders' rights; and
- 4) other non-property rights provided for in the Laws or the company's By-laws.

2. If all the voting shares of the Company are of the same par value, each share shall carry one vote at the meetings of shareholders.

3. The By-laws of the Company may provide for a rule according to which some types of shares do not carry the right to vote.

4. A shareholder, except when he acquires all the company's shares, shall not be entitled to voting when the general meeting passes the resolution concerning the compensation of losses or approval of the evaluation of his non-pecuniary (property) contributions.

5. If the voting shares are of different par value, one share of the smallest par value shall give its holder one vote. The number of votes given by other shares shall be equal to their par value divided by the smallest par value. The By-laws of the Company may prescribe for other rules on the establishment of the number of votes, but the number of votes given by a share must be proportionate to its par value.

6. Only shares paid up in the manner prescribed in subparagraph 3 of Article 41 of this Law shall give their holders voting rights at the general meeting held prior to the expiration of the term set for the payment of the first issue of shares as specified in the subscription agreement; thereafter voting rights shall be carried only by fully paid up shares.

(a new paragraph. Other paragraphs have to be re-numerated accordingly)

Persons who hold the company shares at the end of the day fixed by the Board shall be entitled to vote at a general meeting of shareholders (as well as at the repeated meeting if the shareholders meeting does not obtain the quorum). Such a date fixed by the Board is called the record date of the general meeting of shareholders. The record date of the general shareholders meeting may be fixed not earlier than 70 days and no later than 30 days before the general shareholders meeting for which it is stated. The record date of the general shareholders meeting may not be earlier than the tenth day after the meeting of the Board which has fixed the record date. It shall be publicly announced as a material event in the manner prescribed by the Securities Commission. If for some reasons the record date of the general shareholders meeting is not fixed, the date of the announcement about the general shareholders meeting shall be assumed to be the record date.

7. At the request of a shareholder the Company must promptly, free of charge, present to him for inspection the annual and interim accounts, the minutes of all shareholders meetings and annexes to them, proposals and comments of the Supervisory Council, the reports of the Board to the general meetings, the auditor's report, the By-laws, and all the other information that the company is required to disclose to its shareholders pursuant to the Law on Public Trading of Securities. The registration list must contain the names of shareholders and the number of shares they hold as of the last data of the company. Other documents of the Company must be presented for the shareholder's inspection if they do not contain official secrets, the divulgence whereof would cause the Company material losses. Denial of information for any other reason shall be prohibited.

At a shareholder's request, the company must promptly make it possible for him to get acquainted with the list of shareholders on the record date which must contain all first and last names of shareholders (names of undertakings) specifying the number of shares and the voting rights attaching to them as well as the shareholder's address according to the latest data held by the company free of charge.

In the event a shareholder requests in writing, the company shall, for the fee established in its By-laws, make copies of all the documents specified in this article.

At the shareholder's request, the refusal to present the requested papers for inspection must be presented in writing. Disputes over the shareholder's right to information shall be settled in court. In the event a shareholder was not issued or was issued too late, the registration list as of the record date, due to which the shareholder has lost the right to solicit other shareholders to vote on issues on the agenda of the general shareholders meeting, the court may postpone the general shareholders meeting or, if the meeting has already taken place, declare it invalid

8. Shareholders the total par value of whose holdings amounts no less than 1/10 of the authorised capital shall have the right to appoint **an independent auditor** to audit the Company's activities and accounting papers. The inspection expenses shall be covered by the shareholders who appointed **the auditor**. If **the auditor** confirms the facts stated in the shareholders' application, the Company must refund the expenses of the audit.

Article 17. Proxies

1. A shareholder shall have the right to authorise another person to vote for him as his proxy at the general meeting or perform other legal acts. The authorisation of the shareholder who is a natural person must be certified by a notary, *except for the case foreseen in subparagraph 4 of this Article*, whereas the authorisation of the shareholder who is a legal person or an enterprise must be certified by the manager's signature and a seal. The **auditor** of the Company the shares whereof are held by the person who is appointing a proxy may not act as proxy.

2. A shareholder's proxy personally attending a meeting must, upon signing in the list of registration, present to the inspector of elections the original proxy or its notarized copy. The inspector of elections shall record in the list of registration the name of the person who certified the proxy and the date when it was certified as well as its number and term of validity.

3. State and municipal officials may represent state or municipal shares in a company and be members of company management bodies in accordance with the procedure established by the Government of the Republic of Lithuania.

4. A shareholder shall be entitled to authorize an intermediary of public trading of securities who holds his personal account of the company shares to vote for him at a general shareholders meeting or perform other actions exercising the shareholder's rights.

5. A person holding a notarized proxy, (the proxy) entitled to vote on a shareholder's behalf may vote either in person attending a general shareholders meeting or completing the universal ballot provided by the company. A shareholder may deprive the proxy of the right to vote on his behalf notifying the inspector of elections about the fact. The proxy shall be deprived of the right to vote from the moment the notice about that is filed with the inspector of elections. The notice concerning the deprivation of the right to vote filed with the inspector of elections must be made in writing; where it is mailed or delivered through a third person, it must be certified by a notary. In the event the completed universal ballot was presented to the inspector of elections earlier than the shareholder's notice about the proxy's deprivation of the right to vote, the universal ballot shall be presumed valid, and the shareholder shall be deprived of voting at that meeting.

Article 18. Managing Bodies

1. The managing bodies of a Company shall include the general meeting, the Supervisory Council, the Board, and the Administration.

2. On the resolution of the general meeting a public company may form either the Supervisory Council or the Board. In the event that only the Board is formed, it shall be formed pursuant to the procedure established for the formation of the Supervisory Council in items 2, 3, and 5 of Article 24 of this Law.

3. On the resolution of the general meeting, a private company may refrain from forming either the Supervisory Council or the Board. In the event that neither of these managing bodies is formed, the functions, rights, **obligations**, and liability of the Board shall be delegated to the other managing bodies. If only the Board is formed, *its members shall be elected, removed from office, and re-elected pursuant to the procedure established in paragraphs 2, 3, and 5 of Article 24 of this Law.*

4. If a certain managing body of the company is not formed, the division of functions, rights, **obligations**, and liability among the other managing bodies must be specified in the company's By-laws.

5. The Supervisory Council and the Board may establish advisory committees which have an advisory capacity to assist in the specific field of the governance of the company. The company's managing body which is forming an advisory committee shall provide for its goals and regulations as well as appoint the chairman of this committee and its members from among the members of the managing body.

6. Upon exercising his duties and performing his statutory obligations, each member of the Supervisory Council, the Board, or administration, irrespective of his/her professional duties or other interests in the company, must exercise the highest degree of care, fairness and loyalty to the company and to its shareholders and act in the best interests of the company and all the shareholders taken as a whole.

7. Members of the Supervisory Council or the Board shall not transfer their duties or votes in the Supervisory Council or the Board to any other person.

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8. Each nominee for the Supervisory Council, the Board, or the Administration must disclose to the managing body he/she is nominated for where and what duties he/she has as well as his/her personal interest he/she has, direct or indirect, in the company, its subsidiaries or in a transaction with these companies.

9. The majority of the Supervisory Council of the company and the majority of the Board must be independent of the company. They may not be employees of the company, its subsidiaries or controlled companies, who is being compensated regularly for their services other than as a member of the company's managing bodies and to own (individually or in concert with other persons as provided by the Law on Public Trading of Securities, except with the managers of the company) securities granting 25% or more of the voting rights in the company.

10. No member of the Supervisory Council, of the Board, and of the administration may borrow money from, or have his or her debt guaranteed, or other credit extended by the company without approval of two-thirds of voting shares at a general meeting.

11. No member of the Board or of the Administration may sit on either the Board or the Supervisory Council, or be a member of the administration of a company which sells products or services which are similar to or which compete with the products or services of the company, unless the facts are fully disclosed to the Company's managing body which certifies in writing that there is no competition between the two companies or the competition is so insignificant that the member of the Supervisory Council, the Board, or the administration will be in the position to properly perform his/ her duties.

12. Members of the Supervisory Council and the Board shall be jointly liable for the compensation of losses inflicted to the company by breach of its By-laws, this Law and other laws of the Republic of Lithuania as well as losses inflicted to its shareholders by violating their rights granted to them by the company's By-laws, this Law and other laws of the Republic of Lithuania. Members of the Supervisory Council and/or the Board who voted against or were absent at the meeting which passed the resolution in breach of the company's By-laws, this Law, and/or other laws of the Republic of Lithuania shall be exempt from obligation to compensate losses inflicted due to said resolution if, during 7 days after they have become aware or are presumed to have become aware of that resolution, they submitted to the person having presided over that meeting a written protest. A member of the Supervisory Council and/or the Board may be exempt from the obligation to compensate losses which were inflicted in the course of his duties if he or she acted on the basis of the company documents and other information the truthfulness of which caused no doubt or acted within the range of a normal economic or professional risk. Disputes concerning compensation of losses shall be resolved in court.

13. Any shareholder (group of shareholders) who owns 25% or more of all voting rights in the company may claim that the members of the Supervisory Council and/or the Board compensate for losses (damages) suffered by such shareholder (shareholders) by reason of violation of their rights under the company's By-laws, this Law and/or any other law of the Republic of Lithuania on behalf of and in the name of all shareholders. In this event any losses recovered shall be allocated pro rata to all

shareholders of the company pursuant to the total amount of the par values of their shares.

14. A shareholder (group of shareholders) who owns 25% or more of all voting rights in the company may claim that the members of the Supervisory Council and/or the Board compensate for losses (damages) suffered by the company by reason of violation of the company's rights under the company's By-laws, this Law and/or any other law of the Republic of Lithuania on behalf of and in the name of the company itself. In the event no such action is undertaken in response to such a written demand by the Supervisory Council and/or the Board within 60 days from filing the demand, then the shareholder (group of shareholders) who owns 25% or more of all voting rights in the company may, on behalf of and in the name of the company, proceed with the institution of legal proceedings.

Article 19. General meeting

1. The supreme managing body of a Company shall be the general meeting. All the persons listed in the Company's registration list on the record date shall be entitled to attend a general meeting irrespective of the number and class of shares they hold. Members of the Board and the Supervisory Council as well as the head of the Administration, even if they are not shareholders, may attend the general meeting without the right to vote.

2. Any person listed in the Company's registration list on the record date may personally attend a general meeting of shareholders presenting an identification document. A public company must promptly report to the Central Securities Depository of Lithuania the record date it has fixed for a general meeting of shareholders. The Central Securities Depository of Lithuania, on the following day after the record date (or on the following day after the receipt of the notice about the record date), must request the intermediaries of public trading of securities holding the company's shares in their own name or in personal securities accounts of their clients to submit a list of account holders as of the record date specifying the first and last names (names of the company), the addresses and the number of shares they hold. Intermediaries of public trading of securities shall present that list to the Central Securities Depository of Lithuania within X days free of charge.

3. The general meeting shall have the right to:

- 1) amend and supplement the By-laws of the Company;
- 2) elect the auditor, members of the Supervisory Council, in the event the Supervisory Council is not formed - members of the Board, and if neither the Supervisory Council or the Board is formed - elect the head of the Administration;
- 3) remove from office members of the Supervisory Council and the Board, the auditor, and the head of the Administration who have been elected by the general meeting;
- 4) fix the salary of the auditor, the annual payments from the profit to the members of the Board and the Supervisory Council;
- 5) approve the annual accounts, adopt a resolution on the distribution of profit;
- 6) increase or reduce the authorised capital, exchange shares of one class for shares of another;
- 7) liquidate or reorganise the Company;

- 8) appoint an expert (a group of experts) for the inspection of the incorporation of the Company and management of its affairs;
- 9) approve the valuation of non-pecuniary (property) contributions;
- 10) at the request of the Board, consider issues assigned to the Board, which pertain to the activity of the Company;
- 11) *not apply the pre-emptive right to the shareholders in the new issue of shares or other convertible securities;*
- 12) issue bonds, convertible bonds or other securities that are issued and distributed according to the Law on Public Trading of Securities;
- 13) elect and remove from office the inspector of elections;
- 14) repurchase the company's shares;
- 15) adopt other resolutions that are within the competence of a general meeting according to this other laws of the Republic of Lithuania.

4. The shareholders (or their proxies) attending the general meeting shall be registered by signing in the registration list. The registration list must indicate the number of votes possessed by each shareholder. The list shall be signed by the chairman and the inspector of elections. Shareholders who have voted by a universal ballot shall be entered onto the registration list. In the event a shareholder (or his proxy) who has voted by a universal ballot attends to the general meeting, he shall not be entitled to voting at the meeting. The inspector of elections shall be vested with the authority and must determine:

- 1) the total number of voting shares at the meeting;
- 2) the number of valid and invalid universal ballots completed before the meeting;
- 3) the number of valid and invalid proxies submitted;
- 4) the number of voting shares represented at the meeting (by personal attendance, by proxies, by universal ballots completed in advance);
- 5) whether the quorum of the meeting is obtained;
- 6) the voting results at the meeting.

Signatures on a universal ballot shall be presumed valid if the ballots are distributed pursuant to this Law, they are signed and received by mail or delivered by the shareholder in person. The burden of proof of invalidity of the ballot or proxy shall be vested in a person who challenges the validity of any universal ballot or any written proxy to an intermediary of public trading of securities. The inspector of elections shall be liable for forgery of the registration list, the universal ballots and /or the results of the voting in the manner prescribed by law.

5. The minutes of the general meeting shall be signed by the chairman, secretary, the inspector of elections, and at least one shareholder authorised to do so by the meeting. The list of shareholders (their proxies) participating at the general meeting, proxies and completed universal ballots shall be appended to the minutes.

6. Resolutions concerning provisions of items 2 - 8, 10, 11, 13, and 14 of paragraph 3 of this Article as well as resolutions specified in item 6 of paragraph 3 of this Article concerning the reduction of the authorized capital and/ or change of the type or class

of shares into another shall rest within the exceptional competence of the general meeting of shareholders.

7. Under the resolution of the general meeting by at least 2/3 of participating voting rights, the Board may be vested with the right to increase the company's authorized capital and/ or issue bonds, convertible bonds or other securities, the issue and distribution of which is subject to the Law on Public Trading of Securities. The said resolution of the general meeting shall provide for the maximum amount of all issues of shares, bonds, convertible bonds or other securities to be issued under the resolution of the Board, the issue and distribution of which is subject to the Law on Public Trading of Securities.

8. The general meeting, upon empowering the Board with the rights set forth in paragraph 7 of this Article, may provide for additional requirements, for instance, prohibit to offer shares for property contributions, establish the price limits for the share issues or interest rate on debt securities and/ or other conditions for the issue of shares, bonds or other securities, the issue and distribution of which is subject to the Law on Public Trading of Securities.

9. In the event the general meeting, in the manner established in paragraph 7 of this Article, vests the Board with the right to increase the authorized capital of the company from the company's funds, the Board, upon increasing the authorized capital, shall be entitled to reduce (annul) the rezerves available and unavailable for distribution by that figure.

10. The resolution of the general meeting concerning the empowering of the Board, in the manner established in paragraph 7 of this Article, to increase the company's authorized capital from supplementary contributions by issuing preference shares shall be presumed adopted only in the event the participating holders of preference shares, including those devoid of voting rights, approve of that resolution by at least 2/3 votes.

11. The Board, having acquired the right to increase the authorized capital from supplementary contributions or issue convertible debt in the manner established in paragraph 7 of this Article, may refuse to grant the pre-emptive right to its shareholders to acquire the company's share or convertible bonds to be issued only in the event the general meeting has passed an according resolution by at least 2/3 of participating votes.

12. The general meeting, upon vesting the Board, in the manner established in paragraph 7 of this Article, with the power to increase the company's authorized capital from supplementary contributions may, by at least 2/3 of participating votes, authorize the Board to approve the valuation of non-pecuniary (property) contributions.

13. It shall be presumed that, upon authorizing the Board, in the manner established in paragraph 7 of this Article, to increase the company's authorized capital the Board is empowered to amend and supplement the company's By-laws, specifying the size of the authorized capital and its composition according to the type and class of shares

after the increase as well as rights attaching to the newly issued shares of the company and the order of exchange of these shares into shares of another type or class. In all cases the resolution of the general meeting or the Board passed in the manner prescribed by this Law to issue convertible debt shall be both the power and the obligation of the Board to increase the company's authorized capital and amend its By-laws following the conditions set forth in the resolution concerning the issue of convertible debt.

14. All or some of the powers established in paragraph 7 of this Article and vested with the Board may be revoked at any time under the resolution of the general meeting by simple majority of votes. The resolutions of the Board concerning the issues provided for in paragraph 7 of this Law that were passed before the revocation of the powers of the Board shall remain valid.

Article 20. Quorum of the General Meeting and Adoption of Resolutions

1. The general meeting may adopt resolutions if the attending shareholders have more than 1/2 of the total number of votes. Votes of the shareholders who sign the universal ballots and submit them to the inspector of elections within the period established by this Law shall be included into the quorum of the meeting. The presence of the quorum of the meeting shall be confirmed by the inspector of elections before the meeting starts. Once the quorum is established, it shall be considered to exist for the remainder of the meeting. If the meeting does not have a quorum, a repeat meeting must be called within 15 days which shall have the right to adopt resolutions on all the items of the agenda irrespective of the number of shareholders present. If the consent of shareholders holding shares of a certain class is necessary for the adoption of a resolution, the resolution on the consent may be adopted by the meeting of the shareholders of the respective class, provided that the meeting is attended by shareholders who hold more than a half of the shares of said class. The procedure for calling a general meeting shall be valid for convening the adjournment.

2. Any public company, the voting shares of which have been included in the official trading list of a stock exchange registered in Lithuania, as well as any company specified in a special list made by the Securities Commission shall, no later than 30 calendar days prior to the general meeting of shareholders, prepare and mail (or deliver in person upon signing) at the latest address known to the company a universal ballot to all shareholders who are entitled to vote. Other companies shall, no later than 10 days prior to the general meeting, deliver by mail (or by hand delivery against signing) at the latest address known to the company a universal ballot to all shareholders who are entitled to vote, if a shareholder requests so in writing. A shareholder shall be entitled to present to the company a [permanently] valid request in writing to mail him/her a universal ballot before each general meeting in which the shareholder is entitled to vote. Once the universal ballot is mailed, it may not be replaced, and the agenda of the general meeting, draft resolutions concerning the issues on the agenda and the nominees for the Supervisory Council (or the nominees for the Board if the Council is not formed or the nominees for the head of the administration if neither the Supervisory Council nor the Board is formed in a private company), the auditor and / or inspector may not be changed either.

In the universal ballot the company must disclose:

1) all nominees for the Supervisory Council (if the Supervisory Council is not formed, for the Board), inspector and/ or auditor nominated by the management of the company if they are elected by the general meeting;

2) all nominees for the Supervisory Council (if the Supervisory Council is not formed, - for the Board), inspector and/ or auditor nominated by the shareholders in the manner established in paragraph 3 of Article 22, and in a private company in which neither the Supervisory Council nor the Board is formed, all nominees for the head of the administration nominated by the shareholders if they are elected by the general meeting;

3) any other draft resolutions to be presented for voting at the general meeting.

The universal ballot shall contain the name of the shareholder (name of the enterprise) and the personal code. The universal ballot shall specify each draft resolution to be voted for separately worded in such a way that a shareholder could vote "for" or "against" the resolution or abstain from voting. The shareholder shall indicate the number of votes he/ she allots to each nominee for the Supervisory Council or the Board. The shareholder shall be deemed abstaining from voting on those draft resolutions of the general meeting on which he/ she has not communicated their wish.

The universal ballot signed by the shareholder shall be deemed valid if it contains all the necessary requisites established in this paragraph and is delivered to the inspector of elections no later than one day before the general meeting in the manner prescribed by paragraph 4 of Article 19. The universal ballot signed by the shareholder (his/ her proxy) may not be revoked. The universal ballot shall be valid for one general meeting only. The universal ballots of the meetings that did not obtain the quorum and the voting results fixed in them shall be valid in any adjournments.

3. Voting at the general meeting shall be open. In the event at least one shareholder of a public company, the voting shares of which are listed on the official trading list of a stock exchange registered in Lithuania or which is indicated in a special list made by the Securities Commission requests and has his request supported by at least 2 shareholders, voting must be performed by universal ballots. In other companies secret voting is compulsory concerning the issues on which at least one shareholder proposes to have a secret voting and at least 2 shareholders support said proposal.

4. The resolutions of the meeting shall be adopted by a simple majority vote of those present, with the exception of cases provided for in this Law which require a qualified majority: resolutions on issues specified in Par. 10 of Article 10, items 1, 5, 6, 7, 9, 11, and 12 of Par. 7 of Article 19, Par. 7 of Article 27., Par. 3 of Article 31 and item 6 of Par. 1 of Article 48 of this Law require an at least 2/3 majority vote.

Article 21. Calling a General Meeting

1. A general meeting shall be organised by the Board. The right of initiative to call a meeting shall be vested in the Supervisory Council, the Board, and the shareholders who hold no less than 1/10 of votes with respect to the issue proposed by them, unless the By-laws provide for a smaller portion of votes.

2. The Board must call a regular annual general meeting within 3 months of the end of the business year.

3. An extraordinary meeting must be called if:

- 1) the Company's own capital falls below its authorized capital;
- 2) provisions are made for the reorganisation of the Company;
- 3) the Company is announced or announces itself to be not in the position to meet its financial liabilities; or
- 4) **more than 1/3 of the Supervisory Council members (members of the Board if the Supervisory Council is not formed) resign or terminate their activities or their number becomes less than the minimum determined by law;**
- 5) **the inspector or auditor of the company resigns or terminates his/ her activities without auditing the annual accounting of the company;**
- 6) it is requested by the shareholders with the right of initiative or by the Supervisory Council. The Articles of Association may also provide for other reasons for convening an extraordinary meeting.

4. The persons who are demanding that a general meeting be called shall submit an application to the Board indicating the reasons and objectives for calling a meeting, a draft agenda, and proposals as to the time and place of the meeting. If the Board fails to come to an agreement with the persons initiating the meeting on settling otherwise the issues proposed on the agenda, it must announce about the calling of the general meeting within 10 days of the submission of the application.

5. A general meeting may be called on a court resolution if:

- 1) a meeting has not been called within 3 months of the end of the business year and a shareholder has brought the matter to court;
- 2) the persons who initiated the meeting refer the matter to court after failing to get a favourable resolution from the Board in accordance with the procedure established by Par. 4 hereof; and
- 3) the creditors of the Company have appealed to court on the grounds of failure to call an extraordinary general meeting in the cases specified in items 1 and 3 of Par. 3 hereof.

6. The Board must notify **the shareholders entitled to vote** about the general meeting according to the procedure established by the By-laws **no sooner than 60 days** and no later than 30 days before the day of the meeting. **Any public company, the voting shares of which are listed on the official trading list of a stock exchange registered in Lithuania or which is indicated in a special list made by the Securities Commission shall notify the shareholders entitled to vote about the general meeting no later than 45 days before the general meeting.** If an adjournment is called, the shareholders must be informed thereof no later than 10 days before the meeting. A general meeting may be called without observing the above requirements provided that all the shareholders entitled to vote or their proxies give their consent in writing thereto.

7. The notice about the general meeting must state:

- 1) the name of the Company and the address of its registered office;
- 2) the place and the date of the meeting; and
- 3) the draft agenda.

8. The shareholders must have a possibility for reviewing the documents related to the agenda of the meeting no later than 7 days before the meeting

Article 22. Agenda of the General Meeting

1. The draft agenda of the general meeting may be revised. In the event that the agenda of the meeting referred to in the notice on the calling of the meeting is revised, the shareholders must be informed of the changes in the agenda in the same manner in which notice of the general meeting is given and no later than 10 days prior to the meeting. Any public company, the voting shares of which have been admitted to the official trading list of the Stock Exchange, also public companies, included into the special list of the Securities Commission are allowed to revise the agenda of the general meeting prior to sending out the voting ballots, informing the shareholders of the changes in the agenda of the meeting in the same manner in which the notice to the general meeting is given and no later than 30 days prior to the meeting.

2. The meeting shall have no right to adopt resolutions on issues which are not on the agenda if not all shareholders who have the voting right attend the meeting.

3. Shareholders holding no less than 1/20 of the voting rights in the company, shall be entitled to request the inclusion of additional items of business in the agenda. This group of shareholders shall also have the right to nominate candidates for the Supervisory Council or the Board, (in the event that in a private company neither of these managing bodies is formed, the group of shareholders shall have the right to nominate the candidate of the Head of Administration) and candidates for the auditor's and reviser's post. The By-laws of the company may provide for a smaller par value of the shares which gives the shareholders this right. Proposals, signed by the shareholders holding no less than 1/20 of the voting rights in the company shall be filed within the following terms:

- 1) proposals to include the additional business items in the agenda, and proposals to nominate the candidates during the general meeting of shareholders - by the end of the business year of the company;
- 2) proposals to include the additional business items in the agenda of the extraordinary meeting and proposals to nominate candidates during the extraordinary meeting of shareholders - within 10 days from the announcement of the first notice about the extraordinary general meeting of shareholders.

The Board shall include the items proposed by the group of shareholders into the agenda of the meeting, and the candidates proposed by them into the voting lists and the voting ballots.

4. Only the agenda of a meeting which failed to take place shall be valid at the repeat meeting.

5. In the event the agenda of the general meeting of shareholders provides for removal of the Supervisory Board, the Board, individual members thereof or the auditor, upon removal from the office of the members of the Supervisory Board or the auditor, a new

Supervisory Board, the Board, individual members thereof or the auditor shall be elected, even if the issues had not been included into the agenda of the meeting.

Article 23. Invalidity of the Resolutions of a General Meeting

1. On the declaration of the shareholders, the members of the Board, the Supervisory Board, and the head of the Administration, the resolutions of a general meeting may be declared invalid by court if:

- 1) the issue on which the resolution is adopted has not been included in the agenda of the meeting in accordance with the procedure established by law;
- 2) the resolution adopted by the meeting has not been registered in the Register of Enterprises of the Republic of Lithuania in the cases and within the period prescribed by laws;
- 3) the procedure of calling a meeting or adopting the agenda, prescribed by Articles 21 and 22 of this Law, has been violated; and
- 4) the company has failed to prepare and send out the universal ballot according to the procedure established by the Par. 2 of Article 20 of this Law.
- 5) the submitted proposals regarding including of additional items into the agenda and/or the nominated candidates have not been included into the agenda of the general meeting or the voting ballots;
- 6) the company has failed to make it possible for the shareholders to get acquainted with the list of shareholders on the record date, in the manner specified in Par. 7 of Art. 16 of this Law¹⁹.
- 7) the resolution is not in compliance with the Articles of Association of the Company, this Law, or other laws of the Republic of Lithuania.

2. A resolution of the general meeting may be appealed in court no later than within 30 days of the day when the person learned or should have learned about its adoption.

Article 24. Formation of the Supervisory Board

1. The number of members of the Supervisory Board shall be prescribed by the By-laws of a Company; the number must be no less than 3 and no more than 15.

2. The Supervisory Board shall be elected by the general meeting. During the election of the Supervisory Board each shareholder shall have the number of votes which is equal to the number of votes carried by the shares held by him as established pursuant to Article 16 of this Law multiplied by the number of members of the Supervisory Board. The shareholder shall distribute the votes at his discretion, giving them for one or several candidates. *In the event of a tie vote, the voters shall vote for every candidate individually, without distributing the votes of the shareholders* Candidates who receive the greatest number of votes shall be elected.

3. The Supervisory Board shall be elected for the term not exceeding 4 years. A member of the Supervisory Board may be released from his duties or re-elected for another term of office. The term of office of the Supervisory Board shall commence with the closing of the meeting at which it was elected.

¹⁹ A questionable provision., see explanations to Par. 7 of Art. 16.

4²⁰. Only legally capable natural persons may serve as members of the Supervisory Board.. Persons who have no right to be members of the Supervisory Board are:

- 1) a member of the Board,
- 2) the head of the Administration of the Company,
- 3) or a person specified in Par. 11 of Art. 18 of this Law.

5. The general meeting shall have the right to remove from office the entire Supervisory Board in corpore or its individual members. If, during the removal from office, at least one shareholder votes against the removal of individual members, the entire Supervisory Board must be re-elected.

6. The Supervisory Board shall have the right to appoint its own member to serve on the Board for a term not exceeding 6 months. If the same member of the Supervisory Board is appointed to temporarily serve on the Board, the overall duration of his service on the Board may not exceed 12 months in 4 successive years. While serving on the Board, a member of the Supervisory Board may not perform the duties of a member of the Supervisory Board.

7. The Supervisory Board shall have no right to delegate or transfer its functions to other persons or the managing bodies of the Company.

8. A member of the Supervisory Board may resign from his office prior to the expiry of his term upon giving a written notice thereof to the Supervisory Board at least 14 calendar days in advance.

9 In the event 1/3 of the members of the Supervisory Board resign or for some other reasons terminate performing their duties, the remaining members of the Supervisory Board are entitled and obliged to initiate the calling of the extraordinary general meeting of shareholders, during which the entire new Supervisory Board shall be elected²¹.

10. The general meeting may remunerate (make quarterly payments to) members of the Supervisory Board for their work only out of the profit of the Company.

Article 25. Powers of the Supervisory Board

1. The Supervisory Board shall:

- 1) appoint or remove form office members of the Board;

²⁰ This part has not only been supplemented with item 3, it has been amended by moving some of its requirements to Par. 8 of Article 18.

²¹ This part is proposed to be amended in the amendments to the laws prepared by the Securities Commission. This is a more precise wording, - the words "are entitled" makes it possible to request calling of the general meeting shareholders even in the case when less than half of the members of the Supervisory Board have remained, due to which the Supervisory Board shall not be able to adopt any other decisions.

2) at the request of the Board decide on the issue concerning the termination of the employment contract with a member of the Supervisory Board employed in the Company;

3) analyse the work of the Board, the utilisation of financial resources, the organisation of production and management, the profitability of capital, remuneration for work, the correctness of depreciation deductions, the prospects of financial position;

4) check the accounting and other records of the Company;

5) make proposals and comments to the general meeting on the annual accounts of the Company, the draft of the profit distribution, and the report of the Board to the general meeting;

6) represent the Company in court proceedings when disputes between the Company and its Board, or a member of the Board, or the head of the Administration or the Company agent are examined;

7) submit proposals to the Board to revoke the resolutions adopted by it if they are not in compliance with the laws of the Republic of Lithuania or the By-laws of the Company; and

8) consider other issues provided for in the By-laws of the Company or in the resolutions adopted by the general meeting.

2. The Supervisory Board shall have the right to appoint an expert (or group of experts) or ask a government financial institution to check and assess the Company's accounting. The general meeting of the Company may specify a sum of money which may be paid to experts in remuneration for their work.

3. At the request of the Supervisory Board the Administration of the Company and the Board must present documents concerning the activities of the Company and create conditions for inspecting the Company's assets. Members of the Supervisory Board must preserve the confidentiality of the Company's secrets divulged to them in the course of their duties.

4. Members of the Supervisory Board shall have equal rights. During voting each member shall have one vote. In the event of a tie vote the chairman's vote shall be decisive.

5. If a member of the Supervisory Board is unable to attend a meeting, he may take a written vote "for" or "against" the resolution which is being voted on provided that he has familiarised himself with the draft resolution.

6. If the meeting of the Supervisory Board is attended by more than half of its members, the meeting may adopt resolutions by a simple majority vote of those present, with the exception of resolutions on removing from office members of the Board. In this case resolutions shall be adopted by a 2/3 vote of those present.

7. The Supervisory Board must meet at least once quarterly. Its regular meetings shall be called following the schedule by the chairman of the Supervisory Board or, in his absence, by the vice chairman. They shall call extraordinary meetings at the

request of no less than 1/3 of the members of the Supervisory Board. The procedure for calling meetings shall be established in the work regulations of the Supervisory Board.

8. Members of the Supervisory Board shall be liable in the manner established by law for concealing violations of the Company's business activities, inadequate control of business activities, if that provided conditions for the Board or the Administration to evade laws of the Republic of Lithuania or the By-laws of the Company.

9. Persons, approved by the Supervisory Board shall be nominated as candidates for the Supervisory Board, auditors, during the preparation to vote at the general meeting of shareholders. An advisory committee of the Supervisory Board may be founded for selection of candidates to the Supervisory Board, and the post of auditors and inspectors.

Article 26. Formation of the Board

1. The number of the Board members, which may not be less than 3, shall be established by the By-laws of the Company. The Board shall be a collegiate body whose activities are directed by its chairman.

2. Only legally capable natural persons may be appointed or elected as members of the Board. Each candidate for the Board members must notify the Supervisory Board of his place of employment and duties. The following persons may not be appointed or elected as members of the Board:

- 1) members of the Supervisory Board of the same Company or its holding Company registered in the Republic of Lithuania, with the exception of the case provided for in Par. 5 of Article 24 of this Law; and
- 2) a person who, under the laws of the Republic of Lithuania, may not serve in the office.
- 3) a person, specified in the Par. 11 of Art. 18 of this Law.

The By-laws of a Company may prescribe additional requirements to a member of the Board.

3. The Board and its chairman shall be appointed by the Supervisory Board for a term not exceeding 4 years; in its absence, the said officers shall be elected by the general meeting. *In the event the Supervisory Board is not formed, the Board shall be elected by the general meeting of shareholders, and the Chairman shall be elected by the Board.* There is no limitation on the number of terms of office a member of the Board may serve.

4. By notifying the Board in writing at least 14 calendar days in advance, a member of the Board may resign from his post before the expiry of his term of office.

5. The general meeting may remunerate (pay bonus shares to) members of the Board for their work on the Board only out of the profit of the Company. The members of the Board shall receive a salary if they have entered into an employment contract with the Company.²⁴

6. In the event the member of the Board with whom the employment agreement have been concluded regarding his work in the Board is not elected for the office term, or he has been removed from the Board prior to the expiry of his office term, his employment agreement shall be terminated in the manner prescribed by the item 12 of Article 26 of the Law on Employment Agreement, unless other grounds have been provided for in the agreement.

Article 27. Powers and Liabilities of the Board

1. The procedure of work of the Board shall be established in the work regulations adopted by the Board. The Board may represent the Company in court, arbitration bodies and other institutions. The powers of the Board and its members shall be established by the By-laws of the Company.

2. The Board shall consider and approve:

- 1) the structure of the Company and the titles and duties of the Company's officers;
- 2) posts in which persons are employed only by holding competitions as well as candidates for said posts;
- 3) the candidates for the post of the head of Administration, his deputies (directors) and their respective salaries; and
- 4) the office regulations for the head of the Administration, deputy heads (directors), regulations for the subdivisions of the Enterprise, work regulations for the Administration.

3. The Board shall analyse and approve the material submitted by the Administration and the auditor on:

- 1) the strategy of production, technical, research, design and experimental work as well as other business activities;
- 2) the organisation of management and production;
- 3) the sources of accumulation of financial resources and ways of their use;
- 4) contracts to which the Company is a party; and
- 5) quarterly and annual results of business activities, the Company's draft accounts, income and expenditure estimates, draft profit appropriation, stock-taking data and other records of valuables; and
- 6) results of audits.

4. Upon the decision of no less than 2/3 of participating votes, the Board may be vested with all or some of the rights indicated in items 7, 9 and 11-13 of Par. 7 Art. 19 of this Law²⁵. Items 8, 10, 11 and 14 of Par. 7 of Art. 19 of this Law provide for a

²⁴ In my opinion, this provision allows to conclude an employment agreement with a member of the Board regarding his work in the Board. Maybe this should be made more specific?

²⁵ The Memorandum of the Pragma Corporation expert Kevin Salisbury suggests that the Board of the company should be enabled to declare and pay the dividends (including payment of the dividends by

detailed procedure of granting the rights to the Board or revocation thereof. In all cases, in implementing the decision on issue of convertible bonds adopted by the general meeting of shareholders or by the Board in the manner provided for by this Law, the Board is entitled and obliged to increase the authorised capital of the company and amend the By-laws of the company accordingly following the conditions prescribed in the decision to issue convertible bonds.

5. In the event the Supervisory Board is not formed in the company, persons approved by the Board shall be nominated as candidates for members of the Board, auditors of the Company prior to the voting at the general meeting of shareholders. In the event the Supervisory Board is not formed in the meeting, an advisory committee of the Supervisory Board may be founded for selection of candidates to the Supervisory Board, and the post of auditors and inspectors.

6. The Board must timely hold general meetings, establish the record dates of the meetings, ensure the preparation of the list of shareholders as per record dates, draw up their agenda, present to the shareholders the Company's annual accounts, the draft of the distribution of profit, report on the activities of the Company and other required information for considering the items on the agenda.

7. The Board must invite the head of the Company's Administration to every meeting and to provide him with possibilities to familiarise himself with the information concerning the items on the agenda.

8. The Board shall be prohibited from restricting the auditor's powers or from interfering with his work in any other way.

9. A resolution of the general meeting adopted by at least 2/3 of the participating votes shall be required for the decisions of the Board concerning the sale, transfer, lease or mortgage of or pledge or guarantee of the fulfilment of other entities' liabilities by a portion of the Company's long-term assets amounting to more than 1/20 of the value of the Company's authorised capital. The total value in a business year of such transactions made without a respective resolution of the general meeting may not exceed 1/20 of the value of the Company's authorised capital. The general meeting of shareholders may in advance grant the Board the right to sell, transfer, lease, mortgage or pledge or guarantee the fulfilment of other entities' liabilities by the long-term assets of substantial value. However, in the event, the total value in a business year of transactions specified in this part exceeds 1/3 of the value of company's own capital, a

shares of the company), as well as redeem the shares of the company. These proposals are not being elaborated in the proposed amendments to the law, since they have not been discussed by the Securities Commission. Declaring and payment of the dividends should be related with a number of additional conditions ("record date", strict and accurate requirements regarding informing about payment of the dividends. Even the countries of a Common Law approach the problem differently: as a rule the American Corporate Law imposes no restrictions upon the right of a company to redeem its own shares, the Securities Commission, though, has set forth certain specific requirements, in Great Britain the company may redeem its own shares only upon the decision adopted by the qualified majority of the general meeting.



11

resolution of the general meeting adopted by at least 2/3 of the participating votes shall be required for the execution of transactions exceeding the limit.²⁶

10. The resignation of a member of the Board or his removal from office shall not exempt him from the obligation to compensate for the losses incurred through his fault. Members of the Board who have entered into the employment agreement regarding their work in the Board shall be obliged to fully compensate the losses

11. If the rights of the shareholders provided for in this Law and in the Company's By-laws were enforced by instituting legal proceedings, the members of the Board shall jointly refund the legal expenses and compensate for the damages incurred by the shareholders because of the disregard of their rights.

12. The right of initiative to call a meeting of the Board shall be vested in the chairman of the Board as well as in other members provided that more than half of the Board members approve thereof. A meeting of the Board shall be valid if attended by more than half of the members and the adopted decisions shall be valid if voted in favour of by at least half of the Board members. The members of the Board shall have equal voting rights. In the event of a tie vote, the vote of the chairman of the Board shall be decisive. A member of the Board shall have no right to vote when the Board meeting is deciding the issues relative to his material responsibility or his personal work in the company.

13. The members of the Board must keep the Company's secrets confidential.

14. The Board shall perform its functions until the expiry of the term established by the Articles of Association or until a new Board is appointed or elected and commences its work.

Article 29. Administration ;

1. Business activities of the Company shall be organised and executed by the administration. The Head of the Administration, his deputies, the chief financier and managers of departments of the company are deemed the members of the Administration. The regulations of the Administration's work and its list of officials shall be approved by the Board.

2. Administration shall work in compliance with the laws of the Republic of Lithuania, By-laws, work regulations, regulations of the divisions and the staff, resolutions of the Board and decisions of the head of the Administration.

3. The Company must have head of Administration and chief financier (accountant). Head of the Administration may not concurrently occupy the post of the chief financier (accountant).

4. The activities of the Administration shall be managed by head of the Administration (President, General Director, Director).

²⁶ The provision has been adopted from memorandum of the Pragma expert Kevin Salisbury.

5. Head of the Administration shall be appointed by the Board of the Company. The Board may organise a competition for the selection of head of the Administration.

6. Remuneration of head of the Administration shall be established by the Board in the employment contract. Remuneration of head of the Administration, who is a member of the Board shall be established by the Supervisory Board. Remuneration shall consist of two parts - fixed salary and bonus paid for operation results of the Company.

7. A person, specified in item 11 of Article 18 of this Law, or a person who becomes prohibited by the laws of the Republic of Lithuania from being head of Administration may not be appointed to such post. Head of the Administration may not be the manager or auditor of another enterprise. In the event he holds such a post, he must resign from it within one month after the appointment.

8. The Board of the Company may terminate the employment contract with the head of Administration according to the procedure established by the Law on Employment Contract of the Republic of Lithuania and prior to the termination of the contract, it may limit his/her powers.

9. Chief financier (accountant) shall be appointed, his/ her remuneration shall be fixed and employment contract shall be concluded by the Board of the Company. Other officers of the Administration shall be employed and employment contract shall be concluded by head of the Administration.

10. Head of the Administration shall have the right to enter into transactions of the Company in accordance with the By-laws, resolutions of the Board and work regulations. By-laws and work regulations may establish spheres of activities wherein deputy head of the Administration or other authorised persons shall have the right to act independently and to enter into Company's transactions. Head of the Administration shall participate in the meetings of the Company without the right to vote.

11. Transactions concluded by the head of the Administration or his/her deputies may be declared null and void according to the procedure established by the Civil Code of the Republic of Lithuania.

12. Head of the Administration and the officers thereof must indemnify losses caused to the Company through their fault. Other employees of the company must indemnify losses caused to the Company through their fault according to the procedure established by the Labour Code of the Republic of Lithuania.

Article 38. Debt securities

1. A debt security of a public company is a term credit security, according to which the company issuing the debt, becomes a debtor of the holder of the debt security and assumes obligations in favour of the debtholder, which are specified in the resolution to issue the debt and the debt subscription agreement.

2. Obligations of the issuer specified under Par. 1 of this Article shall cover payment of interest, and redemption of the debt securities or the redemption of debenture only, as well as granting of the right to exchange debt securities for the securities of the issuer, and/or other securities or rights, issued and offered in accordance with the Law on Public Trading in Securities.

3. Obligations of the company towards the debt security holders may be secured or unsecured Public companies which have prepared their financial statements for the last three years with the opinion of an independent auditor, and the own capital of which exceeds the authorised capital specified in Par. 3 of Article 2 of this Law by at least five times, shall have a right to issue unsecured debt securities (debentures)

4. A public company is liable to the full extent of its property for fulfilment of its obligations to the debtholders.

5. Debt securities of the same issue shall grant equal rights to the holders of the securities.

6. The resolution to issue debt securities may be adopted by the general meeting of shareholders by no less than 2/3 of the participating votes. The general meeting of shareholders by no less than 2/3 of participating votes may grant the Board a right to issue debt securities in the manner prescribed by Pars. 7, 8 and 11 of Article 19 of this Law.

7. In the resolution to issue debt securities or in the debt subscription agreement a public company shall specify one fixed debt redemption (or conversion) date from which the debt security holder acquires a right to receive the amount equal to the par value of the debt securities.

8. The resolution to issue debt securities and the debt securities subscription agreement shall specify the following:

- 1) type, class and par value of shares into which the convertible debt securities may be exchanged, as well as rights granted by them;
- 2) rate at which the convertible debt securities shares may be exchanged into shares, additionally specifying that the ratio shall be adjusted accordingly in the event the company adopts a decision to increase the authorised capital from the company's funds and pay the dividends by the company's shares prior to the maturity of the debt security.
- 3) the deadline up to which the holder of convertible debt securities is entitled to request the convertible debt securities be exchanged into shares at the rate specified in advance, and the consequences in the event the said request is not filed on time.
- 4) the maximal number of shares or other securities in respect to which the shareholders have a pre-emptive right, their type, class, par value and rights attaching, which the company has a right to issue for supplementary contributions prior to the maturity of debt securities.

Unless the resolution to issue the securities provides otherwise, shareholders shall have the pre-emptive right to acquire convertible debt securities, which will be exercised in the manner prescribed by the regulations of the Lithuanian Securities Commission.

The resolution to issue convertible debt securities adopted in the manner prescribed by this law grants powers and obliges the Board to increase the authorised capital of the company within the terms and under the conditions specified in the resolution to issue convertible debt securities. Upon exchanging the convertible debt securities into shares, amendments to the By-laws of the company regarding the increase of the authorised capital may be registered in the manner prescribed by the Register of the Companies, even in the case when the authorised capital of the company has not been fully paid up (the last issue of shares has not been fully paid up). In the event the Board fails to adopt resolutions ensuring the exchange of convertible debt securities into shares, the debt securities holder may appeal to court in the manner prescribed by pars 9 and 12 of Article 38 of this Law, so that the convertible debt securities be exchanged into shares on the grounds of the decision of court. In the period between the redemption date of the convertible debt securities and increase of the authorised capital from the exchange of convertible debt securities the public company shall be precluded from adopting resolutions on the increase of the authorised capital and issue of securities with respect to which the shareholders have pre-emptive rights.

9. Seeking to protect the rights of holders of debt securities, a public company, prior to issuing the debt securities to be publicly offered, shall conclude an agency agreement, in accordance with which the agent shall protect the interests of holders of debt securities of a specific issue. The agent shall be vested with the right to appeal to court seeking for protection of rights of debt securities holders.

10. Only commercial bank, acting in accordance with the laws of the Republic of Lithuania, having an authorised capital of no less than ECU 10 million equivalent in Litas may act as an agent specified under Par. 9 of this Article. The Securities Commission reserves the right to set forth different requirements for the agent.

11. In the event a public company violates the conditions of the issue of debt securities, or upon occurrence of any other legal fact specified by a law, a legal act or the agreement between the agent and the issuer, holders of debt securities are entitled to take independent actions to protect their rights only after holders of no less than one fourth of the debt securities issue have pointed out to the agent how to protect their rights, and the agent has failed to take necessary actions within a specified period of time. The preliminary procedure to resolve disputes shall be prescribed by the regulations of the Securities Commission.

12. Holders of more than half of the issue of debt securities shall have a right to:

- 1) remove the agent from the office and require the company to enter into an agreement with an agent proposed by them ;

- 11
- 2) undertake independent actions to protect their interests in defiance of the preliminary procedure to resolve disputes specified under Par. 11 of this Article.
 - 3) point out to the agent that the violation committed by the public company in relation to a specific publicly offered issue of debt securities is not substantial and does not require specific actions to protect their rights (this provision shall not apply to violations committed by the public company in relation with the redemption of the debt securities or payment of the interest)

13. The agent shall have no preference over holders of debt securities regarding his claims to the public company for remuneration for performing the agent's duties.

14. Requirements and resolutions of the debt securities holders specified under Pars. 11 and 12 of this Article shall be deemed valid when adopted following the written procedure, specified in the resolution to issue debt securities and the debt securities subscription agreement pursuant to requirements to the general voting ballot specified in the last paragraph of Par. 4 of Article 19, Par. 2 of Article 20 and Par. 1 of Article 22 of this Law. Holders of debt securities filing a written request in the manner prescribed by this Par. shall be registered at the day when approval to a specific request or resolution by the first debt securities holder is received.

15. The Securities Commission is vested with a right to adopt legal acts which specify the procedure of issuance, offering and redemption of debt securities, as well as the contents of the debt securities subscription agreement or set forth additional requirements to the bank representing the interests of holders of debt securities, specify the contents of the agency agreement with holders of debt securities as well as preliminary procedure of resolving the disputes between the holders of debt securities and the public company, and establish terms and conditions of issue of convertible debt securities and debt securities granting a rights to exchange them into other securities or rights of the public company issued and offered in accordance with the Law on Public Trading in Securities.

16. In the event the holder of debt securities fails to submit the security for redemption or to demand the interest within three years since the date of redemption of the debt security, he shall be deprived of the right to such requirements, and the unpaid amounts are transferred to reserves not available for distribution.

17. Public companies the authorised capital has not been fully paid up shall be prohibited from issuing the debt securities except in the cases when the debt securities are offered to shareholders of the company exclusively.

18. Debt securities are dematerialised securities and shall not be registered by entries in the securities accounts of the holders of debt securities. Accounting of debt securities and their circulation shall be carried out in accordance with the

provisions of Pars. 5, 6, 7 and 9 of Article 32, and Pars. 2 and 4 of Article 34. of this Law.

Article 42. Increase of the Authorised Capital

1. The authorised capital of a Company shall be increased by issuing new shares or by increasing the par value of the issued shares and amending the By-laws of the company accordingly. **The resolution to increase the authorised capital shall be passed by the general meeting by at least 2/3 vote, or the Board provided the general meeting empowers the Board to do so in the manner prescribed by Pars. 7-13 of Article 19 of this Law.** The Company may issue new shares or increase their par value only after its authorised capital is fully paid (at the last issue price).

2. Amendments to the By-laws relative to the increase of the authorised capital shall be registered according to the procedure established by the Law on the Register of Enterprises after all the shares have been subscribed for and the first instalments have been collected. If not all shares are subscribed for during the subscription period, the By-laws shall be amended and the amount of authorised capital shall be changed by the resolution of the general meeting. In this case the increase of the authorised capital may not exceed the par value of the subscribed for shares.

3. The authorised capital shall be considered as increased only upon registration of the amendments of the By-laws in the Register of Enterprises of the Republic of Lithuania.

4. If within 6 months from the date of the general meeting which has passed the resolution to increase the authorised capital, amendments to the Articles of Association relative to the increase of the authorised capital have not been registered in the Register of Enterprises of the Republic of Lithuania, the increase of authorised capital shall not be recognised. In this case all the contributions must be returned.

5. The resolution to issue preference shares of a new class may be passed, if it is supported by a 2/3 vote of the attending preference shareholders, including non-voting preference shareholders.

Article 44. Increase of the Authorised Capital out of the Funds of the Company

1. The authorised capital of the Company may be increased (part of the sentence deleted) out of unappropriated profit, share premium or reserves by issuing new shares which shall be transferred to the shareholders without payment, or by increasing the par value of the previously issued shares.

2. The general meeting shall pass the resolution to increase the authorised capital on the basis of accounts drawn up not earlier than 30 days prior the meeting.

3. It shall be prohibited to increase the authorised capital of the Company out of the unappropriated profit, share premium or reserves until losses accounted in the balance sheet are covered.

4. Upon increasing the authorised capital out of the Company's funds, the amendments to the By-laws shall be registered according to the procedure established by the Law on the Register of Enterprises. Alongside with other documents, the balance sheet of the Company shall be filed with the registrar.

5. When the Company is increasing its authorised capital out of the unappropriated profit, share premium or reserves, shareholders *except for the cases provided for in Par. 2 of Article 35 of this Law shall have the right to receive new shares without payment, the type and class of which must be equal to those of the shares held by them, and the number of which must be proportionate to the total par value of the shares of the same type and class held by them* The right to receive shares without payment is granted to persons who were shareholders of the company at the close of the day specified in the resolution to increase the authorised capital of the company out of the funds of the company. The record date shall be established by the governing body of the company which has adopted a resolution to increase the authorised capital. The record date shall not precede the day when the resolution to increase the authorised capital was adopted by more than 10 days. The record date of the persons entitled to receive shares without payment shall be publicly announced as a material event in the manner prescribed by the Securities Commission.

6. Upon the registration of the increased authorised capital, the Board shall, according to the procedure established by the By-laws, notify the shareholders of the procedure for the acquisition of the new shares. *Materialised shares shall be deposited and shall be presented upon the request of the holder.* If the shares are dematerialised, the new shares shall be credited to the securities accounts.

7. The new shares shall give their holders equal rights with the holders of other shares of the same class to receive dividends for the business year in which the new shares were issued.

Žilvinas Zinkevičius

On behalf of the Pragma Corporation

Outline For Mutual Funds Presentation

1. What Are Mutual Funds
2. Advantages of Ownership
3. Mutual Fund Industry in the US - some facts and figures, types of funds, regulation etc...
4. How does the investor make money
5. Investment Management Companies - organization, functions
6. Distribution
7. Pricing/Expenses
8. Analysis/Results
9. Promotional/Educational Material
10. Types of accounts
11. Other topics

FAMILY OF FUNDS

investing needs.
 can understand.
 ves with your
 ve basis — and
 a are, the more

guides for
 ent and college
 l international

as challenging
 elines that

risk you are
 nd you can
 s risk, and you

ir tolerance for
 investment.
 he less you
 and the more
 ation.

Rowe Price
 ntial for each.

24 hours a
 0-638-2587;
 ine, Keyword:
 of the
 us carefully

ion fee on shares held
 International Discovery,
 an one year. The Small-
 categories based on
 is no assurance past

| | Share Price Stability | Return Potential | |
|--------|--------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SAFETY | [Vertical Scale] | [Vertical Scale] | <p><i>Safety</i></p> <p>California Tax-Free Money New York Tax-Free Money Prime Reserve Summit Cash Reserves</p> <p>Summit Municipal Money Market Tax-Exempt Money U.S. Treasury Money</p> |
| | | | <p><i>Lower Risk/Return Income</i></p> <p>Maryland Short-Term Tax-Free Bond Short-Term Bond Short-Term U.S. Government</p> <p>Summit Limited-Term Bond Tax-Free Short-Intermediate Virginia Short-Term Tax-Free Bond</p> |
| | | | <p><i>Moderate Risk/Return Income</i></p> <p>Florida Insured Intermediate Tax-Free Global Government Bond GNMA New Income</p> <p>Spectrum Income Summit GNMA Summit Municipal Intermediate Tax-Free Insured Intermediate Bond U.S. Treasury Intermediate</p> |
| | | | <p><i>Higher Risk/Return Income</i></p> <p>CA, GA, MD, NJ, NY, and VA Bond Funds Corporate Income Emerging Markets Bond High Yield</p> <p>International Bond Summit Municipal Income Tax-Free High Yield Tax-Free Income U.S. Treasury Long-Term</p> |
| | | | <p><i>Lower Risk/Return Growth</i></p> <p>Balanced Capital Appreciation Equity Income</p> <p>Personal Strategy Balanced Personal Strategy Growth Personal Strategy Income</p> |
| | | | <p><i>Moderate Risk/Return Growth</i></p> <p>Blue Chip Growth Dividend Growth Equity Index Global Stock Growth & Income Growth Stock</p> <p>International Stock Mid-Cap Value New Era Spectrum Growth Spectrum International Value</p> |
| | | | <p><i>Higher Risk/Return Growth</i></p> <p>European Stock Financial Services Mid-Cap Growth</p> <p>New America Growth Small-Cap Stock Small-Cap Value</p> |
| | | | <p><i>Highest Risk/Return Growth</i></p> <p>Capital Opportunity Emerging Markets Stock Health Sciences International Discovery Japan</p> <p>Latin America New Asia New Horizons Science & Technology</p> |

*Formerly the T. Rowe Price OTC Fund

HOW DOES AN INVESTOR MAKE MONEY?

- 1) DIVIDENDS AND INTEREST - DISTRIBUTED
- 2) CAPITAL GAINS
 - REALIZED - DISTRIBUTED
 - UNREALIZED *expensed on sale. TNV.*

NAV CALCULATION

| | |
|----------------------|------------------|
| CASH HOLDINGS | \$200,000 |
| TOT MKT VALUE STOCKS | <u>1,500,000</u> |
| TOTAL ASSETS | 1,700,000 |
| LESS LIABILITIES | |
| (ACC EXPENSES) | <u>100,000</u> |
| TOTOAL NET ASSETS | 1,600,000 |
| # SHARES OUTSTANDING | 100,000 |
| NAV PER SHARE | \$16 |

| | | |
|-------------------------|-------------|---------------|
| NAV JAN.1, '98 BUY | \$16 | |
| DIVIDENDS YR 1 @ 3% | .48 | |
| REALIZED CAP GAINS @ 6% | .96 | |
| NAV APR.15, '01 SELL | 18 | |
| TOTAL DISTRIBUTIONS | \$1.44 | |
| NAV INCREASE | <u>2.00</u> | |
| TOTAL GAIN | \$3.44 | FOR 15 MONTHS |

Types of Funds

Objective: Growth, Income, Blend

Instruments: Stocks, Bonds, Money Markets

Stock Funds

growth
income
blue chip
large cap
medium cap
small cap
micro cap
capital appreciation

Bond Funds

corporate debt
treasury securities
 notes, bonds
government agency
tax-free municipals
junk bonds
foreign debt
mortgage backed

Money Markets

short term, >1yr
Treasury bills
CDs
com paper
repos

Index Funds

Hybrids

Sector Funds

Socially Responsible Funds

Investment Mix

—and basic—decision is
 for mix of asset classes—
 more likely to influence
 or securities you select.
 ents, choose the mix of

ne horizon.
 uilding assets for retirement
 or retirement is a
 d not be saving for the day
 e years you are going to
 or even 30 years. To live
 re going to have to

vesting in stock and bond
 paying for college, even if
 dest. It's important to keep
 ue. You can afford to be more
 hen a child is younger than
 ay from high school

tolerance.
 mportant to know the specific
 See "Defining Investment
 ask yourself how much
 ertably. Your candid answer
 e for risk.

Choosing An Asset Allocation

| Retirement Savings (Your Age) | College Savings (Child's Age) | Suggested Asset Allocation | Historic Returns* |
|-------------------------------|-------------------------------|-----------------------------------|-------------------|
| 20-49 | 0-8 | <p>GROWTH</p> | 9.9% |
| 50-59 | 9-13 | <p>MODERATE GROWTH</p> | 8.9% |
| 60-74 | 14-18 | <p>CONSERVATIVE GROWTH</p> | 7.6% |
| 75+ | — | <p>INCOME</p> | 6.3% |

▣ Stocks (S&P 500 Index**) ▣ Bonds (Long-Term U.S. Gov't.) ▣ Cash Reserves (U.S. T-bills)

*Average annual returns for 1926-1996.

**S&P 500 Index refers to the Standard & Poor's 500 Composite Stock Price Index.

The source of data for stocks, bonds, and cash reserves is © *Stocks, Bonds, Bills, and Inflation 1997 Yearbook*™, Ibbotson Associates, Chicago (annually updates work by Roger G. Ibbotson and Rex A. Sinquefeld). Used with permission. All rights reserved.

BOARD OF DIRECTORS

ATTORNEY

SHAREHOLDERS

OFFICERS

INVESTMENT ADVISOR

MUTUAL FUND

INDEPENDENT
PUBLIC ACC'T

DISTRIBUTOR

CUSTODIAN

TRANSFER AGENT

ADMINISTRATOR

DISTRIBUTION

- 1) LOAD *(Kamirita (downside))*
FRONT END, BACK END *downside fund (u.)*
- 2) NO-LOAD
12b-1 FEE

EXPENSES

- 1) ADMINISTRATIVE OR OPERATING
- 2) INVESTMENT ADVISORY
- 3) DISTRIBUTION

HOW DO FUND COMPANIES MAKE MONEY?

ASSET BASED FEES - FIXED AND VARIABLE EXPENSES

EXAMPLE: LARGE FUND, e.g. MAGELLAN \$50 BILLION

1.5% TOTAL EXPENSES

.5% FOR INVESTMENT MANAGEMENT = \$250 MILLION

1.0% ADMINISTRATION ETC... = \$500 MILLION

SMALL FUND, e.g. \$5 MILLION

= \$25,000

= \$50,000

SHAREHOLDER EXPENSES

\$15 TO SERVICE SHAREHOLDER FOR A YEAR

A) \$5 MILLION FUND, 5000 SHAREHOLDERS = \$75,000

B) \$5 MILLION FUND, 50 SHAREHOLDERS = \$ 750

MINIMUM A = \$1000

MINIMUM B = \$100,000

WHAT IS A MUTUAL FUND?

POOL OF INVESTORS MONEY THAT IS INVESTED IN VARIOUS SECURITIES AS DETERMINED BY THE FUND'S OBJECTIVE

- MUTUAL
- OWNED BY INVESTORS, GOVERNED BY BOD
- VOTES
- SHARES EQUAL, FRACTIONAL
- ELASTIC
- VALUE VARIES

100 INVESTORS
\$10 EACH \$1000 INVEST APPRECIATE \$2000

NET INVESTMENT VALUE / #SHAREHOLDERS = NAV PER SHARE

- 1) NAV = \$10
- 2) NAV = \$20

2 NEW INVESTORS @ \$20 \$2040 \$2040 / 102 = \$20

1 REDEMPTION @ \$20 \$2020 \$2020 / 101 = \$20

ADVANTAGES OF MUTUAL FUND OWNERSHIP

- DIVERSIFICATION
- PROFESSIONAL MANAGEMENT
- LIQUIDITY
- ECONOMIES OF SCALE
- SHAREHOLDER SERVICES
- HIGHLY REGULATED

DISADVANTAGES

- NO CONTROL
- MANAGER MAY LEAVE
- CAPITAL GAINS TAX

DECISION STEPS

- 1) OBJECTIVE - ASSET ALLOCATION
- 2) LOAD, NO-LOAD
- 3) COMPARE RETURNS
- 4) FUND FAMILIES
- 5) WALL ST. JOURNAL
- 6) GET PROSPECTUSES

TOTAL RETURN

| | |
|-----------------------------|---------------|
| A) CHANGE IN NAV | |
| 1) NAV END OF YEAR | \$8.50 |
| 2) NAV BEGINNING OF YEAR | <u>\$8.20</u> |
| 3) INCREASE IN NAV | \$.30 |
| 4) | |
| B) TOTAL DOLLAR RETURN | |
| 4) DIST FROM NET INV INCOME | \$.10 |
| 5) DIST FROM NET REAL GAIN | \$.70 |
| 6) INCREASE IN NAV | <u>\$.30</u> |
| 7) TOT \$ RETURN PER SHARE | \$1.10 |
| C) RATE OF RETURN (7/2) | |
| | 13.41% |

OTHER FACTORS

EXPENSES
TURNOVER RATE
CASH FLOW
MANAGER
PERFORMANCE DATA
RATINGS
INDEXES

FEBRUARY 10, 1998

2/9/98

LIPPER INDEXES

Monday, February 9, 1998

| | Close | Prev. | Wk ago | Dec. 31 |
|-------------------------------|---------|--------|--------|---------|
| Prelim. Percentage chg. since | | | | |
| Equity Indexes | | | | |
| Capital Appreciation ... | 1931.36 | - 0.06 | + 1.77 | + 3.51 |
| Growth Fund | 6503.80 | - 0.06 | + 1.11 | + 3.80 |
| Small Cap Fund | 642.71 | + 0.28 | + 2.79 | + 2.25 |
| Growth & Income | 6226.35 | - 0.00 | + 1.02 | + 3.12 |
| Equity Income Fd | 3335.46 | - 0.10 | + 0.91 | + 2.42 |
| Science and Tech Fd ... | 534.14 | - 0.15 | + 1.83 | + 6.74 |
| International Fund | 638.83 | - 0.35 | + 0.99 | + 5.38 |
| Gold Fund | 87.14 | + 0.30 | + 1.27 | + 6.92 |
| Balanced Fund | 3764.72 | - 0.14 | + 0.48 | + 2.33 |
| Emerging Markets | 81.33 | + 0.32 | + 2.08 | - 1.95 |
| Bond Indexes | | | | |
| Corp A-Rated Debt | 751.71 | - 0.14 | - 0.32 | + 0.66 |
| US Government | 284.14 | - 0.13 | - 0.28 | + 0.81 |
| GNMA | 308.20 | - 0.06 | - 0.04 | + 0.87 |
| High Current Yield | 782.12 | + 0.05 | + 0.40 | + 2.42 |
| Intmtd Inv Grade | 206.48 | - 0.12 | - 0.26 | + 0.90 |
| Short Inv Grade | 188.90 | - 0.02 | + 0.00 | + 0.85 |
| General Muni Debt | 545.31 | - 0.04 | - 0.01 | + 0.84 |
| High Yield Municipal .. | 265.01 | - 0.01 | + 0.00 | + 0.92 |
| Short Municipal | 116.04 | - 0.00 | + 0.06 | - 0.57 |
| Global Income | 201.46 | - 0.23 | + 0.03 | + 0.89 |
| International Income ... | 127.26 | - 0.31 | + 0.19 | + 1.15 |

Indexes are based on the largest funds within the same investment objective and do not include multiple share classes of similar funds. The Yardsticks table, appearing with Friday's listings, includes all funds with the same objective.

Source: Lipper Analytical Services, Inc. The Lipper Funds Inc. are not affiliated with Lipper Analytical Services.

Ranges for investment companies, with daily price data supplied by the National Association of Securities Dealers and performance and cost calculations by Lipper Analytical Services Inc. The NASD requires a mutual fund to have at least 1,000 shareholders or net assets of \$25 million before being listed. NAV-Net Asset Value. Detailed explanatory notes appear elsewhere on this page.

| Name | NAV | Net YTD Chg | YTD %ret | Name | NAV | Net YTD Chg | YTD %ret |
|----------------------|-------|-------------|----------|----------------------------------|-------|-------------|----------|
| AAL Mutual A: | | | | ST Mla p 7.55 -0.01 + 0.4 | | | |
| Bond p | 10.02 | -0.03 | + 0.6 | StrBalA p | 18.24 | -0.04 | + 3.1 |
| CGrowth p | 26.88 | -0.04 | + 3.4 | TechA p | 56.05 | -0.53 | + 9.9 |
| HiYBdA | 10.40 | +0.01 | + 2.0 | WldIn p | 1.61 | ... | + 0.1 |
| Intl p | 10.61 | -0.02 | + 4.9 | WldPivA p | 11.58 | ... | + 3.8 |
| MidCap p | 14.67 | -0.04 | + 1.2 | Alliance Cap B: | | | |
| MuniBd p | 11.60 | -0.01 | + 0.8 | AllAsia | 7.35 | +0.09 | + 4.0 |
| SmCap p | 12.79 | +0.01 | + 2.8 | Allian | 6.32 | -0.04 | + 1.6 |
| EqInc p | 13.28 | ... | + 1.0 | CnsvInv | 11.76 | -0.02 | + 2.2 |
| AAL Mutual B: | | | | CpBdB | 14.30 | -0.03 | + 0.3 |
| CGrowth p | 26.70 | -0.04 | + 3.3 | GlbSB | 11.09 | +0.05 | + 6.5 |
| HiYBdB p | 10.40 | ... | + 1.8 | GIDGvtB | 8.56 | -0.01 | + 1.0 |
| Intl p | 10.54 | -0.02 | + 4.8 | GovtB | 7.58 | -0.01 | + 0.7 |
| MidCap | 14.58 | -0.04 | + 1.1 | GwthB | 36.12 | -0.11 | + 3.3 |
| SmCap p | 12.71 | +0.01 | + 2.7 | GrIncB | 3.26 | ... | + 3.2 |
| AARP Invest: | | | | GrInvB | 13.98 | -0.02 | + 3.8 |
| BalS&B | 21.04 | -0.01 | + 2.3 | HiYldB | 11.90 | +0.02 | + 3.8 |
| BdInc | 15.32 | -0.01 | + 0.8 | InsMuB | 10.47 | ... | + 0.9 |
| CaGr | 54.76 | 0.10 | + 5.1 | | | | |

- Name
- CapIB p
- CapW p
- CapWGr
- Eupac p
- FdInv p
- Govt p
- Gwth p
- HiInMun
- HI Tr p
- Inco p
- IntBd p
- ICA p
- LtdTEBd
- NEco p
- N Per p
- SmCp p
- TxEx p
- TECA p
- TEMd p
- TEVA p
- Wsh p
- A GthD
- A Heritg
- A HeritgE
- Amer Na
- Grth
- Inco
- Triflex
- Am Perfc
- AggGro
- Balan p
- Bond
- Equity
- GroEq p
- IntBd
- IntmTxF
- Amerindo Tc
- Amsouth
- Balance
- Bond
- EqInc
- Equity
- FlaTxF
- LtdMat
- MuniBd
- RegEq
- Amsouth
- Balance
- Bond
- Equity
- FlaTxF
- LtdMat
- MuniBd
- RegEq
- AmeriStar
- CapGro
- CoreInc
- DivGr
- LimDurInc
- LimDurTn
- LimDurUS
- TnTEBd
- AmeriStar
- CapGro

(Comparable Maturities) —

| 52-WEEK RATIO | HIGH | LOW |
|---------------|------|------|
| 69.6 | 72.3 | 63.5 |
| 71.0 | 73.6 | 64.5 |
| 71.8 | 75.1 | 66.7 |
| 76.3 | 79.1 | 72.3 |
| 85.9 | 88.5 | 79.0 |

k equiv. based on 31% bracket.

| HG | % CHG FROM 12/31 | % CHG |
|----|------------------|----------------|
| 74 | + 8.01 | + 57.96 + 1.12 |
| 16 | + 15.28 | + 52.79 + 0.69 |
| 04 | + 7.56 | - 0.37 - 0.02 |
| 64 | + 9.81 | + 56.13 + 0.98 |

| | | |
|----|---------|---------------|
| 04 | + 10.16 | + 7.16 + 0.77 |
| 11 | + 8.67 | + 7.08 + 1.06 |
| 39 | + 12.73 | + 2.10 + 0.28 |
| 09 | + 12.90 | + 7.34 + 1.52 |
| 35 | + 8.55 | + 4.61 + 0.68 |

(1986 = 100)

| | | |
|----|---------|---------------|
| 28 | + 5.88 | + 5 + 0.13 |
| 09 | + 8.79 | + 1.36 + 1.00 |
| 79 | + 11.63 | + 1.84 + 1.31 |
| 03 | + 12.08 | + 1.50 + 1.10 |

(each: Dec. 31, 1986 = 100)

| | | |
|----|---------|---------------|
| 03 | + 11.09 | + 2.59 + 0.90 |
| 05 | + 10.86 | + 2.63 + 0.93 |
| 03 | + 10.85 | + 1.65 + 0.95 |

STOCK FUNDS

SMALL-CAP FUNDS SOAR TO BIG GAINS—AGAIN. As the Russell 2000 index of small companies hit new highs, fund that favor diminutive stocks dominated large-cap portfolios on our one-year leaders list for the second month in row. Experts predict the little guys will continue to outperform for the next six months to a year. The 14-month-old \$7 million Hartford Capital Appreciation Fund topped the U.S. diversified list for the third month running with an impressive 90.2% return for the year to Sept. 22, while the highest one-year return among all funds belongs to \$196.3 million Lexington Troika Russia with a stunning 142.3% gain.

| Top-performing U.S. diversified funds (% sales load) | Style | One-year % gain (or loss) | % annualized return to Sept. 22 | | | Telephone (800) | Top performers ranked by one-year return (% sales load) | Style | One-year % gain (or loss) | % annualized return to Sept. 22 | | | Telephone (800) |
|------------------------------------------------------|-------|---------------------------|---------------------------------|------------|----------|-------------------------|---------------------------------------------------------|-------|---------------------------|---------------------------------|------------|----------|-----------------|
| | | | Three years | Five years | 10 years | | | | | Three years | Five years | 10 years | |
| ONE YEAR | | | | | | LARGE COMPANY | | | | | | | |
| Hartford Cap. App. A (5.5) | S/B | 90.2 | — | — | — | 843-7824* | Transamerica Prem. Equity | L/G | 66.2 | — | — | — | 892-7587 |
| Bridgeway Ultra-Small Co. ¹ | S/V | 72.5 | 38.7 | — | — | 661-3550 | Legg Mason Value | L/B | 64.6 | 40.2 | 28.2 | 16.2 | 577-8585 |
| State St. Research Aurora B (5) ² | S/V | 72.3 | — | — | — | 882-0052 | Pioneer Growth A (5.75) | L/G | 58.4 | 37.3 | 23.6 | 16.5 | 225-6292 |
| American Heritage | S/G | 71.7 | 3.5 | 5.5 | 2.6 | 828-5050 | Rydex Nova | — | 53.8 | 38.2 | — | — | 820-0888 |
| Parnassus (3.5) | M/V | 70.8 | 21.2 | 22.4 | 13.5 | 999-3505 | Alliance Premier Growth B (4) ² | L/G | 53.4 | 33.9 | — | — | 227-4616 |
| Transamerica Prem. Equity | L/G | 66.2 | — | — | — | 892-7587 | Quantitative Gro. & Inc. (1) ² | L/B | 52.9 | 29.6 | 20.8 | 15.3 | 331-1244 |
| Hudson Capital App. A (4.5) | S/V | 64.7 | 31.1 | 23.6 | — | 800-9169 | Selected American | L/V | 52.5 | 33.9 | 21.6 | 16.0 | 243-1575 |
| Legg Mason Value | L/B | 64.6 | 40.2 | 28.2 | 16.2 | 577-8589 | MID-SIZE COMPANY | | | | | | |
| Davis Growth Opportunity B (4) ² | L/B | 59.3 | 31.3 | 23.1 | 14.5 | 279-0279 | Hartford Cap. App. A (5.5) | S/B | 90.2 | — | — | — | 843-7824 |
| THREE YEARS | | | | | | SMALL COMPANY | | | | | | | |
| White Oak Growth Stock | L/G | 50.2 | 43.3 | 27.7 | — | 462-5386* | Davis Growth Opportunity B (4) ² | L/B | 59.3 | 31.3 | 23.1 | 14.5 | 279-0279 |
| Rydex OTC | L/G | 51.9 | 42.4 | — | — | 820-0888 | Vanguard/Primecap | L/B | 55.1 | 33.4 | 28.0 | 16.7 | 851-4999 |
| Alger Capital Appreciation B (5) ² | L/G | 28.8 | 41.8 | — | — | 992-3863 | Sound Shore | M/V | 54.1 | 33.1 | 24.3 | 16.5 | 551-1980 |
| Turner Small Cap Equity | S/G | 17.7 | 40.6 | — | — | 224-6312 | Dreyfus Midcap Value | M/V | 53.8 | — | — | — | 373-9387 |
| Legg Mason Value | L/B | 64.6 | 40.2 | 28.2 | 16.2 | 577-8589 | Smith Barney Agg. Growth A (5) | L/B | 53.6 | 25.7 | 22.5 | 14.6 | 451-2010 |
| Fremont US Micro-Cap | S/B | 36.1 | 39.0 | — | — | 548-4539 | NI Growth & Value | M/B | 51.8 | — | — | — | 686-3742 |
| Bridgeway Ultra-Small Co. ¹ | S/V | 72.5 | 38.7 | — | — | 661-3550 | HYBRID | | | | | | |
| Rydex Nova | — | 53.8 | 38.2 | — | — | 820-0888 | GAM Global A (5) | L/B | 48.1 | 25.3 | 23.2 | 14.1 | 426-4685 |
| Fidelity New Millennium (3) ¹ | M/G | 46.5 | 37.3 | — | — | 544-8888 | Transamerica Prem. Balanced | L/G | 48.0 | — | — | — | 892-7587 |
| FIVE YEARS | | | | | | OVERSEAS | | | | | | | |
| AIM Aggressive Growth (5.5) ¹ | S/G | 18.4 | 29.0 | 31.7 | 19.4 | 347-4246 | Harris Ins. Hemisphere A (4.5) | L/V | 46.1 | — | — | — | 982-8782 |
| PBHG Growth | M/G | (2.2) | 22.8 | 30.8 | 17.9 | 433-0051 | Invesco Worldwide Cap. Goods | L/B | 45.7 | 14.7 | — | — | 525-8085 |
| Franklin CA Growth I (4.5) | M/B | 31.3 | 34.6 | 30.1 | — | 342-5236 | Templeton Global Opp. I (5.75) | M/B | 37.5 | 18.0 | 19.2 | — | 292-9293 |
| FPA Capital (6.5) ² | M/V | 34.7 | 34.8 | 29.7 | 19.3 | 982-4372 | Templeton World I (5.75) | L/V | 36.9 | 20.4 | 20.6 | 12.8 | 292-9293 |
| Robertson Stephens Val. + Gro. A | M/G | 44.1 | 32.9 | 29.1 | — | 768-3863 | Oppenheimer Global G&I A (5.75) | M/B | 35.4 | 17.5 | 17.8 | — | 525-7048 |
| Franklin Small Cap Growth I (4.5) | S/G | 30.6 | 33.1 | 28.8 | — | 342-5236 | BT Investment Intl. Equity | L/V | 33.2 | 19.0 | 20.0 | — | 730-1313 |
| Enterprise Small Co. Growth Y | S/G | 17.1 | 32.4 | 28.6 | — | 432-4320 | FOREIGN REGIONAL | | | | | | |
| Legg Mason Value | L/B | 64.6 | 40.2 | 28.2 | 16.2 | 577-8589 | Lexington Troika Russia | — | 142.3 | — | — | — | 526-0056 |
| Putnam New Opportunities A (5.75) | M/G | 15.2 | 26.9 | 28.1 | — | 225-1581 | Morgan Stanley Latin Amer. A (5.75) | M/V | 55.3 | 11.8 | — | — | 282-4404 |
| TEN YEARS | | | | | | SPECIALTY | | | | | | | |
| Vista Growth & Income A (4.75) | L/B | 34.7 | 23.8 | 18.4 | 23.9 | 348-4782 | Fidelity Select—Energy Service (3) | M/B | 96.2 | 47.7 | 30.7 | 12.8 | 544-8888 |
| Kaufmann | S/G | 17.9 | 27.2 | 25.3 | 21.8 | 237-0132 | Fidelity Select—Brokerage & Inv. (3) | L/V | 75.3 | 34.6 | 30.1 | 16.0 | 544-8888 |
| Vista Capital Growth A (4.75) | M/V | 33.3 | 21.8 | 20.1 | 21.6 | 348-4782 | Fidelity Select—Electronics (3) | M/G | 73.8 | 53.9 | 45.5 | 21.5 | 544-8888 |
| Spectra | L/G | 34.5 | 35.7 | 29.9 | 19.8 | 711-6141 | Evergreen US Real Estate B (5) ² | S/B | 68.5 | — | — | — | 807-2940 |
| American Cent.—20th Cent. Gifttrust | S/G | 9.5 | 21.9 | 26.9 | 19.5 | 345-2021 | Fidelity Select—Home Finance (3) | M/V | 59.7 | 37.4 | 35.8 | 24.4 | 544-8888 |
| AIM Aggressive Growth (5.5) ¹ | S/G | 18.4 | 29.0 | 31.7 | 19.4 | 347-4246 | TEN LARGEST FUNDS (RANKED BY SIZE) | | | | | | |
| Skyline Special Equities ¹ | S/V | 52.2 | 26.8 | 25.1 | 19.3 | 458-5222 | Fidelity Magellan (3) ¹ | L/B | 36.3 | 24.7 | 20.4 | 15.8 | 544-8888 |
| FPA Capital (6.5) ¹ | M/V | 34.7 | 34.8 | 29.7 | 19.3 | 982-4372 | Vanguard Index 500 | L/B | 40.9 | 30.2 | 20.9 | 14.8 | 851-4999 |
| Fidelity Contrafund (3) | L/B | 35.6 | 27.1 | 22.3 | 19.1 | 544-8888 | Investment Co. of America (5.75) | L/B | 37.7 | 25.4 | 18.3 | 13.9 | 421-4120 |
| AVERAGE DOMESTIC EQUITY FUND | | | | | | FOREIGN REGIONAL | | | | | | | |
| | | | 30.8 | 23.4 | 18.1 | 13.1 | Lexington Troika Russia | — | 142.3 | — | — | — | 526-0056 |
| TEN LARGEST FUNDS (RANKED BY SIZE) | | | | | | FOREIGN REGIONAL | | | | | | | |
| Fidelity Magellan (3) ¹ | L/B | 36.3 | 24.7 | 20.4 | 15.8 | 544-8888 | Morgan Stanley Latin Amer. A (5.75) | M/V | 55.3 | 11.8 | — | — | 282-4404 |
| Vanguard Index 500 | L/B | 40.9 | 30.2 | 20.9 | 14.8 | 851-4999 | Excelsior Latin America | M/V | 48.4 | 7.8 | — | — | 446-1012 |
| Investment Co. of America (5.75) | L/B | 37.7 | 25.4 | 18.3 | 13.9 | 421-4120 | Scudder Latin America | M/V | 46.0 | 8.1 | — | — | 225-247C |
| Washington Mutual Investors (5.75) | L/V | 38.0 | 29.2 | 20.7 | 14.9 | 421-4120 | Fidelity Latin America (3) | M/V | 45.7 | 3.9 | — | — | 544-8888 |
| Fidelity Growth & Income | L/B | 35.2 | 26.7 | 21.6 | 16.8 | 544-8888 | SPECIALTY | | | | | | |
| Fidelity Contrafund (3) | L/B | 35.6 | 27.1 | 22.3 | 19.1 | 544-8888 | Fidelity Select—Energy Service (3) | M/B | 96.2 | 47.7 | 30.7 | 12.8 | 544-8888 |
| American Cent.—20th Cent. Ultra | L/G | 31.5 | 26.5 | 23.2 | 18.9 | 345-2021 | Fidelity Select—Brokerage & Inv. (3) | L/V | 75.3 | 34.6 | 30.1 | 16.0 | 544-8888 |
| Fidelity Puritan | L/V | 27.4 | 17.9 | 16.7 | 13.0 | 544-8888 | Fidelity Select—Electronics (3) | M/G | 73.8 | 53.9 | 45.5 | 21.5 | 544-8888 |
| Vanguard/Windsor II | L/V | 39.1 | 29.1 | 20.8 | 15.2 | 851-4999 | Evergreen US Real Estate B (5) ² | S/B | 68.5 | — | — | — | 807-2940 |
| Vanguard/Windsor I | L/V | 42.5 | 26.8 | 22.3 | 14.3 | 851-4999 | Fidelity Select—Home Finance (3) | M/V | 59.7 | 37.4 | 35.8 | 24.4 | 544-8888 |

Notes: ¹Currently closed to new investors ²Maximum deferred sales charge ³Area code: 288 Dash (—) indicates not available or not applicable Styles: B—Buys stocks that blend growth and value characteristics; G—Buys companies with rising earnings; L—Buys stocks with total market value of more than \$5 billion; M—Buys stocks with total market value of \$1 billion to \$5 billion; S—Buys stocks with total market value of \$1 billion; V—Buys stocks that are inexpensive in relation to assets or earnings. Style designation refers to most recent holdings; categories are based on the fund's holdings for the past three years or since inception if fund is less than three years old. Source: Morningstar, Chicago; 312-424-4263

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strategies, as evidenced by their portfolio-turnover ratios or yields, or by the number of securities held. Some sector funds also may invest in foreign stocks. Thus, it's important to make close comparisons among peers before committing your money.

Sector-Fund Performance



When you peruse newspaper and magazine charts listing the best and worst performing funds, you invariably will see industry portfolios well represented. Table 12-1 contains the annual total returns of eight sector-fund groups, as reported by Lipper Analytical Services. You can learn a lot about the way these investments behave by comparing the ups and downs of the various groups. The gold-oriented portfolios, for instance, have exhibited the widest swings. And while utilities once had been thought of as a sleepy and safe industry, their returns got short-circuited in 1987 and 1994, when interest rates rose sharply.

Specific sectors can perform quite differently from the overall market and from one another, as evidenced in Table 12-1. For instance, in 1991 health/biotechnology funds surged 68.4 percent, natural-resource funds gained a paltry 1.5 percent, and gold portfolios slipped 3.6 percent.

Table 12-1 Yearly Total Returns of Sector Fund Groups (%)

| Sector | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|--------------------|------|-------|-------|------|-------|------|-------|------|-------|------|------|
| Gold oriented | 37.3 | 37.7 | -17.3 | 26.4 | -23.5 | -3.6 | -15.8 | 88.0 | -12.2 | 2.4 | 7.5 |
| Environmental | 22.5 | -3.2 | 23.9 | 26.1 | -5.1 | 16.6 | -5.1 | -2.4 | -7.8 | 27.7 | 18.5 |
| Financial Services | 15.1 | -11.5 | 19.0 | 24.5 | -15.6 | 59.3 | 35.2 | 16.2 | -2.7 | 41.5 | 28.0 |
| Health/ | | | | | | | | | | | |
| Biotechnology | 16.8 | -1.2 | 12.4 | 46.3 | 20.2 | 68.4 | -6.7 | 3.7 | 4.3 | 47.2 | 13.4 |
| Natural Resources | 10.7 | 11.9 | 7.0 | 32.2 | -8.2 | 1.5 | 1.9 | 27.0 | -3.6 | 17.1 | 32.4 |
| Real Estate | na | -7.7 | 15.6 | 10.6 | -16.9 | 33.1 | 12.8 | 22.6 | -2.9 | 13.9 | 30.9 |
| Science & | | | | | | | | | | | |
| Technology | 7.6 | 5.0 | 6.6 | 23.0 | -0.5 | 48.8 | 14.4 | 24.0 | 16.4 | 39.5 | 19.5 |
| Utilities | 21.1 | -8.5 | 14.8 | 28.6 | -1.2 | 21.6 | 9.5 | 14.7 | -9.1 | 27.4 | 19.5 |
| S&P 500 | 18.7 | 5.3 | 16.6 | 31.7 | -3.1 | 30.5 | 7.6 | 10.1 | 1.3 | 37.6 | 25.5 |

Source: Lipper Analytical Services Inc.

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funds decl

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MEDIAN TOTAL EXPENSE RATIOS *I. admissions / in being's*

| | |
|-----------------------|-------|
| WORLD EQUITY | 1.78% |
| SECTOR EQUITY | 1.51% |
| WORLD INCOME | 1.40% |
| BALANCED/MIXED EQUITY | 1.32% |
| GENERAL EQUITY | 1.30% |
| TAXABLE FIXED INCOME | 0.94% |
| MUNICIPAL DEBT | 0.89% |
| RETAIL MONEY MARKET | 0.67% |
| S&P 500 INDEX | 0.37% |

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Friday, January 23, 1998 Final Prices,

BEST AVAILABLE COPY

| Fund | Close NAV | % Return | | |
|----------------------|-----------|----------|------|----------|
| | | Chg. | 1-wk | YTD 3-Yr |
| AAL Mutual A: | | | | |
| Bond | 10.03 | .06 | 5 | 4 |
| CapGro | 25.65 | .12 | 5 | 28.2 |
| EqvInc | 12.90 | .02 | 5 | 108.7 |
| HIYBdA | 10.35 | .01 | 5 | 60.7 |
| Intl | 10.24 | .14 | 1.4 | ... |
| MidCst | 13.91 | .10 | 1.7 | 80.8 |
| MunBd | 11.60 | .12 | 1.0 | 35.1 |
| SmlCap | 12.01 | .07 | .6 | ... |
| AAL Mutual B: | | | | |
| GrwthB | 25.49 | .13 | 5 | 1.4 |
| HIYdBd p | 10.35 | .01 | 5 | 9 |
| IntlB p | 10.18 | .13 | 1.3 | 1.2 |
| MidCapB | 13.83 | .10 | 1.2 | 2.1 |
| SmlCapB | 11.94 | .07 | .6 | 3.6 |
| AARP Invst: | | | | |
| Bals&B n | 20.39 | .04 | 2 | 8 |
| BdInc n | 15.32 | .09 | 5 | 70.4 |
| CapGr n | 51.40 | .55 | 1.1 | 1.4 |
| DIYGr n | 17.03 | .01 | 0.0 | 4.4 |
| DIYInc | 15.96 | .02 | 1.1 | 1.1 |
| EqvM n | 15.21 | .06 | 1.3 | 3 |
| GblGr n | 17.97 | .21 | 1.2 | 1 |
| Grwth n | 52.41 | .13 | 2.2 | 1.2 |
| HO Bd n | 16.25 | .11 | 2.2 | 2 |
| IntlStk n | 16.98 | .28 | 6.6 | 3.0 |
| SmlCoStk n | 19.33 | .09 | 5.5 | 3.0 |
| TYFBd n | 18.70 | .17 | 8 | 8 |
| USSKIdx n | 18.10 | .04 | 2 | 1.0 |
| AHA Funds: | | | | |
| Balan n | 13.75 | .12 | 9 | 1.9 |
| DivrEq n | 18.09 | .13 | 7 | 2.3 |
| Full n | 10.09 | .07 | 6 | 4 |
| Lim n | 10.25 | .01 | 0.0 | 7 |
| AIM Funds A: | | | | |
| Agry p | 44.32 | .29 | 7 | 4.1 |
| BalA p | 25.52 | .11 | 4 | 1.0 |
| BChpA p | 31.49 | .12 | 4 | 1.3 |
| CapDev p | 14.03 | ... | 0.0 | 2.3 |
| Chart p | 12.07 | .04 | 1 | 1.9 |
| Const p | 25.44 | .06 | 2 | 3.6 |
| GIAG p | 16.41 | .23 | 1.4 | 3.7 |
| GIGRA p | 16.47 | .17 | 1.7 | 8 |
| GILNCA p | 10.93 | .05 | 1.3 | 8 |
| GIUllIA p | 19.33 | .16 | 3.9 | 5.0 |
| Grth p | 15.20 | .03 | 3.5 | 3.0 |
| HIYdA p | 10.23 | .01 | 1.1 | 1.2 |
| Inco p | 8.59 | .08 | 5.6 | 6 |
| IntGovA p | 9.46 | .06 | 5.6 | 4 |
| IntlEqA p | 16.45 | .29 | 1.8 | 3 |
| LimMITT p | 10.10 | ... | 1.1 | 6 |
| MUB p | 8.36 | .05 | 5.5 | 6 |
| Summit | 13.20 | .07 | 5.5 | 3.2 |
| TeCT p | 11.11 | .05 | 4.4 | 5 |
| TF Int p | 11.09 | .06 | 5 | 5 |
| Valu p | 31.95 | .06 | 3 | 1.4 |
| WeingA p | 19.53 | .02 | 7 | 1.8 |
| AIM Funds B: | | | | |
| BalB t | 25.47 | .11 | 4 | 1.1 |
| BlueChipB t | 31.30 | .12 | 4 | 1.4 |
| CapDevB t | 13.90 | ... | NA | NA |
| ChartB t | 12.01 | .04 | 3 | 2.0 |
| GIAGrB t | 16.12 | .23 | 1.4 | 3.7 |
| GIGrB t | 16.19 | .18 | 1.1 | 8 |
| GILNcB t | 10.92 | .05 | 1.3 | 7 |
| GIUllIB t | 19.32 | .17 | 3.9 | 7.5 |
| GrthB t | 14.52 | .04 | 3.5 | 3.1 |
| HIYdB t | 8.22 | ... | 1.1 | 1.1 |
| IncomeB t | 8.57 | .06 | 6 | 6 |
| IntGvB t | 9.46 | .06 | 5.7 | 4 |
| IntlEqB t | 16.31 | .28 | 1.7 | 4 |
| MunIB t | 18.38 | .04 | 4 | 5 |
| ValuB t | 31.92 | .06 | 3 | 1.5 |
| WeingB t | 19.41 | .02 | 7 | 1.8 |
| AIM Funds C: | | | | |
| AdvFlexC t | 19.42 | .09 | 1.6 | 1.6 |
| AdvinC t | 49.75 | .11 | 4 | 2.9 |

| Fund | Close NAV | Chg. |
|----------------------------|-----------|------|
| GloGRA | 6.92 | .01 |
| GwthA | 30.71 | .23 |
| HIYdA | 4.69 | .03 |
| InstrA | 5.66 | .04 |
| IntlA | 10.27 | .18 |
| ModAllA | 10.81 | .03 |
| MassA | 5.58 | .03 |
| MichA | 5.58 | .04 |
| Minna | 5.42 | .04 |
| MutIA | 13.59 | .10 |
| NewDA | 23.50 | .10 |
| NYA | 5.33 | .04 |
| OhioA | 5.52 | .04 |
| PrecMA | 6.31 | .23 |
| ProgA | 9.11 | .05 |
| ReschOpA | 6.09 | .09 |
| SelectA | 9.17 | .09 |
| SmlCola | 6.39 | .03 |
| StockA | 24.00 | .06 |
| StrAgA | 18.43 | .10 |
| TE BdA | 4.16 | .04 |
| UtilInCA | 8.34 | .05 |
| Amer Express IDS B: | | |
| BluCPB t | 9.18 | .10 |
| BondB t | 5.21 | .04 |
| DiscvB t | 11.76 | .05 |
| DivrEqB t | 9.21 | .05 |
| EmoMB p | 4.76 | ... |
| EqSelB t | 13.07 | .14 |
| EqVal B t | 11.42 | .07 |
| ExtralB t | 4.60 | ... |
| FdlncB t | 5.07 | .02 |
| GblBalB t | 5.36 | .02 |
| GIBdB t | 6.12 | .01 |
| GloBrB t | 6.85 | .01 |
| GwthB t | 30.02 | .22 |
| HIYdB t | 4.69 | .03 |
| InsrB t | 5.66 | .04 |
| IntlB t | 10.28 | .18 |
| ModAllB | 10.73 | .03 |
| MNTaxB p | 5.42 | .04 |
| MutIB t | 13.51 | .10 |
| NewDB t | 23.25 | .09 |
| PrecMIB t | 6.74 | .22 |
| ProgB t | 9.01 | .04 |
| ReschOpB | 6.02 | .05 |
| SelectB t | 9.17 | .05 |
| SmlColB t | 6.32 | .04 |
| StockB t | 23.82 | .07 |
| StrAgB t | 17.92 | .10 |
| TE BdB t | 4.16 | .04 |
| UtilInB t | 8.34 | .05 |
| Amer Express IDS Y: | | |
| BluCPy | 9.25 | .09 |
| BondY | 5.21 | .04 |
| DiscvY | 11.42 | .05 |
| DEIY | 9.21 | .07 |
| FdlncY | 5.07 | .02 |
| GloGrY | 6.92 | .01 |
| GrowthY | 30.84 | .22 |
| HIYdY | 4.69 | .03 |
| Imly | 10.27 | .18 |
| ModAllY | 10.81 | .03 |
| Mutly | 13.59 | .10 |
| NewDY | 23.57 | .09 |
| ProgrY | 9.12 | .04 |
| SelectY | 9.17 | .09 |
| StockY | 24.00 | .07 |
| SIGR | 22.44 | .23 |
| SIGT | 24.00 | .10 |
| American Funds: | | |
| AmBal p | 15.51 | .04 |
| AmCap p | 19.33 | .06 |
| AmMut p | 28.97 | .09 |
| BondFd p | 14.01 | .06 |
| CapInB p | 16.51 | .20 |
| CapWld p | 15.87 | .04 |
| CapWGr p | 24.50 | .22 |
| Eupac p | 26.77 | .31 |
| FundIn p | 27.06 | .03 |
| Govt p | 13.25 | .06 |
| GwthFd p | 18.60 | .01 |
| HL Trst p | 15.25 | .01 |
| HLIncMun | 16.13 | .07 |
| IncoFd p | 17.59 | .07 |
| IntBd p | 13.54 | .02 |

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PROSPECTUS

- OBJECTIVE
- INVESTMENT POLICIES
- RISKS
- SALES CHARGES
- EXPENSES
- TURNOVER
- PERFORMANCE
- ASSET GROWTH
- SHAREHOLDER SERVICES
- DISTRIBUTIONS
- MINIMUMS

THE PRAGMA CORPORATION

MEMORANDUM

To: Chairman of the Securities Commission Mr. Poderys
Commissioners
Central Securities Depository
National Stock Exchange of Lithuania
National Association of Finance Brokers
Dow H. Heard
Skirmantas Rimkus

From: Arvydas Paškevičius, the Pragma Corporation

Subject: Concerning the Analysis of the Lithuanian Taxation System in the Capital Markets

Date: March 24, 1997

I. Problem

Currently, 17 different taxes or duties are applied when taxing natural and legal persons in Lithuania. Unfortunately, all these legal acts do not take into consideration the specific character of the activities of financial institutions that were founded on the basis of the Law on Public Trading in Securities of the Republic of Lithuania and the Law on Investment Companies of the Republic of Lithuania. While solving this problem, it is indispensable to essentially change some of the articles of the Law on Taxes on Profits of Legal Persons of the Republic of Lithuania and a number of notes of the Ministry of Finance and orders of the Minister of Finance dealing with this issue; to partially amend the wording of the Provisional Law on Income Tax of Natural Persons of the Republic of Lithuania and related regulations; to provide more detailed and accurate explanations of the provisions of the Law on Value Added Tax of the Republic of Lithuania and the Law on the Road Fund of the Republic of Lithuania by notes of the Ministry of Finance and the State Tax Inspectorate.

2. Amendments to the Law on Taxes on Profits of Legal Persons

2.1 Taxation of realized and unrealized capital gains from operations with securities and other financial instruments

The resolution of the Government of the Republic of Lithuania No 804 of October 27, 1993 approved the Order of Recognition of Revenue and Expenses in the Financial Statements (hereinafter - "Order"). Item 28 of this Order provides that "Dividends received and to-be-received shall be attributed to investment revenues, as well as interest for investment in other entities". Besides this form of revenues on investment activity there is a realized and unrealized capital gain from operations in securities and other financial instruments".

As these forms of revenue were not distinguished in due time, Par. 3 of Article 3 of the Law on Taxes on Profits of a Legal Person provides that "when computing taxable profit dividends and interest income received on bonds shall be eliminated", while other revenue from financial investment activities, i.e. realized and unrealized capital gain from operations with securities and other financial instruments, are currently subject to taxation.

It was the taxation of these revenues that prevented the establishment of at least one new investment company in the course of the last two years. The number of investment stock

companies founded in the period of primary privatization decreased from 250 to 22, which were re-registered into investment holding companies. The remaining investment stock companies either started the liquidation procedure themselves or will be liquidated pursuant to the Law on Investment Companies.

The destructive impact of taxation finds its expression in the following way:

- 1) If a natural person invests into securities, later sells them at a higher price and gains capital, the capital gain will not be taxed. In the event a natural person acquires redeemable shares of an investment fund, and the fund gains capital, the capital gain will be taxed at 29% profit tax of legal persons. That means that while investing through a unit fund an individual will lose 29% of his profit.
- 2) If a legal person acquires redeemable shares of an investment fund and the fund gains capital, this capital gain will be taxed by 29% of a profit tax of a legal person in the fund itself, and when it shows its revenue in the Profit (Loss) Account, it will have to pay 29% on the received revenue.

It is evident that in case of revenue from investment into financial instruments through an investment company an additional 29% of income tax is to be paid by both a natural and a legal person.

Recommendation: firstly, amend Par. 3 of Article 3 of the Law on Taxes on Profits of Legal Persons by the following wording: "When computing taxable profit, the following income shall be eliminated from non-operating revenues:

- 1) dividends and interest income received on bonds;
- 2) **realized and unrealized capital gain from operations with securities and other financial instruments;**

Secondly, prepare the Note or the Order of the Ministry of Finance "Concerning the Accounting of Operations with Securities and Other Financial Instruments" (analogous to Note No 11N of the Ministry of Finance "Concerning the Accounting of Currency Operations" defining the concepts of capital gain from operations with securities and unrealized appreciation of the investment portfolio, the methods of accounting the stocks in securities (weighted average), rules on establishment of the securities market price, etc.(see Annex 1).

2.2. Taxation of realized and unrealized capital depreciation from operations with securities and other financial instruments

The instances provided above illustrate taxation on investment in case of received revenues. The question is how taxes are applied in case of losses, i.e. when investment into securities or other financial instruments result in a loss.

Note No 7N of the Ministry of Finance of February 3, 1995 "Concerning the Computation of the Income Tax for the Year 1994 for Legal Persons" provides that "companies themselves may re-value long-term and financial assets, the market value of which is higher than the purchase or production cost of those assets. The appreciation resulting from that re-evaluation, which, pursuant to the Law on Taxes of Legal Persons (Article 3), shall be attributed to non-operating revenue (in the same way as other revenue not related to production, sales, or services) and recorded in line 080 of the financial statements of a legal person."

In the event the market value of the financial assets falls below the cost and the assets must be re-valued in the diminishing order, the loss arises which, pursuant to the current order of taxation, is not treated as taxable non-operating loss. Therefore, it must be compensated from net profit.

In simple terms, the revenue and loss that appear from investment into securities and other financial instruments shall be taxed differently, which contradicts to the International Accounting Standards as well as to other accounting standards and requirements that are based on the comparison of revenue and expenses.

Recommendation: until the supplement to the Law on Taxes on Profits of Legal Persons as proposed above is effected, promptly amend the wording of Note 7 N of the Ministry of Finance "Concerning the Computation of the Income Tax for the Year 1994 for Legal Persons" of February 3, 1995 in the following way: "companies themselves may re-evaluate long-term and financial assets, the market value of which is higher (lower) than the purchase or production cost of those assets. The appreciation (depreciation) resulting from the revaluation, which, pursuant to the Law on Taxes of Legal Persons (Article 3), shall be treated as non-operating revenue (loss) (likewise other revenue not related to production, sales, or services) and recorded in line 080 of the financial statements of a legal person."

2.3. Making the Concept of Investment More Accurate

Article 7 of the Law on Taxes on Profits of Legal Persons stipulates that "2) taxable profit used for investment shall be taxed at zero (0%) rate" and provides that "for the purposes of this Law the amount of an investment shall be the difference between the acquisition cost, at the close of the taxation period, of the fixed assets being used (construction in progress) and the acquisition cost of the fixed assets being used (construction in progress) at the beginning of the period, also the loan capital used during the taxation period for the acquisition of the fixed assets and the depreciation charges for the period. Upon sale of such assets, all received sales revenue shall be subject to taxation without deducting the residual value of the assets."

The description of investment as provided in this Law contradicts the concept of investment as given in Article 8 of the same Law when applied to foreign investment. The quoted definition also contradicts the definition of the "investor" as given in Article 2 of the Law on Public Trading of Securities as well as the definitions of the "investment company", "investment portfolio" and "diversified investment portfolio" provided in the Law on Investment Companies.

The above specified calculation of investment in principle contradicts the same concept as laid down in the Note of the Ministry of Finance No.8N "On Investment Accounting" of January 14, 1992.

Finally, the concept of investment as specified in Art. 7 of the Law on Profit Tax of Legal Persons does not correspond to the globally accepted concept of investment, as it is universally used in text-books.

Recommendation¹ : To amend Art. 7 of the Law on Profit Tax of Legal Persons in the following way: 2) taxable profit used for investment **related to acquisition of long-term material assets** shall be taxed at zero (0%) rate; and the last paragraph of this Article in the following way: "For the purposes of this Law the amount of an investment **related to acquisition of long-term material assets** shall be the difference between the acquisition cost, at the close of the taxation period, of the fixed assets being used (construction in progress) and the acquisition cost of the fixed assets being used (construction in progress) at the beginning of the period, also the loan capital used during the taxation period for the acquisition of the fixed assets and the depreciation charges for the period. Upon sale of such assets, all received sales revenue shall be subject to taxation without deducting the residual value of the assets".

2.4. Taxation of foreign financial intermediaries

The explanatory note to the Order of the Minister of Finance No. 71 of May 15, 1997 states: "The object of profit tax of foreign enterprises is the total revenues received from legal persons of the Republic of Lithuania for the market research, consulting and intermediary services". Further, "intermediary services cover financial intermediation, including lease (except accumulation of insurance and pension funds, as well as activities of the Central Bank and commercial banks)".

This order provides for taxation of commission fees of foreign financial brokerage firms in cases when legal persons of the Republic of Lithuania acquire securities or other financial instruments of foreign countries. Besides, taxes are withheld, i.e. an investment company or a financial brokerage firm is obliged to withhold the taxes from the foreign financial intermediary, even though the latter is not aware of this obligation. Since the amounts payable are quite insignificant, financial brokerage firms prefer paying them from their net profit to challenging their business relations with foreign financial intermediaries. Suppose the volumes of trading in foreign securities increase, taxation of the commission fee would become a pressing issue.

It is important to note, that other financial institutions are excepted from this kind of taxation. The above referred order states: (except accumulation of insurance and pension funds, as well as activities of the Central Bank and commercial banks). The exception is absolutely groundless, since some financial institutions are granted considerable tax privileges over other.

Proposal: To supplement the Order of the Minister of Finance No. 71 of May 15, 1997 in the following way: "The object of profit tax of foreign enterprises is the total revenues received from legal persons of the Republic of Lithuania for the market research, consulting and intermediary services". Further, intermediary services cover financial intermediation, including lease (except accumulation of insurance and pension funds, ~~as well as activities of the Central Bank and commercial banks as well as investment companies and financial brokerage firms~~).

2.5 Taxation of foreign financial intermediaries and agreements on avoidance of double taxation

¹ Maybe it would more logical to present the definition of the concept of INVESTMENT in the "Law on Investment Companies", or "Law on Public Trading in Securities", rather than "Law on Profit Tax of Legal Persons", "Law on Income Tax of Natural Persons" or other laws.

The Annex to the Order of the Minister of Finance of May 15, 1997 "On Application of Agreements on Double Taxation" indicates that "Amounts paid to the companies of Belarus, Denmark, China, Poland, Norway and Sweden for other intermediary services shall not be subject to taxation". Seeking to practically apply the provisions of agreements on avoidance of double taxation it is necessary that a financial intermediary of the above referred countries, having paid the taxes in its own country, is handed a statement on taxes paid on profits derived from rendering financial intermediary services, and is obliged to submit the statement to the Lithuanian State Tax Inspectorate .

It is but natural, that in the view of such a complicated and time consuming procedure avoidance of double taxation is rarely exercised. Maybe the procedure would not seem that tiring, if the financial intermediary would be obliged to submit the statement on a quarterly or on a monthly basis. However, commissions are generated at each sale or purchase of securities, consequently commission fees are paid to financial intermediaries every day.

Thus we propose to repeal taxation of financial intermediaries, since accounting of taxes would be more costly than the amounts of taxes collected. Besides, we propose to introduce supplements to the Explanatory Note -1 of the Order of the Minister of Finance No. 71 of May 15, 1997, in the way specified under item 2.4 of this Note.

2.6. Proposals of the Lithuanian Confederation of Industrialists regarding amendments and supplements to the "Law on Taxes of Profits of Legal Persons" are discussed in Annex 2.

3. Amendments to the "Provisional Law on Income Tax of Natural Persons"

3.1. Taxation of interest received by public companies and other legal persons.

Item 6 of Article 35 of the "Provisional Law on Income Tax of Natural Persons" sets forth: Income tax shall not be levied on: ...6) "Sums paid for bonds issued by the State or municipality". This means that sums or interest paid for bonds of public companies shall be subject to taxation. It is obvious that due to this provision, bonds of public companies are much less attractive to natural persons as compared to the bonds issued by the state or municipality

Recommendation: Wording of par. 6 of Article 35:

"Income tax shall not be levied on sums paid for bonds" ~~issued by the State or municipality~~"

3.2. The appreciation of the par value of shares issued to shareholders.

Par. 14 of Article 35 of the "Provisional Law on Income Tax of Natural persons" sets forth: "The income tax shall not be levied on: par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995 and 1996, or the sum by which the par value of shares issued earlier has been increased"; According to this wording of the Law and based on the business results of the year 1997, appreciation of the par value of shares issued to the shareholders must be subject to taxation, but this would mean that the effecting of the law predates its adoption.

Therefore, we **support** the **proposal** of the Lithuanian Confederation of Industrialists to lay down par. 14 of Article 35 as follows: "The income tax shall not be levied on: par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995, 1996 and 1997, or the sum by which the par value of shares issued earlier has been increased, **until the Law on the Income Tax of Natural Persons of the Republic of Lithuania comes into effect**";

3.3. Taxation of the amount exceeding the par value of shares of a liquidated public company"

Note of the State Tax Inspectorate No. 06-06/762 of January 27, 1998, signed by Mrs. Ratkeviciute states that in case of liquidation of a public company: "In the event shareholders receive assets of a company exceeding the par value of shares held by them, the exceeding amount shall be subject to taxation in the manner prescribed by the Provisional Law on the Income Tax of Natural Persons"²

In reference to this we can only cite the par. 14 of Article 35 of the "Provisional Law on Income Tax of Natural Persons: "The income tax shall not be levied on: par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995 and 1996, or the sum by which the par value of shares issued earlier has been increased"

3.4. Incompatibility between the "Provisional Law on Income Tax of Natural Persons" and The resolution of the Government of the Republic of Lithuania No 804 of October 27, 1993 approved the Order of Recognition of Revenue and Expenses in the Financial Statements of the Republic of Lithuania in the view of the development and growth of public companies

"The Provisional Law on Income Tax of Natural Persons" does not set forth taxation of dividends, whereas the "Law on Profit Tax of Legal Persons" provides for taxation of the capital gain of institutional investors. This creates a significant problem. Contradiction between the two laws discourages institutional investors from developing public companies. An investor, having acquired shares, may gain double benefit: appreciation of shares (capital gain) and dividends. For example, an investor bought a share at a price of LTL 100 at the beginning of the year, so in one year he may receive LTL 5 interest, and sell the share at LTL 110. The capital gain resulted from the fact that the investor appropriated for dividends only part of the profit (LTL 5), the other part - LTL 10 was left as part of unappropriated profit to be reinvested into the development of the company. In Lithuania, though, an interested investor will always vote in favour of the decision to allocate the entire profit for dividends, otherwise he will suffer taxation related losses. In the event all the profit is paid out in the form of dividends, for his 100 LTL investment at the beginning of the year the investor would receive LTL 115. Whereas in the event of zero dividends, when the entire profit generated is reinvested, an institutional investor would receive only LTL 110,65 (100+15-15*0.29), while the remaining 4.35 would be paid as the profit tax of legal persons.

Recommendation: Following the proposal contained in item 2.1. of this study, the capital gain to be tax exempt.

² The amount exceeding the par value is comprised of different elements: indexation by the resolution of the Government, unappropriated profit, reserves and many other items. It would be very complicated to decide which component should be subject to taxation, and which component should be tax exempt.

3.5. Payment of Dividends from Profit Taxable at a 0(10) % profit tax rate.

Part "On Profit (Income) Tax of Legal Persons and Entities That Has no Rights of a Legal Person" of the "Explanatory Notes to the Calculation of Profit (Income) and Payment for the Year 1997" approved by the Order No.12 of the Minister of Finance of January 15, 1998 "On calculation of Profit (Income)" includes the following provision: "In the event the profit taxable at 0(10) per cent rate is allocated for payment of dividends, this taxable profit must be taxed at a 29% rate".

In practice this provision means that a 29% tax rate shall not be levied only on the part of dividends which does not exceed the difference between the "Net result (profit) of the accountable period" and the profit taxable at 0(10) % rate.

Firstly, this provision of taxation of legal persons contradicts the provisions of the Law on Income Tax of Natural Persons to exempt dividends from taxation with no reservations.

Secondly, the current accounting system does not provide for accounting of profit taxable at 0(10)% rate. This means, that unless specific accounting procedure is introduced the profit taxable at 0(10)% rate will blend with profit taxed in a regular way and will be identifiable only by means of some special procedures.

Thirdly, profit taxable at 0(10)% rate is in its essence not a profit. It is an investment which shall be calculated as "the difference between the acquisition cost, at the close of the taxation period, of the fixed assets being used (construction in progress) and the acquisition cost of the fixed assets being used (construction in progress) at the beginning of the period, also the loan capital used during the taxation period for the acquisition of the fixed assets and the depreciation charges for the period". In other words, 0(10)% rate is levied upon appreciation of long-term assets during the accountable period, and this amount is distant in relation to profit, profit for appropriation and, finally, the dividends.

Proposal: to reject taxation of dividends, since:

- a) the requirement contradicts the provisions of the Provisional Law on Income Tax of Natural Persons;
- b) dividend taxation would require more complicated accountign, which in its turn boost the bureaucracy arrangements inside a company and beyond it, and would inflict additioanl expenses;
- c) revenues into the national budget resulting from this tax will be rather insignificant.

4. More accurate wording of provisions of the Law "On Value Added Tax"

Article 4 of the Law "On Value Added Tax" sets forth: The following goods and services shall be exempt from VAT:

- 6) insurance and banking services, the list of which shall be approved by the Government of the Republic of Lithuania and revenues from trading in securities, lotteries.

Trading in securities covers three major areas of groups of services: 1) services related to the transfer of securities, 2) services related to distribution of securities, 3) services related to offering of securities. Regretfully in many cases the VAT tax is levied upon services

related to trading in securities. The State Tax Inspectorate in its letter "Trading in Securities" No. 08-07/7582 of 1997.12.12. to the Securities Commission presents a list of services to be assigned to trading in securities and should not be subject to the value added tax. However, the proposal contained in the letter is only a draft and has not been finally approved. Besides, the list does not cover a full range of services related to trading in securities.

Recommendation: To supplement the list of services related to trading in securities in the manner prescribed in the Note of the Securities Commission No. 04-04-1870 of October 3, 1997 "On Value Added Tax", and subject it to final approval.

5. Specification of provisions of the Law on Road Funds.

The Letter of the Ministry of Finance No. 25 N "On Deductions to the Road Fund" of September 25, 1996, sets forth: "Revenues from the rent of assets, sales of securities, overdue credit indebtedness shall be assigned to the non-operating revenues, from which deductions to the Road Fund shall not be made". However, in this case there is no specification what is covered by the concept of sales of securities.

Recommendation: The Ministry of Finance must approve the list of services related to sales of securities. The list should coincide with the list of services specified in the Note of the Securities Commission No. 04-04-1870 of October 3, 1997 "On the Value Added tax".

INSTRUCTION ON FINANCIAL ACCOUNTING OF INVESTMENT IN SECURITIES

1. General Part

- 1.1. Instruction on financial accounting of investment in securities applies to investment funds, acting in accordance with the Law on Investment Companies, also to intermediaries of public trading in securities, acting in accordance with the Law on Public Trading in Securities and to other economic entities, which have no rights of legal persons, and have invested in securities.
- 1.2. Instruction on financial accounting on investment in securities has been prepared in accordance with the International Accounting Standard No.25 "Investment Accounting", Directive Four of European Communities 78/660/EEC "On Annual Financial Statements of Some Type of Enterprises", Directive of European Communities 86/635/EEC "On Annual and Consolidated Annual Financial Statements of Banks and Other Financial Institutions" and the Generally Accepted Accounting Principle No.29 "On Investment in Debt and Equity Securities".
- 1.3. All enterprises, investing in securities (financial instruments), shall establish its own financial accounting policies. Financial accounting policy shall include but not be limited to: establishing of the costs of acquiring the investment, establishment of the investment sales costs, procedure for revaluation of investment and establishing of market value thereof, the procedure for establishing and recognition of investment capital gain and depreciation (realized profit and loss).

2. Terms Used For the Purpose of This Instruction:

- 2.1. **Investment** - securities (financial instruments) held by an enterprise, which are expected to generate income, such as interest, dividends etc., or are expected to generate profit by appreciation on the market (realized and unrealized profit);

This instruction does not provide for the procedure of financial accounting of investment into reserves or long-term material assets, amounts receivable, etc.

- 2.2. **Short-term investment** - investment of an enterprise in debt or equity securities, seeking to trade in them on a regular basis, or sell them no later than a year, and in case when securities have a fair value.
- 2.3. **Long-term investment** - investment of a company into debt or equity securities to be sold no earlier than one year, provided the securities do not have a fair price.
- 2.4. **Securities held until redemption** - debt securities, the maturity of which may be one year or longer, to be held until redemption. Financial statements may report these securities as either long, or short term investment, depending on the maturity term.

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2.5. Debt securities - securities reflecting the issuer's liability to the holder of a security. Upon maturity these securities shall be redeemed or converted into other securities. Debt securities include government and municipal securities, corporate bonds, convertible corporate bonds, etc.

2.6. Equity securities - Securities issued by the issuer, which confirm the participation of the holders of the securities in the capital of the issuer, and grant them property and non-property rights. Equity securities include: ordinary shares, preference shares, other capital shares and securities (financial instruments), which are derived or otherwise related to equity securities, such as rights, options, etc.

The present instruction does not provide for the procedure of financial accounting of investment in equity securities, when securities are invested pursuing to influence or participate in the issuer's capital.

2.7. Price of Securities - the market price of securities or the fair price thereof, to be established on the basis of results of trading at the central market of the NSEL or any other recognized and regulated stock exchange. Besides, the fair price of securities may be established in accordance with the recognized methods of establishing the price of securities.

The value of securities, the quoting of which on the Stock Exchange is restricted and trading in which is temporary suspended may be established on the basis of the last price quoted on the Stock Exchange, acquisition price and other value, in case it is assumed that the value of securities have significantly diminished. I.e. establishing of the price of securities should be based on the principle of conservatism, which states that the financial accounting should recognize possible losses as soon as possible, and refrain from groundless recognition of profit.

3. Costs of Investment in Securities

3.1. Cost of investment in securities include the price of purchasing the securities, commission fees paid to intermediaries of public trading in securities and other intermediaries, bank fees and other charges, related to investment in securities.

3.2. Proceeds from securities, such as interest, dividends and other are normally recognized as income, although in some cases such proceeds should be treated as partial defrayal of the value of securities. E.g. where securities (bonds) are acquired following the date of their issuance, they are acquired with a certain amount of interest accrued, which was incorporated into the selling price. In this case interest earned on bonds should be divided into two parts: accrued prior to the date of acquisition of securities, and accrued within the period of disposal of securities. The total amount of interest, accrued before the date of acquisition of the bonds is subtracted from the cost of acquisition of bonds, since that part of accrued interest belongs to the previous bondowner. Interest accrued in the period the bonds are owned by the new owner shall be recognised as income of an enterprise from securities.

3.3. Where debt securities are acquired at a price different from the price of redemption, the difference between the acquisition price and redemption price shall be depreciated during the entire period of ownership of the securities. I.e. upon acquisition of securities bonus is paid or discount is received. The bonus or a

discount shall be depreciated, by debiting or crediting the interest account respectively, and shall be added or subtracted from the bond acquisition price. The resulting value shall be deemed the bond acquisition cost.

4. Short - Term Investment in Securities: Financial Accounting and Reporting in Financial Statements

4.1. In the balance-sheet securities, acquired as a short term investment shall be reported at their market value, or at the lower of the market value or acquisition value.

Where short-term securities are accounted at the lower of the market value or acquisition value, the lower value may be established either for each individual security or for the entire portfolio of securities. In the event securities are accounted at their market value or at the fair market value, the latter shall be established for each individual type of securities.

4.2. Where short term securities are accounted in accordance with the methods specified under item 4.1., a company shall report an unrealized profit or loss, since normally costs of acquisition of securities differ from the value indicated in the balance sheet. Unrealized profit or loss resulting from revaluation of securities shall be reported in the profit/loss account for the accountable period. An entry of the profit/loss account of the accountable period shall also record proceeds from securities (interest, dividends, etc.).

5. Long - Term Investment in Securities: Financial Accounting and Reporting in Financial Statements

5.1. Securities acquired as long-term investment shall be recorded in the balance sheet at their acquisition cost, value after revaluation (market value) or at the lower of the market or acquisition costs.

Where long term securities are accounted and recorded in the balance sheet at the value after revaluation, an enterprise must develop a long term investment revaluation policy approved by the management of the enterprise. The policy shall provide for the criteria of revaluation of securities and the periodicity thereof.

5.2. Where long term securities are accounted at their value after revaluation (market value) or the lower of the market or acquisition value, an enterprise shall have the unrealized profit or loss. The unrealized profit or loss shall be reported in the shareholders' ownership section of the balance sheet. The unrealized profit increases the revaluation reserve of financial assets, while unrealized loss decreases the revaluation reserve of financial assets.

In the event long term securities are intended for sale, they must be reclassified from long term securities into short term securities. The accrued unrealized profit or loss shall be recognised in the profit/loss account of the accountable period. In the event securities are immediately sold, the realized profit and loss resulting from sale of securities shall be reported in the profit/loss account.

6. Sale of securities

- 6.1. Upon selling the securities the realized profit or loss shall be recognized as a difference between the cost of acquisition of securities and the price at which the securities were sold. The result shall be reported in the profit/loss account of the accountable period.
- 6.2. The sold securities shall be debited by way of specific identification, where specific securities are debited, or on the basis of average acquisition costs, where it is difficult or impossible to identify specific securities. E.g. a company purchased a considerable number of specific securities at different prices, thus selling of securities may be based upon method of weighted average.

7. Reclassification of Securities

- 7.1. Upon reclassification short term securities to long term securities, or to securities held till redemption date, the unrealized profit or loss, which had previously been recognized in the profit/loss account shall not be recovered. The further result of revaluation shall be recorded in the balance sheet, shareholders property section and financial asset revaluation reserves.
- 7.2. Upon reclassification short term securities into long term securities or reclassification of securities held until redemption to short term securities, the accrued unrealized profit or loss shall be immediately recognized in the profit/loss account.
- 7.3. Upon reclassification the securities held until redemption to the long term securities, the unrealized profit or loss at the moment of conversion is recognised in the balance sheet, shareholders' property section and financial asset revaluation reserves.
- 7.4. Upon re-classification from long term securities to securities held until redemption, the accrued unrealized profit or loss, which is recorded in the financial asset revaluation reserve and further remains until redemption of securities **at depreciation of the bonus or discount.**
- 7.5. Companies shall, at least once a year, or more often if necessary, review all the categories of securities and decide whether they must be rearranged. In case there are some uncertainties concerning the terms of securities, it is recommended to qualify them as long term securities. Securities may be reclassified only upon the decision of the management of the company or an appropriate body (investment committee). It shall be forbidden to re-classify securities seeking to misrepresent the results of the company or its financial status.

8. Final Part

- 8.1. The fair price of investment in securities shall be determined in accordance with the recommendations approved by the Securities Commission (recognised methods of establishing the price of securities), where it is impossible to establish the price according to the results of trading at the Stock Exchange.

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8.2. Other peculiarities of the financial accounting of investment in securities shall be established by the Ministry of Finance and the Lithuanian Securities Commission.

Proposals of the Lithuanian Confederation of Industrialists regarding amendments and supplements to the "Law on Taxes of Profits of Legal Persons"

1. To amend Article 1 as follows:

b) legal persons engaged in non-commercial activities who nevertheless received income from commercial-economic activities, with the exception of the Bank of Lithuania and the state enterprise Deposit Insurance Fund, and non-budgetary resources of institutions whose expenditures are fully reimbursed from the State Budget and investment funds acting in accordance with the Law on Investment Companies. .

The proposed amendment is rather convenient and easy to implement, although it will not facilitate the solution of the above referred problems. First, close-end investment funds (CIF) and investment holding companies (IHC) will continue to be subject to taxation, thus no changes will emerge in this respect. Second, CIFs and IHCs will have no future as investment funds are increasingly gaining a much more advantageous position as compared to that of CIFs and IHCs. Third, CIFs and IHCs will probably make attempts to establish actually not functioning IFs, as a means to avoid paying taxes (shell companies). Fourth, it has not been clarified whether IFs will be completely exempt from profit tax, which would mean the emergence of some theoretical, though hardly conceivable possibilities for other legal or natural persons to avoid paying taxes on a legitimate basis. And last, concepts of capital gain from operations in securities and other financial instruments, unrealised appreciation of the investment portfolio as well as the issues of calculation thereof remain rather pressing for other capital market participants.

2. Par. 3 of Article 3 to be amended in the following way:

"Non-operating revenues shall constitute payments received from economic sanctions and other income not related to the production and sale of goods and services, including income received for leased or invested assets, ~~interest~~, the used part of subsidies and dotations, gains from changes in exchange rate". This means that the tax burden is becoming even heavier, as previously interest received by legal persons was not singled out.

3. Item 1 of Par. 4 of Article 3 to be amended in the following way:

When computing taxable profit, the following income shall be eliminated from non-operating revenues:

1) dividends and interest income received on corporate bonds of economic entities of the Republic of Lithuania and the government and municipal securities.

First, it is obvious that the burden of taxation is getting heavier, since earlier all dividends and interest received for corporate bonds were exempt from taxes, and now only dividends and interest received from corporate bonds of Lithuanian entities. Second, the wording of the amendment is rather obscure and not clear. It is hard to

understand why the Lithuanian government and municipal securities has been singled out, where earlier it states "economic entities of the Republic of Lithuania". Are the Government of Lithuania and Municipalities the economic entities? **Third**, the wording of the amendment leaves open the question whether all the dividends are exempt from taxes, or of Lithuanian economic entities only? **Fourth**, a number of uncertainties arise with respect to the founding the investment funds. Are the investment funds obliged to pay taxes for dividends received from foreign countries? If the answer is positive, it is impossible to ensure the diversification of the investment portfolio, since the official trading list of the Stock Exchange contains only 5 companies. If there were 20 companies, it would be possible to invest into different securities following the provisions of the Law on Investment Companies.

Consequently, we propose to accept the amendments to Article 3, as specified in item 2.1. of this study, since the suggested wording of the amendment inhibits the development of capital market, and brings a lot of confusion and uncertainties.

4. The following amendments are proposed to item 1 Par. 1 of Article 5:

" 1) material costs and other comparable costs, including ~~business trip expenses~~ losses caused by changes in exchange rate, and the used part of subsidies and grants."

The essence of the amendment is that costs specified in the amendment previously were were not assigned to costs, and they had to be compensated from the net profit. As noted in item 2.2. of this study, currently the net profit is used as a source to cover losses related to depreciation of capital and investment portfolio.

Proposal: until the proposed amendments regarding taxation of capital gain are implemented, to supplement the amendment in the following way:

" 1) material costs and other comparable costs, including ~~business trip expenses~~ losses caused by changes in exchange rates, and the used part of subsidies and grants, realized and unrealized capital depreciation resulting from operations in securities and other financial instruments"

5. To supplement the last paragraph of Part 4 of Article 7, and set forth as follows:

"For the purposes of this Law, investment ..." The definition of "investment" as given in this supplement is very misleading again. We propose the same amendment as in item 2.3 of this Analysis.

THE LITHUANIAN SECURITIES COMMISSION

March 20, 1998

To: The Ministry of Finance
of the Republic of Lithuania

Re Income and Profit Taxation: Impact upon the Lithuanian Capital Market

The Securities market in Lithuania emerged and has been functioning as a result of the primary privatization process. However, until now the market has been rather shallow and of low liquidity. The Securities Commission has investigated the factors preventing the growth of the market liquidity. Among the most important factors the order of taxation of market participants has been identified.

1. The specific feature of the Lithuanian Securities market is the absence of institutional investors, the appearance of which will facilitate the liquidity of the market. Institutional investors (investment holding companies, investment funds, pension funds) collect funds from minor investors and provides them with a possibility to participate in investment activities through investment companies and receive a profit. The legal basis for founding investment funds was created as long ago as 1995, when the Law on Investment Companies was adopted. However, not a single investment fund has been founded since, the principle impediment being the taxation on the profit of the company and the order of recognition of revenue and expenses in the financial statements.

The resolution of the Government of the Republic of Lithuania No 804 of October 27, 1993 approved the Order of Recognition of Revenue and Expenses in the Financial Statements. Item 28 of this "Order" provides that "Dividends received and receivable, as well as interest for investment in other companies shall be attributed to investment revenues". According to the provisions of Article 3 of the Law on Profit Tax of Legal Persons, the specified income is not included into unrealized income, thus, while computing the taxable profit, the investment revenues (received dividends and interest for bonds) shall be eliminated. However, income of this kind would represent only a very small fraction of the total investment revenues. The bulk of the revenues of institutional investors is generated by the capital gain on securities and financial instruments, which consists of realized and unrealized capital gain. The realized capital gain or depreciation results from operation in securities or financial instruments. The unrealized capital gain or depreciation results from revaluation of securities or financial instruments. Pursuant to the Law on Profit Tax of Legal Persons capital gain on securities as well as financial instruments shall be taxable.

The negative impact of the currently implemented order of taxation can be most conveniently be illustrated by the example of investment funds. In case a natural person invests into securities and subsequently sells them at a higher price, i.e. capital gain is earned, the income is free from taxation. However, where a natural person acquires redeemable shares of an investment fund, and the fund earns capital gain, through selling the securities comprising the investment portfolio at a price exceeding the purchase price or when the market price of the securities comprising the portfolio

increase, the appreciation shall be taxable at a 29% profit tax rate as applied to legal persons. Thus a persons investing through an investment fund is going to loose 29% of his profit, and he will be discouraged from investing through an investment fund. Where a natural person acquires redeemable shares of a mutual fund, and the fund earns capital gain, the capital gain shall be taxable at a 29% profit tax in the investment fund itself, and as soon as the investor reports his income in the profit/loss account, he will have to repeatedly pay the profit tax at 29% rate. In this particular case additionally we observe double taxation. Under these conditions natural persons will refuse to invest into investment funds.

Besides, investment funds will have to handle the taxation resulting from revaluation of the securities comprising the investment portfolio. Investment funds issue the redeemable shares which they must redeem, upon the shareholder's request. The share redemption price must be equal to the value of net own assets per share. Cash funds and liquid securities account for the large part (80%) of the assets held by an investment company. Results of the revaluation will depend on the fluctuation of the market price of securities. In the event the market price of securities comprising the investment portfolio increases, the fund will have to pay a profit tax (the net profit will decrease), while in the even the market price drops down, losses will be inflicted, which will have to be compensated for out of the net profit.

Capital taxation has the same impact upon the closed investment funds and investment holding companies. Currently, 22 investment holding companies which have been established on the basis of the investment stock companies following the requirements of the Law on Investment Companies. In our opinion, however, without abolishing the taxation on capital gain, the companies will remain of little vitality.

In order to promote the appearance of institutional investors they must be provided favorable tax surroundings and capital gain must be tax -free for a period of at least 10 years.

Proposal:

1) Supplement item 1 of Article 3 of the Law on Income Tax of Natural Persons:

"1) received dividends and interest on bonds, as well as realized and unrealized capital gain of securities and financial instruments of investment companies.

2) To establish the accounting procedure which define the concept of capital gain on securities and financial instruments, methods of accounting the securities (see Annex 1) and recommendations for establishing the market price of securities.

3) To supplement item 1 of part 1 of Article 5 of the Law on Profit Tax of Legal Persons of the Republic of Lithuania and lay down as follows:

"1) material and other costs equivalent to them , including realized and unrealized depreciation of capital of financial instruments";

1. The Lithuanian securities market is an equity market. The market of bonds, an alternative instrument for financing public companies, is hardly developing. The development of the market of bonds of public companies would have a tremendous

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impact upon the general increase of the liquidity of the securities market. Bonds are less risky investment instruments, and, upon emerge of unfavorable situation in the share market, cash flows intended for investment will be channeled into the market of bonds. However, the recent year's attempts undertaken by public companies to distribute their bonds failed, and mostly due to the unfavorable taxation approach.

Item 6 of Article 35 of the Provisional Law on the Income Tax of Legal Persons stipulates that "Income tax shall not be levied on: 6) Sums paid for bonds issued by the state or a municipality; 13) interest received on deposits in the banks and other credit institutions licensed by the Bank of Lithuania;

Amounts and interest paid on bonds issued by public companies are taxable at a 20% tax rate.

This provision of the Law violates the principle of tax neutrality. A certain tax privilege is thus granted, while lending funds to the commercial banks and other credit institutions excluding them from other economic entities and creates unfavorable conditions for attracting the borrowed capital towards public companies. In the view of tax free status of bonds issued by the state or a municipality, and especially since the government bonds are the least risky investment instruments, bonds issued by public companies appear absolutely unattractive to natural persons.

Proposal: To amend item 6 of the Article 35 of the Provisional Law on the Income Tax of Legal Persons and lay down as follows:

6) Sums and **interest**, paid on bonds.

3. Currently on the securities market Lithuanian investors may acquire only securities of Lithuanian issuers. Financial brokerage firms are willing to act as intermediaries for potential buyers of securities of foreign issuers, but they are discouraged by the taxation of foreign companies, engaged in financial mediation activities. In their own turn Lithuanian financial brokerage firms apply to foreign intermediaries of trading in securities regarding acquisition of securities, i.e. intermediary services while acquiring securities in a foreign country.

Item 1 of the Explanatory Notes on Calculation and Payment of Profit (Income) approved by the order of the Minister of Finance No.71 of May 15, 1997 sets forth: "The object of the profit tax of foreign companies is all the income received for market research, **consulting** and mediation services and for the provided right to make use of trade marks, licenses, name of the company". Financial mediation is attributed to the intermediary services (except insurance and accumulation of pension funds, as well as activity of the central and commercial banks).

Based on this Law, commission fees of the foreign financial brokerage firms are subject to taxation in cases when the legal persons acquire securities of foreign companies or other financial instruments. Taxes are withheld at 15% profit tax rate. Tax is deducted from the income payable to foreign companies by a legal person of the Republic of Lithuania, which pays foreign companies for services provided. In other words, a financial brokerage firm, acting as an intermediary in acquiring foreign securities, is under obligation to pay taxes on the income received by the foreign financial mediator for the intermediary activities carried out abroad. Since taxes payable are rather insignificant, major foreign intermediaries of trading in securities

prefer not to bother while collecting documents necessary for tax refund. Lithuanian financial brokerage firms, seeking to maintain relations with foreign clients and relations with foreign intermediaries agree to pay the taxes, even though their net profits decline. Currently such transactions are rather scarce and of insignificant volume, but upon founding investment companies and pension funds this taxation issue may develop into a pressing problem. There is no sufficient number of liquid securities in Lithuania to instigate the activities of investment funds and the latter will have to use foreign securities to form their investment portfolio. In such taxation environment financial brokerage firms will be extremely discouraged from acting as intermediaries for institutional investors regarding acquisition of foreign securities.

It should be noted though that other financial institutions engaged in intermediary activities are granted some exceptional status. We suggest that the same exemption be applied to intermediaries in public trading in securities (financial brokerage firms).

Proposal: To extent the definition of intermediary services as set forth in Item 1 of the Explanatory Notes on Calculation and Payment of Profit (Income) approved by the order of the Minister of Finance No.71 of May 15, 1997 as follows: "Intermediary activity is the activity when an economic entity intermediates between other two economic entities. Intermediary activities shall cover mediation in commercial activities, transportation, trading (on commission basis, wholesale and retail trading, mediation in purchasing and assessment of real property) and financial mediation including financial leasing (except accumulation of insurance and pension funds, activities of the central and commercial banks as well as activities of intermediaries of public trading in securities and investment companies)".

4. Item 14 of Article 35 of the currently effective Law on Income Tax of Natural Persons of the Republic of Lithuania sets forth:

"The income tax shall not be levied on: par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995 and 1996, or the sum by which the par value of shares issued earlier has been increased"; According to this wording of the Law where public companies increase their authorized capital out of their own funds, while capitalizing the profit of the year 1997, the increased nominal value of the additionally issued shares shall be subject to taxation. The newly issued shares (bonus shares) are transferred to the shareholders or the nominal values of the shares are increased automatically by debiting them into the securities accounts. The Company Law does not provide for a possibility to refuse debiting the shares into the securities accounts. Refusal to debit the shares or increase their nominal value is deemed prejudicial to the rights of shareholders. In our opinion it is not fair to levy taxes upon the results of such "forced" transfer, as basically here we deal with the above referred capital gain.

Proposal: To supplement item 14 of Article 35 of the Provisional Law of the Income Tax of Natural Persons and lay down as follows:

par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995, 1996 and 1997, and until the Law on Income Tax of Natural Persons comes into power, or the sum by which the par value of shares issued earlier has been increased;

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5. Provisions of the Law on Investment Companies of the Republic of Lithuania sets forth a requirement for investment stock companies to be reregistered as investment holding companies by July 1, 1997, or be liquidated. In the course of liquidation investment companies face the problem of taxation levied upon the distributed assets of the company undergoing liquidation. In its letter No. 06-06/762 of January 27, 1998 "On Income Tax of Natural Persons" The State Tax Inspectorate explained: "In the event a shareholder receives an amount of the company's assets which exceeds the nominal value of the shares held by him, the excess value shall be subject to taxation in the manner provided by the Law on Income Tax of Natural Persons". We believe that such an approach is wrong in its essence. Par.8 of Article 11 of the Law on Investment Companies merely provides for the manner of distribution of the assets of the liquidated company "After the payment of the required taxes into the budget and after the discharge of liabilities to the creditors and the employees, the remaining assets shall be distributed to the shareholders in proportion to the par value of the shares held by them by ownership right". In this case it is the capital gain that is subject to distribution. According to the item 10 of Article 35 of the Law on Income Tax of Natural Persons income tax is not levied upon "returned shareholding contributions and sums for sold shares, i.e. **capital gain**". The same approach should be taken in the event of liquidation of a company"

Proposal: to supplement item 10 of Article 35 of the Law on Income Tax of Natural Persons in the following way:

10) "returned shareholding contributions and sums for sold shares, **as well as assets granted to shareholders after distribution of assets of a liquidated public company, investment company or a pension fund**".

The Securities Commission asks to take into consideration its comments on the above referred issues and the proposals regarding possible solutions of the problems, while presenting the draft amendments to the Law on Profit Tax of Legal Persons and Law on Income Tax of Natural Persons. The Commission also requests to establish the procedure for accounting of investment into securities (draft provision is enclosed in Annex 1).

To our knowledge the Ministry of Finance is currently drafting the laws on Business Income Tax and Income Tax of Residents. The Tax Code is to be adopted during the year 1999. The Securities Commission is ready to offer its comments on the draft laws provided the Commission is familiarized with the same.

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THE LITHUANIAN SECURITIES COMMISSION

March 20, 1998

**To: The Ministry of Finance
of the Republic of Lithuania**

Re Income and Profit Taxation: Impact upon the Lithuanian Capital Market

The Securities market in Lithuania emerged and has been functioning as a result of the primary privatization process. However, until now the market has been rather shallow and of low liquidity. The Securities Commission has investigated the factors preventing the growth of the market liquidity. Among the most important factors the order of taxation of market participants has been identified.

1. The specific feature of the Lithuanian Securities market is the absence of institutional investors, the appearance of which will facilitate the liquidity of the market. Institutional investors (investment holding companies, investment funds, pension funds) collect funds from minor investors and provides them with a possibility to participate in investment activities through investment companies and receive a profit. The legal basis for founding investment funds was created as long ago as 1995, when the Law on Investment Companies was adopted. However, not a single investment fund has been founded since, the principle impediment being the taxation on the profit of the company and the order of recognition of revenue and expenses in the financial statements.

The resolution of the Government of the Republic of Lithuania No 804 of October 27, 1993 approved the Order of Recognition of Revenue and Expenses in the Financial Statements. Item 28 of this "Order" provides that "Dividends received and receivable, as well as interest for investment in other companies shall be attributed to investment revenues". According to the provisions of Article 3 of the Law on Profit Tax of Legal Persons, the specified income is not included into unrealized income, thus, while computing the taxable profit, the investment revenues (received dividends and interest for bonds) shall be eliminated. However, income of this kind would represent only a very small fraction of the total investment revenues. The bulk of the revenues of institutional investors is generated by the capital gain on securities and financial instruments, which consists of realized and unrealized capital gain. The realized capital gain or depreciation results from operation in securities or financial instruments. The unrealized capital gain or depreciation results from revaluation of securities or financial instruments. Pursuant to the Law on Profit Tax of Legal Persons capital gain on securities as well as financial instruments shall be taxable.

The negative impact of the currently implemented order of taxation can be most conveniently be illustrated by the example of investment funds. In case a natural person invests into securities and subsequently sells them at a higher price, i.e. capital gain is earned, the income is free from taxation. However, where a natural person acquires redeemable shares of an investment fund, and the fund earns capital gain, through selling the securities comprising the investment portfolio at a price exceeding the purchase price or when the market price of the securities comprising the portfolio

increase, the appreciation shall be taxable at a 29% profit tax rate as applied to legal persons. Thus a persons investing through an investment fund is going to loose 29% of his profit, and he will be discouraged from investing through an investment fund. Where a natural person acquires redeemable shares of a mutual fund, and the fund earns capital gain, the capital gain shall be taxable at a 29% profit tax in the investment fund itself, and as soon as the investor reports his income in the profit/loss account, he will have to repeatedly pay the profit tax at 29% rate. In this particular case additionally we observe double taxation. Under these conditions natural persons will refuse to invest into investment funds.

Besides, investment funds will have to handle the taxation resulting from revaluation of the securities comprising the investment portfolio. Investment funds issue the redeemable shares which they must redeem, upon the shareholder's request. The share redemption price must be equal to the value of net own assets per share. Cash funds and liquid securities account for the large part (80%) of the assets held by an investment company. Results of the revaluation will depend on the fluctuation of the market price of securities. In the event the market price of securities comprising the investment portfolio increases, the fund will have to pay a profit tax (the net profit will decrease), while in the even the market price drops down, losses will be inflicted, which will have to be compensated for out of the net profit.

Capital taxation has the same impact upon the closed investment funds and investment holding companies. Currently, 22 investment holding companies which have been established on the basis of the investment stock companies following the requirements of the Law on Investment Companies. In our opinion, however, without abolishing the taxation on capital gain, the companies will remain of little vitality.

In order to promote the appearance of institutional investors they must be provided favorable tax surroundings and capital gain must be tax -free for a period of at least 10 years.

Proposal:

1) Supplement item 1 of Article 3 of the Law on Income Tax of Natural Persons:

"1) received dividends and interest on bonds, as well as realized and unrealized capital gain of securities and financial instruments of investment companies.

2) To establish the accounting procedure which define the concept of capital gain on securities and financial instruments, methods of accounting the securities (see Annex 1) and recommendations for establishing the market price of securities.

3) To supplement item 1 of part 1 of Article 5 of the Law on Profit Tax of Legal Persons of the Republic of Lithuania and lay down as follows:

"1) material and other costs equivalent to them , including realized and unrealized depreciation of capital of financial instruments";

1. The Lithuanian securities market is an equity market. The market of bonds, an alternative instrument for financing public companies, is hardly developing. The development of the market of bonds of public companies would have a tremendous

impact upon the general increase of the liquidity of the securities market. Bonds are less risky investment instruments, and, upon emerge of unfavorable situation in the share market, cash flows intended for investment will be channeled into the market of bonds. However, the recent year's attempts undertaken by public companies to distribute their bonds failed, and mostly due to the unfavorable taxation approach.

Item 6 of Article 35 of the Provisional Law on the Income Tax of Legal Persons stipulates that "Income tax shall not be levied on: 6) Sums paid for bonds issued by the state or a municipality; 13) interest received on deposits in the banks and other credit institutions licensed by the Bank of Lithuania;

Amounts and interest paid on bonds issued by public companies are taxable at a 20% tax rate.

This provision of the Law violates the principle of tax neutrality. A certain tax privilege is thus granted, while lending funds to the commercial banks and other credit institutions excluding them from other economic entities and creates unfavorable conditions for attracting the borrowed capital towards public companies. In the view of tax free status of bonds issued by the state or a municipality, and especially since the government bonds are the least risky investment instruments, bonds issued by public companies appear absolutely unattractive to natural persons.

Proposal: To amend item 6 of the Article 35 of the Provisional Law on the Income Tax of Legal Persons and lay down as follows:

6) Sums and interest, paid on bonds.

3. Currently on the securities market Lithuanian investors may acquire only securities of Lithuanian issuers. Financial brokerage firms are willing to act as intermediaries for potential buyers of securities of foreign issuers, but they are discouraged by the taxation of foreign companies, engaged in financial mediation activities. In their own turn Lithuanian financial brokerage firms apply to foreign intermediaries of trading in securities regarding acquisition of securities, i.e. intermediary services while acquiring securities in a foreign country.

Item 1 of the Explanatory Notes on Calculation and Payment of Profit (Income) approved by the order of the Minister of Finance No.71 of May 15, 1997 sets forth: "The object of the profit tax of foreign companies is all the income received for market research, consulting and mediation services and for the provided right to make use of trade marks, licenses, name of the company". Financial mediation is attributed to the intermediary services (except insurance and accumulation of pension funds, as well as activity of the central and commercial banks).

Based on this Law, commission fees of the foreign financial brokerage firms are subject to taxation in cases when the legal persons acquire securities of foreign companies or other financial instruments. Taxes are withheld at 15% profit tax rate. Tax is deducted from the income payable to foreign companies by a legal person of the Republic of Lithuania, which pays foreign companies for services provided. In other words, a financial brokerage firm, acting as an intermediary in acquiring foreign securities, is under obligation to pay taxes on the income received by the foreign financial mediator for the intermediary activities carried out abroad. Since taxes payable are rather insignificant, major foreign intermediaries of trading in securities

prefer not to bother while collecting documents necessary for tax refund. Lithuanian financial brokerage firms, seeking to maintain relations with foreign clients and relations with foreign intermediaries agree to pay the taxes, even though their net profits decline. Currently such transactions are rather scarce and of insignificant volume, but upon founding investment companies and pension funds this taxation issue may develop into a pressing problem. There is no sufficient number of liquid securities in Lithuania to instigate the activities of investment funds and the latter will have to use foreign securities to form their investment portfolio. In such taxation environment financial brokerage firms will be extremely discouraged from acting as intermediaries for institutional investors regarding acquisition of foreign securities.

It should be noted though that other financial institutions engaged in intermediary activities are granted some exceptional status. We suggest that the same exemption be applied to intermediaries in public trading in securities (financial brokerage firms).

Proposal: To extent the definition of intermediary services as set forth in Item 1 of the Explanatory Notes on Calculation and Payment of Profit (Income) approved by the order of the Minister of Finance No.71 of May 15, 1997 as follows: "Intermediary activity is the activity when an economic entity intermediates between other two economic entities. Intermediary activities shall cover mediation in commercial activities, transportation, trading (on commission basis, wholesale and retail trading, mediation in purchasing and assessment of real property) and financial mediation including financial leasing (except accumulation of insurance and pension funds, activities of the central and commercial banks as well as activities of intermediaries of public trading in securities and investment companies)".

4. Item 14 of Article 35 of the currently effective Law on Income Tax of Natural Persons of the Republic of Lithuania sets forth:

"The income tax shall not be levied on: par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995 and 1996, or the sum by which the par value of shares issued earlier has been increased"; According to this wording of the Law where public companies increase their authorized capital out of their own funds, while capitalizing the profit of the year 1997, the increased nominal value of the additionally issued shares shall be subject to taxation. The newly issued shares (bonus shares) are transferred to the shareholders or the nominal values of the shares are increased automatically by debiting them into the securities accounts. The Company Law does not provide for a possibility to refuse debiting the shares into the securities accounts. Refusal to debit the shares or increase their nominal value is deemed prejudicial to the rights of shareholders. In our opinion it is not fair to levy taxes upon the results of such "forced" transfer, as basically here we deal with the above referred capital gain.

Proposal: To supplement item 14 of Article 35 of the Provisional Law of the Income Tax of Natural Persons and lay down as follows:

par value of shares issued to shareholders or employees of an enterprise according to the business results of 1992, 1993, 1994, 1995, 1996 and 1997, **and until the Law on Income Tax of Natural Persons comes into power**, or the sum by which the par value of shares issued earlier has been increased;

5. Provisions of the Law on Investment Companies of the Republic of Lithuania sets forth a requirement for investment stock companies to be reregistered as investment holding companies by July 1, 1997, or be liquidated. In the course of liquidation investment companies face the problem of taxation levied upon the distributed assets of the company undergoing liquidation. In its letter No. 06-06/762 of January 27, 1998 "On Income Tax of Natural Persons" The State Tax Inspectorate explained: "In the event a shareholder receives an amount of the company's assets which exceeds the nominal value of the shares held by him, the excess value shall be subject to taxation in the manner provided by the Law on Income Tax of Natural Persons". We believe that such an approach is wrong in its essence. Par.8 of Article 11 of the Law on Investment Companies merely provides for the manner of distribution of the assets of the liquidated company "After the payment of the required taxes into the budget and after the discharge of liabilities to the creditors and the employees, the remaining assets shall be distributed to the shareholders in proportion to the par value of the shares held by them by ownership right". In this case it is the capital gain that is subject to distribution. According to the item 10 of Article 35 of the Law on Income Tax of Natural Persons income tax is not levied upon "returned shareholding contributions and sums for sold shares, i.e. **capital gain**". The same approach should be taken in the event of liquidation of a company"

Proposal: to supplement item 10 of Article 35 of the Law on Income Tax of Natural Persons in the following way:

10) "returned shareholding contributions and sums for sold shares, **as well as assets granted to shareholders after distribution of assets of a liquidated public company, investment company or a pension fund**".

The Securities Commission asks to take into consideration its comments on the above referred issues and the proposals regarding possible solutions of the problems, while presenting the draft amendments to the Law on Profit Tax of Legal Persons and Law on Income Tax of Natural Persons. The Commission also requests to establish the procedure for accounting of investment into securities (draft provision is enclosed in Annex 1).

To our knowledge the Ministry of Finance is currently drafting the laws on Business Income Tax and Income Tax of Residents. The Tax Code is to be adopted during the year 1999. The Securities Commission is ready to offer its comments on the draft laws provided the Commission is familiarized with the same.

THE LITHUANIAN SECURITIES COMMISSION

Resolution No. 9

March 6, 1998

Vilnius

**On the Rule on Securities Portfolio Management Agreement (Discretionary
Accounts) for Investment Management and Consulting Firms**

While implementing the provisions of the Law on Public Trading in Securities
(Valstybės žinios, 1996, No.16-142)

the Securities Commission hereby resolves:

To approve the Rule on Securities Portfolio Management Agreement (Discretionary
Accounts) for Investment Management and Consulting Firms

Chairman of the Lithuanian
Securities Commission

Virgilijus Poderys

1. General Part

- 1.1. Investment management and consulting firms (hereinafter referred to as the Firm), prior to starting to manage the securities portfolios of their clients (legal and natural persons), shall enter into a written agreement with the clients in accordance with the requirements of this rule. Management of the securities portfolio shall mean engagement in activity, where the firm at its own discretion accepts and places orders in the client's name regarding sales and purchase, exchange, pledging, lending and borrowing of securities, borrowing of cash, realisation of rights attaching to securities comprising the securities portfolio, seeking for a maximum benefit for the client.
- 1.2. The legal basis for this rules is par.1 of Article 15 of the Law on Public Trading in Securities of the Republic of Lithuania.

2. General Requirements

- 2.1. The Firm shall be prohibited from transferring its rights and duties in respect with the Agreement on management of securities portfolio (hereinafter referred to as the Agreement) to other persons without a prior written consent of the client.
- 2.2. The Agreement regulated by this rule may contain other provisions not provided for by this rule, but the Firm shall be precluded from including into the Agreement or any other agreement regarding management of the client's securities portfolio provisions limiting the obligations and responsibility in respect of a customer, or in any way worsening the position of a client as compared to that established by the Law on Public Trading in Securities, other legal acts and this Rule.
- 2.3. Prior to concluding the Agreement, the Firm shall familiarize the client with the Rule, which shall be confirmed by the client's signature.
- 2.4. Upon getting aware of the financial brokerage firm (FMF) which will hold the client's securities portfolio and funds, the Firm shall promptly deliver to the FMF a copy of the Agreement and a copy of the client's notification on the appointed financial brokerage firm. According to provisions of the Agreement the Firm is authorised to conclude an agreement with the financial brokerage firm regarding servicing of the personal securities account, it shall be not necessary to deliver the latter notification to the FMF.
- 2.5. Upon expiration or termination of the Agreement, the Firm shall ensure the safekeeping of all the Agreement and all amendments therein, supplementary agreements to the Agreement, amendments therein, written notices , instructions and other documents related to the securities portfolio management agreement for a period of 10 years after the termination of the Agreement.

3. Parties of the Agreement

- 3.1. One party of the Agreement is a firm, licensed by the Securities Commission to act as an investment management and consulting firm, represented by a broker, which has passed the qualification examination organized by the Securities Commission or who holds any other qualification certificate recognised by the Commission.
 - 3.2. The Agreement shall contain the following data on the Firm: full name, company code, address of the registered office, licence number and date of issuance, name and position of the representative authorized to sign the Agreement, the basis for representation.
 - 3.3. The other party of the Agreement may be natural and legal persons, which have concluded agreements with the investment management and consulting firm, in accordance with which the Firm shall operate individual securities portfolios, with the exception of the case provided for in item 3.4.
 - 3.4. On the basis of the Agreement one securities portfolio for several clients may be formed only in cases when such clients act as co-owners of the portfolio and jointly enter into the agreement with the Firm.
 - 3.5. The firm, prior to entering into the Agreement with persons intending to act as co-owners of the investment portfolio, shall receive from such persons documents confirming their intention to carry out joint activity (e.g. partnership agreement, marriage certificate, agreement on joint activities), or the Agreement with such persons shall expressly manifest the will of such persons to act as co-owners or have the portfolio at their disposal by mutual consent.
 - 3.6. The Agreement shall contain the following data about the client (co-owners of the securities portfolio):
 - 3.6.1. for natural person(s): name, personal code, residence, address and the phone number.
 - 3.6.2. for legal person(s): full name, company code, registered office, position of the representative, his name, basis for representation, telephone and fax numbers. Foreign legal persons shall also submit an authenticated registration certificate of the company or other document confirming the existence of such certificate.
 - 3.7. The Agreement shall specify the client's identification codes in accordance with the rules of the Lithuanian Securities Commission On Identification of Clients of Intermediaries of Public Trading in Securities (Official Gazette, 1997, No. 27-654)
- 4. Securities Portfolio: Initial Composition, Objectives of Forming, and Restrictions Imposed.**
- 4.1. The Agreement shall indicate the initial composition of the securities portfolio, the management of which is transferred to the Firm (names of the securities shall be indicated and codes assigned by the Central Securities Depository of Lithuania) g the securities shall be indicated), the market value of the portfolio, as well as cash amount meant for additional contributions to the portfolio, or for formation of

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portfolio only. The Firm may establish the minimum value of the securities portfolio or the minimum amount for formation of the securities portfolio.

- 4.2. The customer has a right at any time to make additional contributions to his securities portfolio while transferring the management of the funds and/or securities to the Firm. The increase of the securities portfolio out of additional contributions of the client shall be made official in the form of supplementary agreement to the Agreement which shall specify the securities additionally transferred to be managed (names of the securities and codes assigned by the Central Securities Depository of Lithuania shall be indicated), the market value of the securities, cash amount meant for making additional contributions to the portfolio or funds used for formation of the portfolio.
- 4.3. Seeking to reduce the value of the securities portfolio managed by the Firm, the client shall in writing notify the Firm. At his own discretion the client may inform the financial brokerage firm at which the client's funds and securities portfolio are deposited. The Firm loses its right to act in the name of the client in respect with the securities and cash funds at the moment the written notice is delivered. However, that will not prevent the Firm from executing orders already placed in the name of the client.
- 4.4. The Agreement shall indicate the goals the client seeks to achieve by entering into the Agreement (e.g investment into the securities seeking capital gain, investment into debt securities seeking interest income, speculation in securities, securities lending operations, etc.). The client shall have a right to request to include other provisions in the Agreement to reflect his goals pursued by entering into the Agreement. The client shall also have a right to request to amend and supplement the Agreement in accordance with the changed goals of investment.
- 4.5. In cases, when the Agreement does not provide for criteria for taking investment decisions in respect with the client's securities portfolio, the Firm shall act in pursuit of the goals which the client seeks by entering into the Agreement.
- 4.6. The Agreement shall expressly indicate whether the investment management and consulting firm is granted a right to:
 - 4.6.1. realize the rights attaching to the securities in the client's name (voting, subscription rights, etc.).
 - 4.6.2. pledge securities, lend or borrow securities and the funds in the client's name.
- 4.7. In cases when the client authorizes the Firm to realize the rights attaching to the securities comprising the securities portfolio, the Agreement shall clearly indicate which rights the client authorizes the Firm to realize. The Agreement shall also provide for the obligation of the client to submit to the investment management and consulting firm the required documents of representation. The Agreement shall contain a provision that the client shall retain the title of all rights attaching to securities comprising the portfolio.
- 4.8. The Agreement sets forth the following restrictions upon investment:
 - 4.8.1. securities which may comprise the securities portfolio, and which securities may not be included into the portfolio;

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- 4.8.2. securities the share of which in the securities portfolio is limited;
 - 4.8.3. markets to acquire securities;
 - 4.8.4. transactions, that the Firm managing the portfolio is precluded to execute and the execution of which requires the client's written consent (The Agreement may not restrict the right of the Firm to place securities sale or purchase orders at its own discretion in the client's name).
 - 4.8.5. other restrictions set forth by the client.
- 4.9. Upon the client's request, the Agreement may exclude restrictions as indicated under item 4.8. In this case the Agreement shall indicate which specific restrictions were not imposed by the client.
- 4.10. In cases when the Agreement provides for investment into foreign securities, the Agreement shall include the following provisions:
- 4.10.1. the client's obligation to assume the risk related to fluctuation of exchange rates;
 - 4.10.2. the client's authorization to the Firm to convert Litas into the foreign currency necessary to execute the said transactions, as well as its obligation to cover the expenses related to currency exchange;
 - 4.10.3. provisions regarding selection or indication of the financial brokerage firm empowered to keep or hold foreign securities, as well as perform operations thereof in accordance with the part 7 of this Rule.

5. Principles of Portfolio Management

- 5.1. While managing the securities portfolio of its customers, the Firm shall pursue the following principles which shall be included into the Agreement:
- 5.1.1. **Principle of Priority of the Client's Interests.** Upon taking investment decisions, or realising the rights attaching to securities, executing transactions in the name of the client, the investment management and consulting firm shall act following the principle of priority of the client's interest over those of the investment management and consulting firm and interest of any third persons. The Firm shall be precluded from effecting transactions with third persons in the client's name when the Firm or any of its employees is self-interested or is related to another party of the transaction and which severely interferes with the Firm's obligation to act in the best interests of the client's, except in cases when the Firm has notified the client on its own or its employees interest or relations and has obtained the client's written consent to execute the said transaction.
 - 5.1.2. **Principle of Confidentiality.** The investment management and consulting firm shall have no right to divulge the client's confidential information to any third persons, except the information which has been already disclosed by the client or persons authorized by the client, or the information which the investment management and consulting firm must provide to the government authorities in the cases and following the procedure set forth by laws. The investment management and consulting firms shall be precluded from using confidential information to conclude transactions, beneficial to itself or any third persons, unless the client has produced a written consent regarding the said transactions. The client is entitled to specify which information is deemed confidential in the Agreement or in a side letter.

5.1.3. **Principle of Unbiased Approach.** The firm shall equally satisfy the needs of its clients. Following this principle the investment management and consulting firm shall elaborate the procedure of co-ordinating interests of individual clients. The clients shall be familiarized with the procedure which will be confirmed by the client's signature.

5.1.4. **Principle of Maximum Profit at the Lowest Risk.** Prior to adopting any investment decision regarding the securities portfolio, the Firm shall evaluate the benefit resulting from the said decision in terms of the risk involved. This evaluation shall make a basis for the decision whether the investment decision is in conformity with the objectives the client pursued by entering into the Agreement (item 4.4. of this rule).

5.1.5. **Principle of Professional Approach.** The firm shall adopt the investment decisions regarding the securities portfolio of the clients in a professional manner, based on its expertise, knowledge and all information available.

5.1.6. **Principle of Economy.** The Firm shall be precluded from authorizing the financial brokerage firm to execute excessive trading the goal of which is to generate proceeds for the financial brokerage firm, if such trading interferes with the goals of the client pursued upon entering into the Agreement.

5.2. Where an investment management and consulting firm executes transactions in the client's name or performs some other actions which violate the requirements set forth in items 5.1.1. and 5.1.2. and incur damage to the clients, the clients have a right to require the investment management and consulting firm to recover the losses incurred to them. The investment management and consulting firm shall take an obligation to include the following provisions in the Code of Ethics of its employees:

5.2.1. an obligation of the employees to inform the managers of the investment management and consulting firm of their interest in the transaction executed and other actions performed in the client's name and an obligation to keep the client's information confidential.

5.2.2. liability of employees for failure to fulfill obligations specified in item 5.2.1.

6. Client's Consent and Instructions

6.1. In cases when an extreme situation develops in the securities market, or in other cases provided for in the Agreement, the Firm, having supplied the client with an complete and accurate information (or consultation upon the client's request) necessary for adoption of motivated decision, has a right to apply for the client's consent to execute specific operations with the securities portfolio

6.2. Where a transaction in securities does not comply with the provisions of the Agreement the Firm shall obtain the client's consent. Prior to executing the transaction the Firm shall supply the client with complete and accurate information necessary to adopt a motivated decision (or consultation upon the client's request).

6.3. Upon the client's request, the Agreement shall provide for the right of the client to issue binding instructions to the Firm regarding the client's securities in general (e.g. changes in the goals of the Agreement, restrictions imposed upon investments, an instruction to liquidate the securities portfolio [sell securities comprising the portfolio]), or regarding a specific operation with respect to the

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portfolio. The instructions of the client shall be issued in writing, the Firm shall in writing confirm the receipt of the instructions.

- 6.4. Where the Agreement provides for the right of the client to issue binding instructions to the Firm as defined in item 6.3., the Agreement shall also set forth the obligation of the Firm to issue the warning to the client regarding the risk arising from the instructions given by the client.

7. Safekeeping of the Client's Funds and the Securities Portfolio

7.1. The client has a right to indicate to the investment management and consulting firm a financial brokerage firm, at which the client's securities portfolio and cash funds are deposited and to which orders will be placed to perform operations in securities in the name of the client, or to instruct the investment management and consulting firm to select or recommend a financial brokerage firm.

7.2. In cases when the customer instructs the Firm to select or recommend a financial brokerage firm for accounting of the client's securities portfolio, as well as executing operations with the securities comprising the portfolio, the investment management and consulting firm shall select a brokerage firm(s), the service of which, in terms of the quality, scope of the service provided, efficiency and fees charged, is most favourable for the client.

7.3. In cases, when at the moment of conclusion of the Agreement or the supplementary agreement regarding additional contributions to the portfolio (further - supplementary agreement) the client has not deposited any funds and/or securities portfolio with the financial brokerage firm, the Agreement or the supplementary agreement shall set forth the obligation of the client to deposit the funds and/or the portfolio with the financial brokerage firm within the specified time limits and file the confirmation of the deposit in writing or instruct the financial brokerage firm to submit such notice.

7.4. The notification on the financial brokerage firm in which the client's funds are deposited and which holds the client's securities and to which orders will be placed to execute operations with securities shall be made in writing and shall contain the full name of the financial brokerage firm, its code, registered office, licence number and the date of issuance, as well as the date and number of the personal securities account agreement concluded with the customer.

7.5. In the case specified under item 7.3. of this Rule the Agreement shall be concluded with a contingency clause, i.e. it shall come into force only when the Firm receives the notification on disposal of client's funds and/or securities with the financial brokerage firm.

7.6. The client has a right to transfer his and cash funds and securities comprising the portfolio to other financial brokerage firm without the prior consent of the investment management and consulting firm. In this case the securities portfolio management agreement shall provide for the obligation of the client to promptly file with the investment management and consulting firm the notification containing the information specified in item 7.4 on the new financial brokerage firm, or instruct the latter to file such a notification.

7.7. The Agreement shall indicate the powers granted to the Firm in its relation with the financial brokerage firm in which the client's funds and securities portfolio are deposited, including the following actions:

7.7.1. instruct the financial brokerage firm to effect operations with the client's securities;

7.7.2. effect payment to the financial brokerage firm for execution of orders related to the client's securities portfolio, and accounting of the securities portfolio;

7.7.3. obtain statements of personal securities accounts, confirming operations executed with the client's securities portfolio and hand them over to the client;

7.7.4. take other actions necessary to fulfil the Firm's obligations in accordance with the Agreement.

7.8. The Agreement shall set forth the obligation of the Firm to promptly notify the customer on violations committed by the financial brokerage firm in operating the personal securities accounts. The client is also entitled to authorize the Firm to take other actions seeking to protect his rights in relations with the financial brokerage firm in which the client's securities portfolio and funds are deposited.

8. Statements

8.1. The Firm shall, within the terms and in the manner provided for in the Agreement, but no less frequently than once a month, submit to the client the securities portfolio statement, which shall specify:

8.1.1. all operations executed with the client's securities portfolio, including realization of rights attaching to the securities and payment to the Firm and the financial brokerage firm.

8.1.2. the average value of the portfolio during the accountable period, its value at the end of the accountable period and the calculation of the value;

8.1.3. payment to the investment management and consulting firm and calculation of the payment;

8.2. In the securities portfolio management agreement the investment management and consulting firm shall undertake an obligation to accumulate and guarantee the safekeeping of the books and records on investment decisions related to the securities of the client's portfolio. Upon the client's request, the investment management and consulting firm shall submit the client the information on the decisions made and the grounds and implementation of the decisions.

8.3. The Agreement shall also include the obligation of the Firm upon the client's request to promptly supply to the client:

8.3.1. annual (and interim statements, if such are available) operational, financial and economic statements.

8.3.2. Information not included into items 8.1. and 8.2. regarding procedure of implementation of the Agreement.

8.4. The Agreement may not provide for the client's obligation to pay additional fees for the statements and information specified under items 8.1.-8.3. of this Rule.

8.5. The Agreement shall provide for the right of the client, upon receipt of his securities portfolio statement, make comments to the Firm regarding the status of his portfolio. The Agreement shall also provide for the obligation of the Firm to produce a motivated response to the client's remarks within the time limits and in the manner set forth in the Agreement.

9. Payment to the Investment Management and Consulting Firm

9.1. The Agreement may establish only the following payment to the Firm for the management of the client's securities portfolio:

9.1.1. the fixed management fee, established at the day of concluding the Agreement; and

9.1.2. percentage of the client's proceeds from capital gain from sale of securities, and dividends, interest and other income from investment;

9.2. The Agreement shall set forth the order and terms of payments to the Firm with the following restrictions imposed:

9.2.1. management fee shall be paid no more frequently than once a month and shall not be paid in advance;

9.2.2. the management fee shall be paid only for the period of validity of the securities portfolio management agreement (the management fee shall be decreased in proportion to the period, when the agreement was terminated or suspended because the licence of the investment management and consulting firm was suspended or revoked.)

9.2.3. percentage from the client's proceeds may be paid only after the profit has been actually gained.

10. Validity of the Portfolio Management Agreement

10.1. The enactment and termination of the Portfolio Management Agreement is set forth by the Civil Code of the Republic of Lithuania and items 7.5. and 10.2. of this Rule.

10.2. The Agreement shall set forth the following conditions of termination the Agreement:

10.2.1. The client has a right to unilaterally terminate the Agreement at any time by way of written notice to the Firm.

10.2.2. The Firm has a right to unilaterally terminate the Agreement by way of 14 days' written notice to the client.

10.3. The client, having delivered to the Firm the notice referred to in the item 10.2.1. may also give a notice on the termination of the Agreement to the financial brokerage firm at which his securities portfolio and the funds are deposited, although this action does not constitute an indispensable condition for the Agreement to be deemed terminated.

10.4. From the moment of termination of the Agreement, the Firm shall forfeit its right to act in the client's name, although the termination of the Agreement does not prevent the Firm from executing the orders that had been already placed in the client's name.

10.5. Upon the termination of the Agreement the Firm shall be prohibited from presenting any claims to the client, except the payment due to the Firm for the period preceding the termination of the Agreement.

11. Amendments to the Agreement

11.1. All amendments and supplements to the Agreement, all supplementary agreements and amendments and supplements thereof shall be executed in writing.

11.2. Seeking to introduce amendments to the clauses of the Agreement, the investment management and consulting firm shall notify its clients thereof, and propose appropriate amendments and supplements to be introduced in the Agreement.

11.3. In the case within 14 days from the receipt of the notification the client fails to notify the Firm in writing of his content obligation to comply with the changed terms and conditions of the Agreement, the Firm has a right to terminate the Agreement.

11.4. When the client fails to notify the Firm in writing of his obligation to abide by the amended and supplemented terms and conditions of the Agreement, and within 14 days from the end of the period specified under item 11.3. the client does not receive notification from the Firm on termination of the Agreement, the original securities portfolio management agreement shall remain in effect.

12. Liability

12.1. Liability for violations of the Agreement shall be set forth by laws of the Republic of Lithuania and other legal acts. The Firm shall not bear any liability for the losses inflicted to the client due to the fluctuations of the exchange rates and inflation provided the client has acted in compliance with the terms and conditions of the Agreement.

12.2. The securities portfolio management agreement shall specify the liability of the parties to the agreement for failure to fulfill contractual obligations under this Agreement

13. Settlements of Disputes

All disputes arising from differences of interpretation or carrying out of the Agreement which the parties fail to settle by mutual consent, shall be settled in the court of the Republic of Lithuania, with an exception of cases which the parties have agreed to be resolved by way of arbitration (or the third court).

14. Portfolio Management Agreement with Foreign Persons

14.1. At concluding the portfolio management agreements with the foreign natural and legal persons, laws of the Republic of Lithuania shall be applied. The original text of Agreement shall be in the Lithuanian language, i.e. in the event of any discrepancies as to the interpretation of the Agreement, the Lithuanian version shall prevail.

14.2. Portfolio management agreements with foreign natural or legal persons may provide for extra payment for the services rendered by the Firm, or reimbursement of expenses related to servicing such clients.

14.3. In cases when portfolio management agreements are concluded with foreign legal or natural persons residing outside the Republic of Lithuania, the Firm may undertake an obligation to convert the foreign currency into Litas, the client assuming the risk related to fluctuation of exchange rates and the obligation to cover the expenses related to currency exchange.

15. Final Provisions

15.1. Firms which have been granted the licences to act as investment management and consulting firms prior to the enactment of this Rule, shall amend and supplement the securities portfolio management agreements (investment management agreements) in accordance with the requirements of this Rule and submit the same to the Securities Commission. by July 1, 1998

15.2. Having amended and supplemented the portfolio management agreements in accordance with the requirements of this Rule the Firms shall be obliged to suggest to the client whose portfolios they manage that they should amend the terms and conditions of the agreements in accordance with the requirements of this Rule.

LIETUVOS RESPUBLIKOS VERTYBINIŲ POPIERIŲ VIEŠOSIOS APYVARTOS ĮSTATYMO
PAKEITIMO IR PAPILDYMO ĮSTATYMAS

1998 m. d. Nr.

Vilnius

(Žin., 1996, Nr. 16-412, Nr. 41-992, Nr. 71-1713)

1 straipsnis. 2 straipsnio pakeitimas ir papildymas

1. 2 straipsnio pirmosios dalies pirmame punkte išbraukti žodžius “(ne-emitento)” ir šį punktą išdėstyti taip:

“*antrinė vertybinių popierių apyvarta* - investitoriaus ar kito asmens (ne-emitento) pasiūlymas įsigyti jau išleistų į apyvartą vertybinių popierių, taip pat jų perleidimas kitiems investitoriams;”

2. 2 straipsnio pirmosios dalies penktame punkte po žodžių “galintis turėti” įrašyti žodį “žymios” bei po žodžių “arba galintis” įrašyti žodį “žymiai” ir šį punktą išdėstyti taip:

“*esminis įvykis* - bet koks įvykis, galintis turėti žymios įtakos investitoriaus sprendimui pirkti ar parduoti emitento vertybinius popierius arba galintis žymiai paveikti šių vertybinių popierių rinkos kainą.”

3. 2 straipsnio pirmosios dalies vienuoliktame punkte išbraukti žodžius “jo vardu veikiančio” bei po žodžio “tarpininko” įrašyti žodžius “veikiančio emitento vardu arba savo vardu, bet emitento sąskaita” ir šį punktą išdėstyti taip:

“*pirminė vertybinių popierių apyvarta* - emitento arba jo vardu veikiančio viešosios apyvartos tarpininko, veikiančio emitento vardu arba savo vardu, bet emitento sąskaita, pasiūlymas įsigyti vertybinių popierių jų išleidimo metu bei jų perleidimas investitorių nuosavybėn.”

4. 2 straipsnio pirmosios dalies devynioliktame punkte po žodžio “platinimas” išbraukti žodį “ar” ir po žodžio “perleidimas” įrašyti žodžius “ar siūlymas perleisti”, vietoje žodžio “per” įrašyti žodį “tarpininkaujant” bei vietoje skaičiaus “50” įrašyti skaičių “100” ir ir šį punktą išdėstyti taip:

“*vertybinių popierių viešojo apyvarta* - vertybinių popierių siūlymas, platinimas, ar perleidimas ar siūlymas perleisti per tarpininkaujant vertybinių popierių viešosios apyvartos tarpininkus ir (arba) per reklamą ar kaip kitaip viešai kreipiantis į visuomenę, ir (arba) kreipiantis į daugiau kaip 50 100 asmenų;”

5. 2 straipsnio pirmosios dalies dvidešimt pirmame punkte vietoj žodžių “finansų maklerio įmonių, investicijų valdymo ir konsultavimo įmonių” įrašyti žodžius “viešosios apyvartos tarpininkų” ir šį punktą išdėstyti taip:

“*vertybinių popierių viešosios apyvartos tarpininkų etikos kodeksas* - etikos taisyklių rinkinys, skirtas finansų maklerio įmonių, investicijų valdymo ir konsultavimo įmonių viešosios apyvartos tarpininkų ir maklerių sąžiningai veiklai užtikrinti;”

2 straipsnis. 3 straipsnio pakeitimas ir papildymas

Papildyti ir pakeisti 3 straipsnio trečiąją dalį ir ją išdėstyti taip:

“3. Šis įstatymas, išskyrus 4-8 ir 10 straipsnius bei 26 straipsnio trečiąją ir septintąją dalis, taikomas reglamentuoja vertybinių popierių, patvirtinančių valstybės įsiskolinimą ir (arba) išleidžiamų Lietuvos banko, emisiją ir apyvartą, jeigu jo nuostatos neprieštarauja šių vertybinių popierių emisiją ir apyvartą reglamentuojantiems įstatymams ir kitiems teisės aktams.”

3 straipsnis. 4 straipsnio pakeitimas ir papildymas

1. 4 straipsnio pirmosios dalies antrajame punkte vietoj skaičiaus “50” įrašyti skaičių “100” ir šį punktą išdėstyti taip:

“2) paskutinių ūkinių metų paskutiniosios dienos pabaigoje emitento išleistų bent vienos klasės vertybinių popierių savininkų buvo daugiau nei 50100;”

2. Papildyti ir pakeisti 4 straipsnio penktąją dalį ir ją išdėstyti taip:

“5. Vertybinių popierių komisija per 30 dienų turi išnagrinėti vertybiniams popieriams įregistruoti, perregistruoti ar išregistruoti pateiktus dokumentus ir raštu atsakyti emitentui. Vertybinių popierių komisija turi teisę reikalauti, kad emitentas pateiktų papildomą informaciją, būtina investitorių interesams apsaugoti, taip pat paaiškintų ar pataisytų pateiktus duomenis. Tokiu

arveju 30 dienų laikotarpis, nurodytas šioje dalyje, skaičiuojamas iš naujo nuo papildomos informacijos ar paaiškinimų bei pataisų pateikimo. Jeigu emitento pateikti duomenys neatitinka Vertybinių popierių komisijos nustatytų taisyklių arba jeigu emitentas atsisako pateikti šio straipsnio antrojoje, trečiojoje ir šioje dalyje nurodytus dokumentus, duomenis ar paaiškinimus, Vertybinių popierių komisija turi teisę atsisakyti įregistruoti vertybinius popierius. Sprendimas atsisakyti įregistruoti vertybinius popierius turi būti motyvuotas. Emitentas, ištaisęs nurodytus trūkumus, gali pateikti dokumentus iš naujo. Iš naujo pateikti dokumentai nagrinėjami bendra tvarka. Sprendimas atsisakyti įregistruoti vertybinius popierius gali būti apskūstas teismui. Vertybinių popierių komisija turi teisę atsisakyti įregistruoti, perregistruoti ar išregistruoti vertybinius popierius, jeigu:

1) emitento pateikti duomenys neatitinka Vertybinių popierių komisijos nustatytų taisyklių;

2) emitentas atsisako pateikti šio straipsnio antrojoje, trečiojoje ir šioje dalyje nurodytus dokumentus, duomenis ar paaiškinimus;

3) emitento vertybiniai popieriai išleidžiami, jų rūšis, klasė ar nominali vertė keičiama arba vertybiniai popieriai anuliuojami nesilaikant šio įstatymo, kitų Lietuvos Respublikos įstatymų ar Vertybinių popierių komisijos nutarimų.”

3. Papildyti 4 straipsnį šeštąja dalimi ir ją išdėstyti taip:

“6. Vertybinių popierių komisijos sprendimas atsisakyti įregistruoti, perregistruoti ar išregistruoti vertybinius popierius turi būti motyvuotas. Emitentas, ištaisęs nurodytus trūkumus, gali pateikti dokumentus iš naujo. Iš naujo pateikti dokumentai nagrinėjami bendra tvarka. Sprendimas atsisakyti įregistruoti, perregistruoti ar išregistruoti vertybinius popierius gali būti apskūstas teismui.”

4. Papildyti 4 straipsnį nauja septintąja dalimi:

“7. Vertybinių popierių komisijai įregistravus vertybinius popierius, prospekte (memorandume) nurodyta platinimo tvarka ir terminai gali būti pakeisti tik Vertybinių popierių komisijai leidus. Draudžiama keisti vertybinių popierių emisijos kainą, nominalią vertę, klasę ar rūšį.”

5. 4 straipsnio šeštąją ir septintąją dalis laikyti atitinkamai aštuntąja ir devintąja dalimis.

4 straipsnis. 5 straipsnio pakeitimas ir papildymas

5 straipsnio ketvirtojoje dalyje po žodžių “įmonių pavadinimai” įrašyti žodžius “asmens kodai (įmonių rejestro kodai)” ir šią dalį išdėstyti taip:

“4. Atskaitingo emitento valdyba privalo visuotiniam akcininkų susirinkimui, tvirtinančiam metų ataskaitas, atskleisti duomenis apie visus akcininkus, kurie, jos žiniomis, turi nuosavybės teisę ar valdo daugiau kaip 5 procentus visų balsų. Šioje informacijoje turi būti nurodyti akcininkų vardai ir pavardės (įmonių pavadinimai), asmens kodai (įmonių rejestro kodai) kiekvieno iš jų turimų akcijų skaičius bei balsų dalis procentais. Šie duomenys turi būti pateikiami ir skelbiami kaip metų prospektų-ataskairių priedai.”

5 straipsnis. 6 straipsnio pakeitimas ir papildymas

1. Pakeisti 6 straipsnio pirmąją dalį ir šią dalį išdėstyti taip:

“1. Atskaitingas emitentas Vertybinių popierių komisijos nustatyta tvarka ne vėliau kaip per 5 darbo dienas turi bent vienai šalies visuomenės informavimo priemonei, Vertybinių popierių komisijai ir vertybinių popierių biržai, kurioje yra jo vertybinių popierių, pateikti vadovo pasirašytą informacinį pranešimą apie kiekvieną esminį įvykį, išskyrus šio straipsnio antrojoje dalyje numatytus atvejus. Informaciniame pranešime turi būti atskleistas įvykio pobūdis ir trumpas turinys. Visuomenės informavimo primonės, kurioms bus pateikiama informacija apie esminius įvykius, turi būti nurodytos emitento įstatuose ir prospekte. Vertybinių popierių komisija, atsižvelgdama į emitento ir jo išleistų vertybinių popierių apyvartos dydį, gali nustatyti ir trumpesnę nei 5 darbo dienų laikotarpį per kurį informuojama apie esminį įvykį.”

2. Pakeisti 6 straipsnio ketvirtąją dalį ir šią dalį išdėstyti taip:

“4. Fiziniai ir juridiniai Asmenys, žinantys kurie žino viešai neatskleistą informaciją apie esminius įvykius dėl savo tarnybinės padėties, profesijos ar pareigų, neturi teisės sudaryti sandorių dėl vertybinių popierių, su kuriais informacija susijusi, kol ši informacija apie esminius įvykius nebus viešai atskleista pagal šio straipsnio pirmosios dalies nustatyta tvarka. Čia numatytas draudimas

taikomas juridiniams asmenims ir juridinio asmens teisių neturinčioms įmonėms, jeigu viešai neatskleistą informaciją žino nors viešas įmonės vadovas, sprendimą vykdyti sandorį įmonės vardu priimančias asmuo ar įmonę kontroliuojantis asmuo.

3. Pakeisti 6 straipsnio penktąją dalį ir šią dalį išdėstyti taip:

~~“5. Prieš kiekvieną numatomą esminį įvykį atskaitingas emitentas turi sudaryti sąrašą asmenų, kurie kartu su emitento vadovais turi teisę sužinoti šią informaciją iki jos viešo atskleidimo. Konstatuojama, jog emitento vadovai visuomet žino informaciją apie esminius įvykius. Asmenims, kurie dėl savo pareigų ar dėl kitų teisėtų priežasčių žino žinantiesiems viešai neatskleistą informaciją apie esminius įvykius, iki viešo jos atskleidimo taip pat draudžiama apie tai informuoti kitus asmenis, kol ši informacija nebus viešai atskleista:~~

1) tiesiogiai ar netiesiogiai perduoti viešai neatskleistą informaciją apie esminius įvykius trečiajam asmeniui, išskyrus atvejus, kada informacija atskleidžiama atliekant savo įprastas tarnybines pareigas arba dėl privalomo nurodymo;

2) viešai neatskleistos informacijos apie esminius įvykius pagrindu rekomenduoti ar pasiūlyti trečiajam asmeniui sudaryti sandorius dėl vertybinių popierių.”

4. Pakeisti 6 straipsnio šeštąją dalį ir šią dalį išdėstyti taip:

~~“6. Asmenys, sudarę sandorius dėl vertybinių popierių pasinaudodami neatskleista informacija apie esminius įvykius, atsako įstatymų nustatyta tvarka Draudimai, nustatyti šio straipsnio ketvirtojoje ir penktojoje dalyse, taikomi taip pat bet kuriam asmeniui, kurio tiesioginiais ar netiesioginiais viešai neatskleistos informacijos šaltiniais galėjo būti tik šio straipsnio ketvirtojoje dalyje nurodyti asmenys, arba kuris išgauna ją priešingu įstatymams būdu.”~~

5. Papildyti 6 straipsnį naujomis septintąja, aštuntąja ir devintąja dalimis ir šias dalis išdėstyti taip:

“7. Konstatuojama, kad emitento vadovai visuomet žino informaciją apie emitento esminius įvykius. Prieš kiekvieną numatomą ar nuo emitento valdymo organų sprendimo priklausančią esminį įvykį atskaitingas emitentas privalo sudaryti sąrašą asmenų, kurie kartu su emitento vadovais turės teisę sužinoti šią informaciją iki jos viešo atskleidimo. Konstatuojama, kad šie asmenys bei su jais ir su emitento vadovais susiję asmenys, nurodyti šio įstatymo 9 straipsnio pirmojoje dalyje, taip pat žino viešai neatskleistą informaciją apie esminius įvykius.

8. Emitento vadovai, savo vardu įforminę sandorius dėl emitento, kurio vadovais jie yra, vertybinių popierių, Vertybinių popierių komisijos nustatyta tvarka ir terminais turi pranešti apie tokių sandorių sudarymą. Pranešimai turi būti pateikiami reguliariai, ne rečiau kaip kartą per mėnesį, pranešime nurodant sandorių rūšį, skaičių ir sudarymo datas, pagal sandorį perleidžiamų vertybinių popierių rūšį, klasę ir skaičių, sandorio sumą, atsiskaitymo formą ir kitus Vertybinių popierių komisijos reikalaujamus duomenis. Šioje dalyje nurodyta ir Vertybinių popierių komisijai pateikta informacija yra konfidenciali.

9. Asmenys, sudarę sandorius dėl vertybinių popierių žinodami viešai neatskleistą informaciją, rekomendavę ar pasiūlę tretiesiems asmenims sudaryti sandorius dėl vertybinių popierių tokios informacijos pagrindu ir (arba) perdavę viešai neatskleistą informaciją tretiesiems asmenims, atsako įstatymų nustatyta tvarka.”

6 straipsnis. 7 straipsnio pakeitimas ir papildymas

7 straipsnio antrosios dalies pirmajame punkte po žodžio “Emitentas” išbraukti žodį “ar” ir po žodžių “jo vardu” įrašyti žodžius “arba savo vardu, bet emitento sąskaita” ir šį punktą išdėstyti taip:

“1) draudžiama reklamuoti vertybinius popierius ir skelbti apie jų pasirašymą, jeigu jie nėra įregistruoti Vertybinių popierių komisijoje. Emitentas, ar jo vardu arba savo vardu, bet emitento sąskaita veikiantis viešosios apyvartos tarpininkas turi teisę iki vertybinių popierių įregistravimo atlikti rinkos tyrimus, sudarydamas sąlygas potencialiems investitoriams susipažinti su Vertybinių popierių komisijai pateikto prospekto projektu;”

7 straipsnis. 8 straipsnio pakeitimas ir papildymas

1. Papildyti ir pakeisti 8 straipsnio antrąją dalį ir šią dalį išdėstyti taip:

“2. Antrinė vertybinių popierių viešoji apyvarta turi būti vykdoma vertybinių popierių biržoje, jeigu:

1) prekiaujama emitento, kurio įstatinis kapitalas yra didesnis už 1 milijoną litų, akcijomis;

~~2) vertybiniai popieriai yra oficialiajame vertybinių popierių biržos prekybos sąraše, sudarytame šio įstatymo penktajame skirsnyje nustatyta tvarka.~~

Jeigu vertybiniai popieriai, įregistruoti Vertybinių popierių komisijoje ketinant juos išleisti į viešąją apyvartą, yra įtraukti į Lietuvos Respublikoje įregistruotos vertybinių popierių biržos oficialųjį ar einamąjį vertybinių popierių prekybos sąrašą, jų antrinės apyvartos pirkimo-pardavimo sandoriai turi būti sudaromi tik vertybinių popierių biržoje."

2. 8 straipsnio trečiojoje dalyje išbraukti žodžius "antrinės" ir "viešosios" ir šią dalį išdėstyti taip:

"3. Antrosios dalies nuostatos netaikomos, jeigu kiti įstatymai nustato kitokią antrinės vertybinių popierių viešosios apyvartos tvarką."

3. Išbraukti 8 straipsnio ketvirtąją dalį, penktąją ir šeštąją dalis atitinkamai laikyti ketvirtąją ir penktąją dalimis.

~~"4. Antrinės vertybinių popierių apyvartos pirkimo ir (arba) pardavimo (įskaitant mainus) sandorius dėl atskaitingų emitentų vertybinių popierių per viešosios vertybinių popierių apyvartos tarpininkus privalo sudaryti:~~

- ~~1) investicinės bendrovės;~~
- ~~2) draudimo įmonės;~~
- ~~3) institucijos, besiverčiančios gyventojų pensijų draudimo veikla;~~
- ~~4) komerciniai bankai;~~
- ~~5) kiti juridiniai asmenys, pirkdami ar parduodami akcijų paketa."~~

4. 8 straipsnio penktojoje dalyje po žodžių "įtrauktų į" įrašyti žodžius "oficialųjį ar einamąjį", po žodžio "skaičių" išbraukti žodį "ir" ir po žodžių "vieneto kainą" įrašyti žodžius "ir kitą Vertybinių popierių komisijos reikalaujamą informaciją apie sandorį" ir šią dalį išdėstyti taip:

"5. Asmenys, pagal šį įstatymą antrinės vertybinių popierių apyvartos metu už vertybinių popierių biržos ribų įforminę sandorį dėl emitento vertybinių popierių, įtrauktų į oficialųjį ar einamąjį biržos prekybos sąrašus, Vertybinių popierių komisijos nustatytais atvejais, tvarka ir numatytu laiku turi nurodyti sandoriu perleidžiamų vertybinių popierių skaičių, ir vieneto kainą ir kitą Vertybinių popierių komisijos reikalaujamą informaciją apie sandorį."

8 straipsnis. 9 straipsnio pakeitimas ir papildymas

1. Papildyti ir pakeisti 9 straipsnio pirmąją dalį ir šią dalį išdėstyti taip:

"1. Fizinis ar juridinis asmuo, kuris veikdamas savarankiškai ar kartu su kitais asmenimis įgyja Lietuvos Respublikoje įregistruotą atskaitingo emitento akcijų, suteikiančių daugiau kaip 1/10, 1/5, 1/3, 1/2 ar 2/3 balsų, per ~~15~~7 dienas nuo atitinkamos ribos peržengimo privalo informuoti Vertybinių popierių komisiją ir emitentą apie bendrą jam priklausančių balso teisę suteikiančių ~~šio emitento~~ akcijų ir balsų skaičių. Šios nuostatos taikomos ir tais atvejais, kai nurodytos ribos peržengiamos mažėjimo tvarka. Kartu veikiančiais asmenimis įgyvendinant šio straipsnio 1 dalies reikalavimus yra laikomi:

- 1) įgaliotojas ir įgaliotinis, kai įgaliotinis turi teisę balsuoti savo nuožiūra;
- 2) kontroliuojamieji ir kontroliuojantys asmenys;
- 3) asmenys, sudarę rašytinę sutartį suderintai balsuoti emitento valdymo klausimais;
- 4) asmenys, vienas iš kurių perduoda kitam teisę balsuoti savo nuožiūra;
- 5) emitento vadovai;
- 6) sutuoktiniai."

2. Pakeisti 9 straipsnio ketvirtąją dalį ir šią dalį išdėstyti taip:

~~"4. Šiame straipsnyje kartu veikiančiais laikomi asmenys, raštu susitarę, disponuodami akcijų suteikiamomis turtinėmis ir neturtinėmis teisėmis, laikytis bendros politikos emitento atžvilgiu. Konstatuojama, kad toks susitarimas be rašytinio patvirtinimo visada egzistuoja tarp:~~

- ~~1) emitento vadovų, išskyrus asmenis, kurie nėra emitento valdymo organų nariai;~~
- ~~2) emitento ir jo kontroliuojamų subjektų;~~
- ~~3) subjektų, kuriuos kontroliuoja tie patys asmenys;~~
- ~~4) sutuoktinių, tėvų ir vaikų, brolių ir seserų. Asmenims veikiant kartu, jų turimų balsų~~

~~skaičiavimo tvarką nustato Vertybinių popierių komisija."~~

9 straipsnis. 10 straipsnio pakeitimas ir papildymas

1. 10 straipsnio antroje dalyje vietoj žodžio "akeijų" įrašyti žodžius "vertybinių popierių", vietoj žodžių "~~likusias emitento akeijas~~" įrašyti žodžius "likusius emitento vertybinius popierius, suteikiančius balso teisę, ir vertybinius popierius, patvirtinančius teisę įsigyti aukščiau minėtus vertybinius popierius" bei vietoj žodžių "~~akeijų, kurias~~" įrašyti žodžius "vertybinių popierių, kuriuos" ir šią dalį išdėstyti taip:

"2. Oficialūs pasiūlymai įsigyti atskaitingo emitento ~~akeijų~~ vertybinių popierių gali būti privalomi ir savanoriški. Jeigu asmuo, veikdamas savarankiškai ar kartu su kitais asmenimis, įgyja daugiau kaip 50 procentų balsų emitento, išleidusio vertybinius popierius į viešąją apyvartą, akcininkų susirinkime, jis privalo pateikti oficialų pasiūlymą supirkti ~~likusias emitento akeijas~~ likusius emitento vertybinius popierius, suteikiančius balso teisę, ir vertybinius popierius, patvirtinančius teisę įsigyti aukščiau minėtus vertybinius popierius, už pasiūlyme nurodytą kainą. Ši kaina registruojama Vertybinių popierių komisijoje ir ji turi būti ne mažesnė už ~~akeijų, kurias~~ vertybinių popierių, kuriuos siūlytojas įsigijo per 12 mėnesių, iki peržengdamas 50 procentų ribą, kainų svertinį vidurkį."

2. Papildyti 10 straipsnį nauja trečiaja dalimi ir šią dalį išdėstyti taip:

"3. Savarankiškai veikiantis asmuo ar kartu veikiantys asmenys nuo šio straipsnio antroje dalyje nurodytos 50 procentų balsų ribos peržengimo iki oficialaus pasiūlymo įregistravimo Vertybinių popierių komisijoje netenka visų balsų visuotiniuose emitento akcininkų susirinkimuose. Savarankiškai veikiantis asmuo ar kartu veikiantys asmenys balso teisę vėl įgyja tą dieną, kada Vertybinių popierių komisijoje įregistruojamas oficialus pasiūlymas arba sudaromas vertybinių popierių perleidimo sandoris, kuris sumažina turimų balsų skaičių mažiausiai iki šio straipsnio antroje dalyje nurodytos 50 procentų ribos."

3. 10 straipsnio trečiąją dalį laikyti ketvirtąja dalimi ir ją pakeitus išdėstyti taip:

"4. Oficialius pasiūlymus registruoja bei jų pateikimo ir įgyvendinimo taisykles nustato Vertybinių popierių komisija, ~~atsižvelgdama į emitento ir jo išleistų vertybinių popierių apyvartos dydį.~~ Vertybinių popierių komisija turi teisę nustatyti išimtis, kada, peržengus šio straipsnio 2 dalyje nurodytą 50 procentų ribą, privalomas oficialus pasiūlymas neteikiamas."

10 straipsnis. 12 straipsnio pakeitimas ir papildymas

1. Pakeisti 12 straipsnio antrąją dalį ir šią dalį išdėstyti taip:

"2. Finansų maklerio įmonės gali verstis šia veikla:

- 1) tarpininkauti vertybinių popierių viešojoje apyvartoje: ~~– būdamos vienos ar kelių vertybinių popierių biržų narėmis ar kitu įstatymų nedraudžiamu būdu;~~
 - pirkdamos ar parduodamos vertybinius popierius savo ar klientų vardu klientų sąskaita;
 - pagal susitarimą su emitentu platindamos jo vertybinius popierius, taip pat garantuodamos tokios emisijos išplatimą;
- 2) pirkti ar parduoti vertybinius popierius savo ar klientų vardu ir už savo ar klientų lėšas, laikydamosi šio įstatymo 13 straipsnio nuostatų sąskaita;
- 3) ~~tiesiogiai konsultuoti investitorius vertybinių popierių kainų, investavimo į vertybinius popierius bei jų pirkimo ar pardavimo klausimais, išskyrus investicinių bendrovių ir pensijų fondų vertybinių popierių portfelio valdymą, taip pat~~
- 4) ~~valdyti savo klientų vertybinių popierių portfelius bei pinigines lėšas, skirtas operacijoms su vertybiniais popieriais;~~
- 5) ~~saugoti savo klientų vertybinius popierius;~~
- 6) konsultuoti emitentus vertybinių popierių emisijos ir investicijų pritraukimo klausimais;
- 4) saugoti savo klientų vertybinius popierius ir valdyti savo klientų pinigines lėšas, skirtas operacijoms su vertybiniais popieriais;
- 7) ~~pagal susitarimą su emitentu organizuoti ir atlikti jo vertybinių popierių emisiją;~~
- 8) tvarkyti emitentų ir investitorius vertybinių popierių apskaitą, taip pat savo vardu įsigytų vertybinių popierių apskaitą;

96) pagal Vertybinių popierių komisijos patvirtintas taisykles skolinti klientams vertybinius popierius bei savo lėšas vertybiniams popieriams įsigyti ir skolintis iš klientų vertybinius popierius.”

2. Pakeisti 12 straipsnio ketvirtąją dalį ir šią dalį išdėstyti taip:

~~“4. Finansų maklerio įmonės turi teisę steigti dukterines įmones. tik šio straipsnio antrosios dalies 3-8 punktuose numatyti veiksmai vykdyti arba jai aptarnauti. Finansų maklerio įmonių dukterinės įmonės turi teisę užsiimti tik investicinių bendrovių ir pensijų fondų vertybinių popierių portfelių valdymu arba tik veikla, nurodyta šio straipsnio antrojoje dalyje, išskyrus vertybinių popierių pirkimą-pardavimą savo ar klientų vardu klientų sąskaita. Finansų maklerio įmonėms draudžiama steigti dukterines įmones, kurios verstųsi kita abiem šioje dalyje nenurodyta veikla nurodytomis veiklos rūšimis arba kita, šioje dalyje nenurodyta veikla.”~~

11 straipsnis. 13 straipsnio pakeitimas ir papildymas

1. Papildyti 13 straipsnio pirmąją dalį ir ją išdėstyti taip:

“1. Finansų maklerio įmonės privalo atskirai apskaityti savo ir kiekvieno kliento vertybinius popierius bei pinigines lėšas. Klientų pinigines lėšas, perduotas finansų maklerio įmonei vertybiniams popieriams pirkti, arba klientų pinigines lėšas, esančios finansų maklerio įmonėje pardavus klientui priklausančius vertybinius popierius, yra kliento nuosavybė, į kurią negali būti nukreiptas išieškojimas pagal finansų maklerio įmonės skolas.”

2. 13 straipsnio ketvirtąją dalį papildyti žodžiais “jei vertybinių popierių biržos, kuriai pateiktas pavedimas, prekybos taisyklės nenumato ko kita” ir šią dalį išdėstyti taip:

“4. Finansų maklerio įmonė gali vykdyti sandorius dėl vertybinių popierių savo lėšomis, tik įvykdžiusi visų klientų pavedimus atlikti šią operaciją arba pasiūliusi geresnes negu kliento sąlygas: didesnę kainą, turėdama pavedimą pirkti vertybinius popierius, arba mažesnę kainą, turėdama pavedimą juos parduoti, jeigu vertybinių popierių biržos, kuriai pateiktas pavedimas, prekybos taisyklės nenumato ko kita.”

3. 13 straipsnio šeštąją dalį papildyti žodžiais “taip pat vykdyti kitus, jų veiklą reglamentuojančius norminius aktus” ir šią dalį išdėstyti taip:

“6. Finansų maklerio įmonės turi laikytis Vertybinių popierių komisijos patvirtintų kapitalo pakankamumo reikalavimų, taip pat pagal šios komisijos patvirtintas taisykles tvarkyti apskaitos ir kitus dokumentus, pateikti savo klientams vertybinių popierių sandorius patvirtinančius dokumentus, išrašus iš sąskaitų, ataskaitas apie jų finansinę būklę, saugoti klientų vertybinius popierius, rengti metų bei periodines ataskaitas apie savo veiklą bei finansinę būklę, taip pat vykdyti kitus, jų veiklą reglamentuojančius norminius aktus.”

4. Pakeisti 13 straipsnio septintąją dalį ir ją išdėstyti taip:

“7. Perkant ir parduodant vertybinius popierius, konsultuojant jų ~~apyvartės~~ investavimo į vertybinius popierius klausimais, ~~taip pat~~ teikiant klientams vertybinių popierių portfelio valdymo paslaugas, ~~taip pat vykdan~~ kitą Vertybinių popierių komisijos nustatytą veiklą, finansų maklerio įmonei atstovauja ~~makleris~~ jos darbuotojas, išlaikęs Vertybinių popierių komisijos organizuotus kvalifikacinius egzaminus arba turintis kitokį šios įstatymo 17 straipsnyje nurodytą maklerio licenciją ar kitokį Vertybinių popierių komisijos pripažintą kvalifikaciją patvirtinantį dokumentą ~~sertifikatą~~. Vertybinių popierių komisija gali nustatyti ir kitas operacijas, kurioms atlikti būtina turėti kvalifikaciją patvirtinantį dokumentą.”

12 straipsnis. 15 straipsnio pakeitimas

15 straipsnio pirmojoje dalyje vietoj žodžio “kurioje” įrašyti žodžius “arba kitiems, šio įstatymo nustatyta tvarka turintiems teisę tvarkyti vertybinių popierių sąskaitas asmenims, pas kuriuos” ir šią dalį išdėstyti taip:

“1. Valdymo sutartys, pagal kurias investicijų valdymo ir konsultavimo įmonė įgaliojama valdyti vertybinių popierių portfelį, turi būti sudarytos raštu, laikantis Vertybinių popierių komisijos nustatytų taisyklių. Tokios sutarties kopija turi būti perduota finansų maklerio įmonei ~~kurioje~~ arba kitiems, šio įstatymo nustatyta tvarka turintiems teisę tvarkyti vertybinių popierių sąskaitas asmenims, pas kuriuos yra deponuoti sutartyje nurodyti vertybiniai popieriai. Jeigu finansų maklerio įmonė iš

investicijų valdymo ir konsultavimo įmonės priima pāvedimus, prieštaraujancius valdymo sutarciai, už šių veiksmų pasekmes abi įmonės atsako solidariai.”

13 straipsnis. 17 straipsnio pakeitimas ir papildymas

Papildyti 17 straipsnį nauja ketvirtąja dalimi ir šią dalį išdėstyti taip:

“4. Makleriai savo veikloje privalo vadovautis šiuo bei kitais Lietuvos Respublikos įstatymais, poįstatyminiais aktais bei Vertybinių popierių viešosios apyvartos tarpininkų etikos kodeksu. Viešosios apyvartos tarpininko vadovai ir darbuotojai ne vėliau kaip kitą darbo dieną privalo informuoti viešosios apyvartos tarpininko administracijos vadovą apie kiekvieną savo vardu sudarytą sandorį dėl vertybinių popierių, o viešosios apyvartos tarpininko administracijos vadovas privalo užtikrinti, kad tokie sandoriai būtų registruojami atskiroje registracijos knygoje, nurodant kiekvieno tokio sandorio rūšį, sudarymo datą, pagal sandorį perleidžiamų vertybinių popierių rūšį, klasę ir skaičių, sandorio sumą ir atsiskaitymo formą. Vertybinių popierių komisija gali nustatyti papildomus reikalavimus, kokie įrašai daromi toje registracijos knygoje ir reikalauti papildomos informacijos apie maklerių savo vardu sudarytus sandorius dėl vertybinių popierių.”

14 straipsnis. 20 straipsnio pakeitimas ir papildymas

1. 20 straipsnio antroje dalyje išbraukti žodį “specializuota”, vietoj žodžių “ne pelno įmonė” įrašyti žodžius “akcinė bendrovė”, įrašyti naują antrąją sakinį: “Jos veiklai reglamentuoti taikomos Akcinių bendrovių įstatymo nuostatos tiek, kiek jos neprieštarauja šiam įstatymui.” bei antrosios dalies antrajame punkte po žodžio “organizuoti” įrašyti žodžius “pirminę viešąją apyvartą bei” ir šią dalį išdėstyti taip:

“2. Vertybinių popierių birža yra Lietuvos Respublikoje įregistruota specializuota tik vertybinių popierių biržos veikla besiverčianti ne pelno įmonė akcinė bendrovė. Jos veiklai reglamentuoti taikomos Akcinių bendrovių įstatymo nuostatos tiek, kiek jos neprieštarauja šiam įstatymui. Jos paskirtis:

- 1) koncentruoti vertybinių popierių paklausą bei pasiūlą;
- 2) organizuoti pirminę viešąją apyvartą bei prekybą vertybiniais popieriais, jų įtraukimą į prekybos sąrašus, kotiravimą, saugų ir efektyvų sandorių sudarymą bei atsiskaitymus;
- 3) skatinti sąžiningą prekybą vertybiniais popieriais ir užkirsti kelią manipuliavimui kaina bei kitiems nesąžiningiems veiksams;
- 4) skleisti unifikuotą informaciją, leidžiančią įvertinti biržoje kotiruojamus vertybinius popierius, bei leisti oficialų biuletėnį, kuriame kartu su biržos kainomis pateikiama informacija apie emitentus, kurių vertybiniai popieriai yra prekybos sąrašuose;
- 5) vykdyti apibendrintus vertybinių popierių rinkos tyrimus ir skelbti jų rezultatus.”

2. Pakeisti ir papildyti 20 straipsnio trečiąją dalį ir šią dalį išdėstyti taip:

“3. Biržosa įstatinis kapitalas padalijamas į lygias dalis, kurios iforminamos dividendų nesuteikiančiomis gali išleisti tik paprastąsias vardines akcijas. Birža yra juridinis asmuo, turi pavadinimą, antspaudą ir sąskaitą banke. Biržos pavadinime turi būti žodžiai “vertybinių popierių birža” arba šių žodžių santrumpa - VPB. Biržos pavadinimas turi atitikti Vyriausybės patvirtintų įmonių, įstaigų, organizacijų vardų nuostatų reikalavimus. Ginčus dėl biržos pavadinimo nagrinėja teismas.”

3. Išbraukti 20 straipsnio ketvirtąją dalį ir įrašyti naują ketvirtąją dalį bei šią dalį išdėstyti taip:

“4. Birža yra ribotos turtinės atsakomybės. Pagal savo prievoles ji atsako visu savo turtu. Akcininkai pagal biržos prievoles atsako tik ta suma, kurią privalo įmokėti už įnašus į įstatinį kapitalą. Įnašai į įstatinį kapitalą iforminami dividendų nesuteikiančiomis vardinėmis akcijomis, kurios suteikia teisę dalyvauti biržos prekyboje ir valdyme. Viena biržos akcija suteikia jos savininkui vieną balsą. Vertybinių popierių biržos akcijų gali įsigyti tik finansų maklerio įmonės, komerciniai bankai, šio įstatymo nustatyta tvarka gavę licenciją atlikti vertybinių popierių operacijas, Finansų ministerija ir Lietuvos bankas. Eilinio akcininkų susirinkimo sprendimu birža privalo išleisti tiek naujų akcijų, kiek yra Vertybinių popierių komisijos licenciją turinčių finansų maklerio įmonių ir bankų, iki susirinkimo dienos pateikusių biržai paraiškas įsigyti akcijų.

4. Vertybinių popierių biržos akcininkas, išskyrus Finansų ministeriją ir Lietuvos banką, negali turėti daugiau kaip 5 procentus balsų biržos akcininkų susirinkime.”

4. Išbraukti 20 straipsnio penktą ir šeštąją dalis.

5. ~~Biržos akcininkas, nutraukęs savo, kaip vertybinių popierių viešosios apyvartos tarpininko, veiklą, ne vėliau kaip per 30 dienų privalo parduoti turimą biržos akciją kitam asmeniui, turinčiam teisę būti biržos akcininku. Jeigu per šį laikotarpį akcijos parduoti nepavyksta, akcininkas turi kreiptis į biržą, kuri tarpininkauja parduodant jam priklausančią akciją tuo metu egzistuojančia rinkos kaina. Jeigu per vienerius metus neatsiranda norinčių įsigyti šios akcijos, birža ją išperka pagal nominalią vertę. Supirktos savos biržos akcijos gali sudaryti ne daugiau kaip 10 procentų jos įstatinio kapitalo. Akcijos, viršijančios šią ribą, įstatymų nustatyta tvarka turi būti anuliuotos ir sumažintas įstatinis kapitalas.~~

6. Vienas akcininkas, išskyrus Finansų ministeriją ir Lietuvos banką, gali turėti ne daugiau kaip vieną Vertybinių popierių biržos akciją.

5. Pakeisti ir papildyti 20 straipsnio septintąją dalį, ją laikant penktąja šio straipsnio dalimi, ir šią dalį išdėstyti taip:

“75. Vertybinių popierių birža neturi teisės įsigyti savo vardu vertybinių popierių, išskyrus atvejus, kai:

1) birža superka savo akcijas dėl šio straipsnio penktojoje dalyje numatytų priežasčių;
2) emitentas, kurio akcijų įsigyja birža, vykdo biržos prekybos taisyklėse numatytas prekybos, atsiskaitymų ar kitas su biržos paskirtimi tiesiogiai susijusias funkcijas ir jo vertybinių popierių nėra biržos prekybos sąrašuose;

3) birža investuoja laikinai laisvas savo lėšas į valstybės vardu išleidžiamus vertybinius popierius, įsigydama jų pirminės apyvartos metu ir laikydama šiuos vertybinius popierius iki išpirkimo termino;

4) yra panaudojamos Garantinio fondo lėšos pagal Vertybinių popierių komisijos patvirtintas taisykles.”

15 straipsnis. 21 straipsnio pakeitimas

1. 21 straipsnio antrojoje dalyje išbraukti žodžius “~~atitinkantys šio įstatymo 20 straipsnio 4 dalies reikalavimus ir notarine tvarka sudarę steigimo sutartį~~” ir šią dalį išdėstyti taip:

“2. Vertybinių popierių biržos steigėjais gali būti fiziniai ir juridiniai asmenys, ~~atitinkantys šio įstatymo 20 straipsnio 4 dalies reikalavimus ir notarine tvarka sudarę steigimo sutartį.~~”

2. 21 straipsnio penktosios dalies penktajame punkte išbraukti žodį “~~narių~~” ir įrašyti žodį “~~akcininkų~~” ir šį punktą išdėstyti taip:

“5) biržos ~~narių~~ akcininkų susirinkimo kompetencija, susirinkimo sušaukimo, sprendimų priėmimo procedūra bei jų negaliojimo sąlygos;”

3. Pakeisti ir papildyti 21 straipsnio šeštosios dalies septintąjį punktą ir šį punktą išdėstyti taip:

“7) ~~reikalavimus viešosios apyvartos tarpininkams, norintiems tapti biržos nariais, biržos narių prekyboje dalyvaujančių asmenų teises ir pareigas, teisės dalyvauti biržos prekyboje sustabdymo, pašalinimo iš narių tvarką ir sąlygas, atsakomybę už pareigų nevykdymą.~~”

4. 21 straipsnio dešimtosios dalies antrajame punkte išbraukti žodį “~~dalininkų~~” ir šį punktą išdėstyti taip:

“2) įvyko steigiamasis ~~dalininkų~~ akcininkų susirinkimas;”

16 straipsnis. 22 straipsnio pakeitimas ir papildymas

Pakeisti 22 straipsnį ir šį straipsnį išdėstyti taip:

“22 straipsnis. Vertybinių popierių biržos akcininkai ir nariai

1. ~~Vertybinių popierių biržos akcininkai vadinami jos nariais. Vertybinių popierių biržos nariais gali būti tik šio įstatymo 20 straipsnio ketvirtojoje dalyje nurodyti asmenys, išskyrus 41 straipsnio trečiojoje dalyje numatytus atvejus.~~

2. Vertybinių popierių biržos nariai turi šias teises:

1) dalyvauti biržos valdyme ir gauti informaciją apie biržos veiklą ir jos finansinę būklę;

2) dalyvauti biržos prekyboje, šio įstatymo nustatyta tvarka gavę Vertybinių popierių komisijos licenciją;

3) naudotis biržos teikiamomis paslaugomis.

1. Vertybinių popierių biržos akcininkų teises ir pareigas, nenustatytas šiuo įstatymu, numato Lietuvos Respublikos akcinių bendrovių įstatymas ir vertybinių popierių biržos įstatai.

2. Vertybinių popierių biržos akcininkai, gavę Vertybinių popierių komisijos licenciją ir įvykdę kitas Biržos prekybos taisyklėse numatytas sąlygas, tampa vertybinių popierių biržos nariais ir įgyja teisę dalyvauti biržos prekyboje.

3. Vertybinių popierių biržos narių teises ir pareigas, taip pat atsakomybę už šių pareigų nevykdymą ar netinkamą vykdymą numato vertybinių popierių biržos prekybos taisyklės. Biržos nariui, pažeidusiam vertybinių popierių biržos prekybos taisykles, taip pat gali būti pritaikyta ir šiame įstatyme numatyta atsakomybė. 3. Vertybinių popierių biržos narys, įgyvendindama savo teises ir vykdydamas savo pareigas biržoje, privalo laikytis šio įstatymo bei biržos prekybos taisyklių.

4. Tais atvejais, kai biržos narys pažeidžia biržos veiklą nustatančias taisykles, biržos valdyba gali iki 3 mėnesių sustabdyti jo teisę dalyvauti biržos prekyboje. Tokių pažeidimų sąrašas pateikiamas biržos prekybos taisyklėse. Sprendimas sustabdyti nario dalyvavimą biržos prekyboje priimamas 2/3 visų biržos valdybos narių balsų. Jeigu biržos narys, pažeidęs biržos veiklą nustatančias taisykles, dalyvauja biržos valdyme (tiesiogiai ar per atstovą), biržos taryba gali tokiam pat laikotarpiui sustabdyti jo įgaliojimus arba pašalinti šį narį iš valdymo organų. Šiame punkte numatytos sankcijos gali būti taikomos ir biržoje veikiančioms finansų maklerio įmonėms, kurios nėra biržos narės.

5. Tais atvejais, kai biržos narys per vienerius metus pakartotinai padaro šiame įstatyme nurodytus pažeidimus, biržos valdyba 1/2 visų biržos valdybos narių sprendimu gali siūlyti visuotiniam biržos narių susirinkimui (toliau – visuotinis susirinkimas) pašalinti tokį narį iš biržos ir iki šio susirinkimo sustabdyti jo teises dalyvauti biržos prekyboje. Biržos taryba šiam laikotarpiui sustabdo šio nario (jo atstovo) įgaliojimus dalyvauti biržos valdyme.

6. Pašalintam iš biržos narių fiziniam ar juridiniam asmeniui įnašai į biržos įstatinį kapitalą negražinami, o jam priklausiusi akcija parduodama kitam vertybinių popierių viešosios apyvartos tarpininkui, norinčiam tapti biržos nariu, arba anuliuojama. Nuostoliai, kuriuos padaro biržai iš jos pašalintas narys, išieškomi įstatymų nustatyta tvarka.

7. Biržos valdybos ir visuotinio susirinkimo sprendimus dėl narystės sustabdymo ar panaikinimo biržos narys gali apskusti teismui. Skundo pateikimas teismui nepanaikina vertybinių popierių biržos valdybos ar visuotinio susirinkimo sprendimo.

8. Biržos įstatuose gali būti numatytos ir kitos biržos narių teisės bei pareigos, jeigu jos neprieštarauja įstatymams.

17 straipsnis. 23 straipsnio pakeitimas ir papildymas

Papildyti ir pakeisti 23 straipsnio antrąją dalį ir šią dalį išdėstyti taip:

“2. Vertybinių popierių biržoje privalo būti sudarytos stebėtojų taryba ir valdyba. Stebėtojų tarybos funkcijas vertybinių popierių biržoje vykdo biržos taryba. Ją sudaryti yra privaloma. Biržos taryba sudaroma laikantis šių proporcijų:

1) 1/3 - vertybinių popierių biržos narių turi sudaryti emitentų, investitorių, jų susivienijimų (asociacijų, konfederacijų ir pan.) pasiūlyti asmenys, neturintys nuosavybės ar darbo santykių su viešosios apyvartos tarpininkais – biržos akcininkais vertybinių popierių biržos nariais;

2) ne mažiau kaip 1/3 - biržos narių pasiūlyti asmenys.”

18 straipsnis. 24 straipsnio pakeitimas ir papildymas

1. 24 straipsnio pirmojoje dalyje išbraukti žodį “narių” ir šią dalį išdėstyti taip:

“1. Biržos įstatinis kapitalas formuojamas iš jos steigėjų ir narių akcininkų piniginių ir nepiniginių (turtinių įnašų).

2. Pakeisti 24 straipsnio trečiąją dalį ir šią dalį išdėstyti taip:

“3. Biržos pajamos, atskaičius einamosios veiklos sąnaudas, sudaro biržos pelną. Gautas pelnas skirstomas į:

1) biržos pelno rezervą, naudojamą pagrindinėms priemonėms įsigyti, biržos veiklai plėsti bei tobulinti;

2) biržos privalomųjų atsargų rezervą, naudojamą galimiems nuostoliams padengti;

3) metines išmokas (tantjemas), kurios gali sudaryti ne daugiau kaip 1/10 biržos metinio grynojo pelno;

4) ~~kitus biržos įstatuose numatytus rezervus. Pelno paskirstymas nustatomas biržos įstatuose. Ne mažiau kaip 50 procentų grynojo pelno skiriama privalomajam rezervui, naudojamam nuostoliams padengti, ir pelno rezervui, naudojamam ilgalaikio turto įsigyjimui, biržos veiklai plėsti ir tobulinti. Ne daugiau kaip 30 procentų grynojo pelno skiriama dividendams ir kitiems tikslams. Ne daugiau kaip 20 procentų grynojo pelno skiriama metiniams išmokėjimams (tantjemoms) valdybos ir tarybos nariams, darbuotojų premijoms.~~

2. Išbraukti 24 straipsnio ketvirtąją dalį.

~~“4. Biržos įstatinis kapitalas gali būti didinamas tik išleidžiant naujas akcijas.”~~

3. 24 straipsnio penktojoje dalyje išbraukti žodžius ~~“biržos įstatinį kapitalą draudžiama didinti iš biržos privalomųjų atsargų rezervo, pelno rezervo ir kitų biržos rezervų”~~, šią dalį laikant ketvirtąja šio straipsnio dalimi, ir ją išdėstyti taip:

~~“54. Biržos įstatinį kapitalą draudžiama didinti iš biržos privalomųjų atsargų rezervo, pelno rezervo ir kitų biržos rezervų. Bet koks įstatinio kapitalo pakeitimas galimas tik turint Vertybinių popierių komisijos leidimą.~~

4. 24 straipsnio šeštąją dalį laikyti penktąja šio straipsnio dalimi.

19 straipsnis. 25 straipsnio pakeitimas ir papildymas

1. 25 straipsnio pirmojoje dalyje vietoj žodžių ~~“mokestis”~~ įrašyti žodžius ~~“įmoka”~~ bei pirmosios dalies trečiąjį punktą papildyti žodžiais ~~“bei metinė įmoka už vertybinių popierių kotiravimą”~~ ir šią dalį išdėstyti taip:

~~“1. Biržos veiklos pajamas gali sudaryti:~~

~~1) komisinė ~~mokestis~~ įmoka už biržoje registruojamus sandorius;
2) metinė ~~ario mokestis~~ įmoka už dalyvavimą biržos prekyboje;
3) vertybinių popierių įtraukimo į prekybos sąrašus ~~mokestis~~ įmoka bei metinė įmoka už vertybinių popierių kotiravimą;~~

~~4) ~~mokestis~~ įmoka už vertybinių popierių rinkos dalyvių mokymą;~~

~~5) ~~mokestis~~ įmoka už darbo vietų įrengimą ir naudojimąsi jomis;~~

~~6) ~~mokestis~~ įmoka už informacines ir ryšių paslaugas;~~

~~7) ~~mokestis~~ įmoka už leidimą lankytis biržoje be teisės dalyvauti biržos prekyboje; ~~~

~~8) pajamos iš leidybos ir reklaminės veiklos, susijusios su vertybiniais popieriais.”~~

2. 25 straipsnio antrojoje dalyje vietoj žodžių ~~“pirmojoje dalyje”~~ įrašyti žodžius ~~“pirmosios dalies 1-3 punktuose”~~ bei vietoj žodžio ~~“Mokesčių”~~ įrašyti žodį ~~“įmoku”~~ ir šią dalį išdėstyti taip:

I variantas

~~“2. Konkrečius šio straipsnio pirmojoje dalies 1 - 3 punktuose numatytų įmokestisų ir rinkliavų dydžius nustato biržos valdyba, iš anksto (iki jų įsigaliojimo) suderinusi su Vertybinių popierių komisija.”~~

II variantas

~~“2. Konkrečius šio straipsnio pirmojoje dalyje numatytų įmokestisų ir rinkliavų dydžius nustato biržos valdyba, iš anksto (iki jų įsigaliojimo) suderinusi su Vertybinių popierių komisija.”~~

3. Pakeisti 25 straipsnio trečiąją dalį ir ją išdėstyti taip:

I variantas

~~“3. Kitos šio straipsnio pirmojoje dalyje nurodytų įmoku ir rinkliavos dydžius už biržos teikiamas paslaugas gali būti nustatomos tik su Vertybinių popierių komisijos leidimu biržos valdyba.”~~

II variantas

~~“3. Kitos rinkliavos už biržos teikiamas paslaugas gali būti nustatomos tik su Vertybinių popierių komisijos leidimu.”~~

20 straipsnis. 26 straipsnio pakeitimas ir papildymas

1. Pakeisti ir papildyti 26 straipsnio antrąją dalį ir šią dalį išdėstyti taip:

~~“2. Vertybinių popierių biržoje gali būti sudaromi du prekybos sąrašai: einamasis ir oficialusis oficialusis, einamasis ir kiti prekybos sąrašai. Einamojo ir kitų prekybos sąrašų sudarymo ir valdymo tvarka, prekybos vertybiniais popieriais sustabdymo sąlygos bei vertybinių popierių išbraukimo iš sąrašų tvarka ir sąlygos nustatoma vertybinių popierių biržos prekybos taisyklėse. Šio straipsnio~~

ketvirtojoje dalyje nurodytais atvejais prekyba biržoje vykdoma, neįtraukus vertybinių popierių į biržos prekybos sąrašus.”

2. Išbraukti 26 straipsnio trečiąją dalį.

“3. Vertybiniai popieriai (traukiami į vertybinių popierių biržos einamąjį prekybos sąrašą biržos valdybos sprendimu pagal vertybinių popierių emitento arba finansų maklerio įmonės paraišką. Prie paraiškos turi būti pridėti prospektas ir paskutinis metų prospektas ataskaita. Jeigu paraišką įtraukti vertybinius popierius į einamąjį prekybos sąrašą pateikia finansų maklerio įmonė, ji papildomai turi pateikti bent vieno pavidimo pirkti ar parduoti atitinkamus vertybinius popierius nuorašą.”

3. Papildyti ir pakeisti 26 straipsnio ketvirtąją dalį, ją laikyti trečiąja šio straipsnio dalimi ir šią dalį išdėstyti taip:

“4. 3. Visi Vertybinių popierių komisijoje įregistruoti vertybiniai popieriai, skirti viešajai apyvartai, gali būti įtraukti į vertybinių popierių biržos einamąjį prekybos sąrašą pagal biržos prekybos taisyklėse nustatytus reikalavimus. Biržos valdyba neturi teisės atsisakyti įtraukti vertybinius popierius į biržos einamąjį prekybos sąrašą, išskyrus atvejus, kai nepateikiami šio straipsnio trečiojoje dalyje nurodyti dokumentai arba toks sąrašas apskritai nesudaromas. Emitentas, kurio vertybiniai popieriai yra einamajame biržos prekybos sąrašuose, šios biržos nustatyta tvarka ir numatytu laiku turi pateikti jai informaciją, reikalaujamą kitais šio įstatymo straipsniais apie:

- 1) įstatinio kapitalo pokyčius (jeigu emitentas yra akcinė bendrovė);
- 2) kotiruojamų vertybinių popierių nominalios vertės ar skaičiaus pasikeitimą;
- 3) kotiruojamų vertybinių popierių rūšies ar klasės keitimą;
- 4) emitento reorganizavimą, bankroto paskelbimą ar likvidavimą.”

4. Papildyti 26 straipsnį nauja ketvirtąją dalimi ir šią dalį išdėstyti taip:

“4. Vertybinių popierių birža privalo sudaryti sąlygas prekiauti biržoje visais atskaitingu emitentų vertybiniais popieriais, skirtais viešajai apyvartai.”

5. Papildyti 26 straipsnio aštuntąją dalį naujais penktuoju ir šeštuoju punktais ir šiuos punktus išdėstyti taip:

“5) emitentas nesilaiko biržos prekybos taisyklėse nustatytų reikalavimų;

6) to prašo šių vertybinių popierių emitentas dėl priežasčių, numatytų biržos prekybos taisyklėse.”

6. Papildyti 26 straipsnį naujomis tryliktąją ir keturioliktąją dalimis ir šias dalis išdėstyti taip:

“13. Draudžiama atlikti šiuos veiksmus, turint tikslą dirbtinai mažinti ar didinti vertybinių popierių rinkos kainą, paskatinti kitus asmenis pirkti ar parduoti vertybinius popierius arba sudaryti aktyvios prekybos jais įvaizdį:

1) perleisti ar įsigyti vertybinius popierius;

2) taip pat skleisti tikrovės neatitinkančią, nepilną ar klaidinančią informaciją apie emitentą, jo vadovus, emitento vykdomą ar numatomą vykdyti veiklą, finansinę padėtį, dėl jo vertybinių popierių perleidimo sudarytus ar tariamai sudarytus sandorius.

14. Vertybinių popierių birža turi teisę gauti informaciją apie biržos narių finansinę-ūkinę veiklą, tikrinti, kaip vertybinių popierių viešosios apyvartos tarpininkai, veikiantys biržoje, laikosi biržos prekybos taisyklėse ir kituose biržos norminiuose aktuose nustatytų reikalavimų ir taikyti savo prekybos taisyklėse numatytas sankcijas už padarytus pažeidimus.”

7. 26 straipsnio tryliktąją ir keturioliktąją dalis laikyti atitinkamai penkioliktąją ir šešioliktąją dalimis. Šio straipsnio šešioliktoje dalyje išbraukti žodžius “savo vardu” ir šią dalį išdėstyti taip:

“1416. Ketindama sudaryti sandorį vertybinių popierių biržoje, finansų maklerio įmonė turi pateikti savo vardu pavedimą ir garantuoti vertybinių popierių apmokėjimą ar pateikimą kitai sandorio šaliai.”

8. 26 straipsnio penkioliktąją dalį laikyti septynioliktąją šio straipsnio dalimi ir ją pakeitus išdėstyti taip:

“1517. Vertybinių popierių birža turi sudaryti garantinį fondą, kuris padėtų ištaisyti padėtį, jeigu viena ar kelios finansų maklerio įmonės nesugeba įvykdyti įsipareigojimų. Garantinis fondas formuojamas iš biržos narių prekiaujančių vertybinių popierių viešosios apyvartos tarpininkų įnašų. Garantinio fondo formavimo ir naudojimo taisyklės tvirtina visuotinis biržos akcinių susirinkimas Vertybinių popierių komisija. Garantinio fondo lėšos negali būti naudojamos biržos einamosioms

išlaidoms finansuoti. Vertybinių popierių komisija¹ turi teisę nustatyti minimalius garantinio fondo dydžio ir jo veiklos reikalavimus.”

21 straipsnis. 27 straipsnio pakeitimas ir papildymas

1. Pakeisti 27 straipsnio antrąją dalį ir šią dalį išdėstyti taip:

“2. Vertybinių popierių birža likviduojama, jeigu:

1) ~~susidaro situacija, numatyta biržos įstatuose;~~

21) ~~narių akcininkų susirinkimas 2/3 visų narių balsų dauguma ir gavus išankstinį Vertybinių popierių komisijos sutikimą priima sprendimą likviduoti biržą;~~

3) ~~nuosavi biržos aktyvai sumažėja daugiau kaip 50 procentų biržos įstatinio kapitalo;~~

42) Vertybinių popierių komisija panaikina leidimą verstis vertybinių popierių biržos veikla;

53) ~~teismas priima sprendimą likviduoti biržą biržos registracija yra panaikinama teismo ar valstybės institucijos sprendimu.”~~

2. Pakeisti 27 straipsnio trečiąją dalį ir šią dalį išdėstyti taip:

“3. ~~Likviduodama ar sustabdyma savo veiklą, vertybinių popierių birža turi nedelsdama pranešti apie tai Vertybinių popierių komisijai. Be to vieną iš biržos likviduotojų skiria Vertybinių popierių komisija. Šio straipsnio antrosios dalies antrajame punkte nurodytu atveju Vertybinių popierių komisija priima nutarimą likviduoti biržą ir skiria likvidatorių. Likvidavimo procedūra atliekama biržos sąskaita.”~~

3. 27 straipsnio ketvirtojoje dalyje išbraukti žodžius “atskaičius šio straipsnio penktojoje dalyje nurodytą rezervą vertę” ir šią dalį išdėstyti taip:

“4. Atsiskaičius su kreditoriais ir sumokėjus visus mokesčius, likviduojamos vertybinių popierių biržos turtas, ~~atskaičius šio straipsnio penktojoje dalyje nurodytą rezervą vertę~~, proporcingai padalijamas jos nariams akcininkams.”

4. Išbraukti 27 straipsnio penktąją dalį.

“5. ~~Vertybinių popierių biržos pelno rezervas, privalomieji rezervai ir kiti biržos visuotiniame susirinkime patvirtinti rezervai perduodami kitoms ne pelno organizacijoms (įmonėms) arba valstybės biudžetui. Kiekvienas biržos narys akcininkas per 3 mėnesius nuo atsiskaitymo pagal biržos prievoles dienos turi teisę nurodyti ne pelno organizaciją (įmonę), kuriai likviduotojai turi perduoti jo įnašui proporcingą biržos rezervų dalį. Kitoms ne pelno organizacijoms (įmonėms) neperduota likviduojamos biržos rezervų dalis Vyriausybės nustatyta tvarka pervedama į valstybės biudžetą.”~~

22 straipsnis. 28 straipsnio pakeitimas ir papildymas

1. Papildyti 28 straipsnio pirmąją dalį ir ją išdėstyti taip:

“1. Emitentas savo išleistoms akcijoms, kurios įregistruotos Vertybinių popierių komisijoje, privalo atidaryti sąskaitą Lietuvos centriniame vertybinių popierių depozitoriume (toliau - Centrinis depozitoriumas) ne vėliau kaip per 5 darbo dienas po įstatinio kapitalo, jo padidėjimo ar sumažėjimo įregistravimo įmonių rejestre. Kitiems vertybiniais popieriams sąskaitos Centriniame depozitoriume turi būti atidarytos ne vėliau kaip per 5 darbo dienas po vertybinių popierių įregistravimo Vertybinių popierių komisijoje. Visi vertybiniai popieriai, kurie gali būti viešosios apyvartos objektais, taip pat vykdant pirminę vertybinių popierių viešąją apyvartą biržoje, fiksuojami įrašais asmeninėse vertybinių popierių sąskaitose, atidaromose vertybinių popierių savininkų vardu. Įrašas vertybinių popierių sąskaitoje yra tiesioginis nuosavybės teisės į jame nurodytus vertybinius popierius įrodymas. Vertybinių popierių sąskaitos gali būti tvarkomos popieriuje arba kompiuteriniu būdu.”

2. 28 straipsnio antrąją dalį papildyti nauju sakiniu: “Vertybinių popierių asmeninės sąskaitos Vertybinių popierių komisijos nustatyta tvarka gali būti atidarytos ir tvarkomos Centriniame depozitoriume.” ir šią dalį išdėstyti taip:

“2. Vertybinių popierių asmenines sąskaitas turi teisę atidaryti ir tvarkyti emitentai, išleidžiantys į apyvartą vertybinius popierius, arba viešosios apyvartos tarpininkai (finansų maklerio įmonės arba bankai) - Centrinio depozitoriumo, veikiančio šio įstatymo 29 straipsnyje nustatyta tvarka, dalyviai. Vertybinių popierių asmeninės sąskaitos Vertybinių popierių komisijos nustatyta tvarka gali būti atidarytos ir tvarkomos Centriniame depozitoriume. Jeigu šio įstatymo apibrėžtos vertybinių

popierių sąskaitų tvarkymo nuostatos taikomos ir emitentams, ir viešosios apyvartos tarpininkams, toliau jie vadinami sąskaitų tvarkytojais.”

23 straipsnis. 29 straipsnio pakeitimas ir papildymas

1. 29 straipsnio pirmojoje dalyje vietoj žodžių “~~ne pelno įmonė~~” įrašyti žodžius “akcinė bendrovė” bei papildyti šią dalį 2 naujais sakiniais: “Centrinis depozitoriumas veikia pagal šį įstatymą ir jo akcininkų susirinkimo patvirtintus įstatus. Akcinių bendrovių įstatymo nuostatos Centriniam depozitoriumui taikomos tiek, kiek neprieštarauja šiam įstatymui.” ir šią dalį išdėstyti taip:

“1. Lietuvos centrinis vertybinių popierių depozitoriumas yra ~~ne pelno įmonė~~ akcinė bendrovė, kurios pagrindinis tikslas - vykdyti bendrąją vertybinių popierių apskaitą, rengti ir diegti apskaitos sistemas sąskaitų tvarkytojams, jas aptarnauti ir prižiūrėti. Centrinis depozitoriumas veikia pagal šį įstatymą ir jo akcininkų susirinkimo patvirtintus įstatus. Akcinių bendrovių įstatymo nuostatos Centriniam depozitoriumui taikomos tiek, kiek neprieštarauja šiam įstatymui.”

2. Pakeisti 29 straipsnio antrąją dalį ir šią dalį išdėstyti taip:

“2. Centrinio depozitoriumo steigėjai yra Finansų ministerija, Lietuvos bankas ir Nacionalinė vertybinių popierių birža. Centrinio depozitoriumo steigėjai turi sudaryti sąlygas tapti jo akcininkėmis visoms šio įstatymo nustatyta tvarka įsteigtoms vertybinių popierių biržoms, tačiau Finansų ministerijos ir Lietuvos banko turimos akcijos turi suteikti ne mažiau kaip 51 procentą balsų Centrinio depozitoriumo akcininkų susirinkime. ~~Centrinis depozitoriumas veikia pagal šį įstatymą ir jo savininkų susirinkimo patvirtintus įstatus. Centrinis depozitoriumas gali išleisti tik paprastasias vardines akcijas. Centrinio depozitoriumo pelno paskirstymas nustatomas jo įstatuose. Ne mažiau kaip 50 procentų grynojo pelno skiriama privalomajam rezervui, naudojamam nuostoliams padengti, ir pelno rezervui, naudojamam ilgalaikio turto išsigyjimui, Centrinio depozitoriumo veiklai plėsti ir tobulinti. Ne daugiau kaip 30 procentų grynojo pelno skiriama dividendams ir kitiems tikslams. Ne daugiau kaip 20 procentų grynojo pelno skiriama metiniams išmokėjimams (tantjėmoms) valdybos nariams, darbuotojų premijoms.”~~

3. Pakeisti ir papildyti 29 straipsnio trečiosios dalies trečiąjį, ketvirtąjį ir dešimtąjį punktus ir juos išdėstyti taip:

“3) atidaro sąskaitų tvarkytojų ir Vertybinių popierių komisijos nustatyta tvarka asmenines (investitorių) vertybinių popierių sąskaitas ir jas tvarko;

4) užtikrina, kad vykdant sandorius dėl vertybinių popierių šie popieriai būtų laiku perregistruoti iš vieno sąskaitų tvarkytojo ar asmeninės vertybinių popierių sąskaitos į kito sąskaitų tvarkytojo ar asmeninę vertybinių popierių sąskaitą;

10) išduoda sąskaitų tvarkytojams ir investitoriams išrašus apie jų vertybinių popierių sąskaitos būklę.”

4. Papildyti 29 straipsnio šeštąją dalį nauju sakiniu: “Centrinis depozitoriumas, veikdamas kaip sąskaitų tvarkytojas, privalo vadovautis visais norminiais aktais, reglamentuojančiais asmeninių vertybinių popierių sąskaitų tvarkymą.” ir šią dalį išdėstyti taip:

“6. Centrinio depozitoriumo instrukcijos bei nurodymai vertybinių popierių apskaitos klausimais yra privalomi visiems sąskaitų tvarkytojams. Centrinis depozitoriumas, veikdamas kaip sąskaitų tvarkytojas, privalo vadovautis visais norminiais aktais, reglamentuojančiais asmeninių vertybinių popierių sąskaitų tvarkymą.”

24 straipsnis. 31 straipsnio pakeitimas ir papildymas

Papildyti 31 straipsnio antrąją dalį nauju sakiniu: “Tas pats asmuo komisijos nariu gali būti išrinktas ne daugiau kaip dviems kadencijoms iš eilės.” ir šią dalį išdėstyti taip:

“2. Sudarant pirmąją Vertybinių popierių komisiją po šio įstatymo įsigaliojimo, komisijos pirmininkui įgaliojimai suteikiami 5 metams. Kiti komisijos nariai į pirmąją Vertybinių popierių komisiją po šio įstatymo įsigaliojimo Respublikos Prezidento teikimu skiriami atitinkamai ketveriems, trejiems, dvejiems ir vieneriems metams, kad kiekvienais vėlesniais metais komisija būtų atnaujinama vienu nariu. Tas pats asmuo komisijos nariu gali būti išrinktas ne daugiau kaip dviems kadencijoms iš eilės. Vertybinių popierių komisijos pirmininkas vieną iš komisijos narių skiria savo pavaduotoju.”

25 straipsnis. 32 straipsnio pakeitimas ir papildymas

1. Papildyti 32 straipsnio antrąją dalį nauju dėvintuoju punktu ir jį išdėstyti taip:

"9) turi teisę kreiptis į teismą dėl pažeistų investitorių teisių gynimo, jeigu emitentų, vertybinių popierių viešosios apyvartos tarpininkų, kitų ūkio subjektų ar maklerių veiksmais buvo pažeisti daugelio investitorių interesai."

2. 32 straipsnio antrosios dalies devintąjį ir dešimtąjį punktus laikyti atitinkamai dešimtuoju ir vienuoliktuoju punktais.

26 straipsnis. 37 straipsnio pakeitimas ir papildymas

37 straipsnį papildyti nauja trečiaja dalimi ir ją išdėstyti taip:

"3. Šio straipsnio antroje dalyje numatytų teisių įgyvendinimui Vertybinių popierių komisija gali pasitelkti policijos pareigūnus."

27 straipsnis. 38 straipsnio pakeitimas ir papildymas

1. 38 straipsnio pirmosios dalies antrame punkte išbraukti žodį "investitoriams" ir šį punktą išdėstyti taip:

"2) atlyginti investitoriams padarytus nuostolius;"

2. Pakeisti 38 straipsnio antrosios dalies pirmąjį punktą ir papildyti šio straipsnio antrąją dalį naujais penktuoju ir devintuoju punktais ir juos išdėstyti taip:

"1) emitentams, pagal šio įstatymo 4 straipsnį turintiems įregistruoti vertybinius popierius ar atidaryti sąskaitą Centriniam depozitoriume, bet vengiantiems ar atsisakantiems tai padaryti to nepadariusiems, - iki 10 procentų registruotinių ar įregistruotų vertybinių popierių bendros nominalios vertės;

5) ūkio subjektams, įregistravusiems oficialų pasiūlymą Vertybinių popierių komisijoje, bet jo neįgyvendinusiems, - iki 500 tūkstančių litų;

9) ūkio subjektams, pažeidusiems šio įstatymo 6 straipsnio šeštoje dalyje ir 26 straipsnio tryliktoje dalyje numatytus reikalavimus, - iki trigubo neteisėtai gautų pajamų dydžio arba iki 100 tūkstančių litų."

3. 38 straipsnio antrosios dalies penktąjį, šeštąjį ir septintąjį punktus laikyti atitinkamai šeštuoju, septintuoju ir aštuntuoju punktais.

28 straipsnis. 41 straipsnio pakeitimas ir papildymas

1. Išbraukti 41 straipsnio trečiąją dalį.

3. ~~Veikiančių vertybinių popierių biržų akcininkai, neatitinkantys šio įstatymo 20 straipsnio ketvirtosios dalies nuostatų, turi teisę toliau disponuoti savo akcijomis, tačiau gali jas perleisti tik asmenims, kurie atitinka nurodytąsias nuostatas."~~

2. 41 straipsnio ketvirtąją dalį laikyti trečiaja šio straipsnio dalimi ir ją pakeitus išdėstyti taip:

"3. Iki bus priimtas įstatymas, reglamentuojantis iš valstybės ir savivaldybių biudžetų finansuojamų įstaigų ir organizacijų darbuotojų darbo apmokėjimą, Vertybinių popierių komisijos pirmininkui mokamas ~~1 VDU~~ nustatomas 40 bazinių mėnesinių algų tarnybinis atlyginimas. Vertybinių popierių komisijos pirmininko pavaduotojui mėnesinis atlyginimas mokamas 15 procentų, komisijos nariams - 25 procentais mažesnis negu komisijos pirmininkui. Finansų ministerijos teikimu Vyriausybė Vertybinių popierių komisijos pirmininkui, jo pavaduotojui ir kitiems šios komisijos nariams ~~negali būti mokami papildomi priedai bei premijos~~ nustato iki 100 procentų tarnybinio atlyginimo priedus. Vertybinių popierių komisijos administracijos darbuotojų darbo užmokestį nustato komisijos pirmininkas vadovaudamasis Vyriausybės nustatyta Vyriausybės kanceliarijos darbuotojų darbo apmokėjimo tvarka."

Skelbiu šį Lietuvos Respublikos Seimo priimtą įstatymą

REPUBLIKOS PREZIDENTAS

VALDAS ADAMKUS

MEMORANDUM

To: Chairman of the Securities Commission Mr. V. Poderys
members of the Commission
the NSEL
the CSDL
the NAFB

From: Skirmantas Rimkus, the Pragma Corporation

Subject: Concerning Financial Statements and Principles of Financial Accounting in
Brokerage Firms

Date: March 25, 1998

Current financial statements that brokerage firms are required to complete and submit to the designated institutions do not reflect the specific character of operating activities of a brokerage firm. Furthermore, no methods of financial accounting have been established for the brokerage firms to reflect their performance and financial status more accurately and fairly.

It is essential that new forms of financial statements be prepared and accounting principles established in order to implement the newly adopted capital adequacy requirements too. They rule that certain accounting methods be applied every day, for instance, marking to market securities in the Trading Book and recognizing unrealized profit or loss.

The new forms of financial statements and principles of accounting are prepared following the directives of the European Union, International Accounting Standards and the US GAAP (Generally Accepted Accounting Principles).

The drafts attaching to this Memorandum include:

- 1) Forms of Financial Statements (balance-sheet, off-balance account, statement of changes in the owners' equity, profit (loss) account, cash flow statement);
- 2) Model Chart of Accounts and a detailed description of the Chart of Accounts;
- 3) Description of financial statements of brokerage firms;
- 4) Requirements for the Explanatory Notes;
- 5) Methods of Financial Accounting;
- 6) Provisions on Accounting of Investments into Securities;
- 7) Methods of Financial Accounting of Securities Lending Transactions.

If you happen to have any comments on the drafts, please, present them in writing to the Capital Market Development Project, at the address of the Pragma Corporation.

MEMORANDŪMAS

Kam: VP komisijos pirmininkui p. V. Poderiui
VP komisijos nariams
Kitiems_rinkos dalyviams (NVPB, LCVPD, NFMA)

Nuo: Skirmanto Rimkaus, Pragma Corporation vardu

Dalykas: Dėl finansinių ataskaitų formų ir finansinės apskaitos principų
finansinio maklerio įmonėse

Data: 1998 m. kovo 25 d.

Šiuo metu galiojančios finansinių ataskaitų formos, kurias finansų maklerio įmonės privalo pildyti ir pristatyti suinteresuotoms institucijoms, neatspindi finansų maklerio įmonių veiklos specifikos. Be to nėra nustatyti finansinės apskaitos principų (metodų), kurie įgalintų finansų maklerio įmones tiksliau ir teisingiau atspindėti savo rezultatus ir finansinę būklę.

Naujų finansinės atskaitomybės formų bei apskaitos principų (metodų) nustatymas būtinas dar ir dėl to, kad Vertybinių popierių komisijai patvirtinus Kapitalo pakankamumo reikalavimų skaičiavimo taisykles, pastarosios reikalauja taikyti kai kuriuos apskaitos metodus kas dieną, pvz.: vertybinių popierių, esančių prekybos knygos sudėtyje, perkainojimą atsižvelgiant į rinkos kainas bei nerealizuoto pelno arba nuostolio pripažinimą kiekviena dieną.

Naujosios finansinės ataskaitos ir finansinės apskaitos principai (metodai) yra parengtos vadovaujantis Europos Bendrijos direktyvomis, Tarptautiniais apskaitos standartais bei JAV Bendrai priimtais apskaitos principais (US GAAP - Generally Accepted Accounting Principles).

Prie šio memorandumo rasite pridėtus projektus:

- 1) Finansinių ataskaitų formų (balansą, nebalansinių straipsnių ataskaitą, akcininkų nuosavybės pakitimų ataskaitą, pelno (nuostolio) ataskaitą, pinigų srautų ataskaitą);
- 2) Pavyzdinio sąskaitų plano bei detalaus sąskaitų plano aprašymo;
- 3) Finansinių ataskaitų, taikomų finansinių maklerio įmonėms, aprašymo;
- 4) Reikalavimų paaiškinamajam raštui;
- 5) Finansinės apskaitos metodų;
- 6) Investicijų į vertybinius popierius finansinės apskaitos nuostatų;
- 7) Vertybinių popierių skolinimo sandorių finansinės apskaitos metodų.

Jeigu turėtumėte kokių nors pastabų dėl pateiktų projektų, prašau juos raštu išdėstyti ir pateikti Kapitalo rinkos vystymo projektui, Pragma Corporation adresu.

Balansas

| Sąsk. gru- pė | - Turtas | Pastabos Nr. | Einamųjų metų pabaigai | Praėjusių metų pabaigai |
|------------------|-----------------------------------------------------------------------------------------------|-----------------|------------------------------|-------------------------------|
| | Turtas | | | |
| 10 | FMI klientų pinigai kasoje ir bankų sąskaitose | | | |
| 20 | FMI pinigai kasoje ir bankų sąskaitose | | | |
| 10 | Lėšos biržų arba kliringo institucijų sąskaitose | | | |
| 12, 13 | Vyriausybių, savivaldos institucijų bei tarptautinių institucijų skolos vertybiniai popieriai | 3 | | |
| 12 | Skolos vertybiniai popieriai | 3 | | |
| 12 | Nuosavybės vertybiniai popieriai | 4 | | |
| 14 | Išvestiniai finansiniai instrumentai | 1 | | |
| 12 | Vertybiniai popieriai, gauti pagal perdavimo sutartis | 2 | | |
| 15 | Gautinos sumos (minus atidėjimai): | 5 | | |
| | klientų | | | |
| | kitų viešosios apyvartos tarpininkų | | | |
| | palūkanų ir dividendų | | | |
| | komisinių, mokesčių ir pan. | | | |
| 15 | Įmonių skolos (atėmus atidėjimus): | 6 | | |
| | avansu sumokėtos sumos | | | |
| | trumpalaikės skolos | | | |
| | ilgalaikės skolos | | | |
| 13 | Investiciniai skolos vertybiniai popieriai | 3 | | |
| 13 | Investiciniai nuosavybės vertybiniai popieriai | 4 | | |
| 13 | Dalyvavimas kapitale: | 4 | | |
| | atskirai parodant investicijas į kredito įstaigas ir finansų institucijas | | | |
| 16 | Trumpalaikis materialus turtas | | | |
| 17 | Išperkamoji nuoma | 7 | | |
| 17 | Ilgalaikis materialus turtas (atėmus nusidėvėjimą) | | | |
| 17 | Nematerialus turtas (atėmus amortizaciją) | | | |
| 18 | Kitas turtas | | | |
| 19 | Sukauptos pajamos ir ateities laikotarpių sąnaudos | 9 | | |
| | Viso turto | | | |

| Sąsk. gru- pė | Įsipareigojimai ir akcininkų nuosavybė | Pastabos Nr. | Einamųjų metų pabaigai | Praėjusių metų pabaigai |
|------------------|-------------------------------------------------------------------------------------------|-----------------|------------------------------|-------------------------------|
| | Įsipareigojimai | | | |
| 20 | Įsipareigojimai klientams pagal FM[klientų sąskaitose ir kasoje laikomus klientų pinigus | 9 | | |
| 21, 22 | Trumpalaikiai įsipareigojimai ir mokėtinos sumos: | 10 | | |
| | kreditinėms institucijoms | | | |
| | kitiems viešosios apyvartos tarpininkams | | | |
| | klientams | | | |
| | palūkanų ir dividendų | | | |
| | ilgalaikių įsipareigojimų einamųjų metų dalis | | | |
| | kitos mokėtinos sumos | | | |
| 23 | Parduoti, bet dar nenupirkti vertybiniai popieriai (finansiniai instrumentai) | 11 | | |
| 23 | Įsipareigojimai pagal vertybinių popierių perdavimo sutartis | 11 | | |
| 24 | Išleisti skolos vertybiniai popieriai | 12 | | |
| 25 | Sukauptos sanaudos ir būsimųjų laikotarpių pajamos | 13 | | |
| 26 | Ilgalaikiai įsipareigojimai (skolos): | | | |
| | kreditinėms institucijoms | | | |
| | kitiems viešosios apyvartos tarpininkams | | | |
| | klientams | | | |
| 27 | Kiti įsipareigojimai | | | |
| | Viso įsipareigojimų | | | |
| | | | | |
| 28 | Tikėtinų įsipareigojimų (tik balansinė dalis) | 14 | | |
| 29 | Subordinuotos paskolos (ilgalaikės, trumpalaikės) | 15 | | |
| | | | | |
| | Akcininkų nuosavybė: | | | |
| 30 | Privilegijuotosios akcijos | | | |
| 30 | Paprastosios akcijos | | | |
| 32 | Akcijų emisijos perviršis | | | |
| 33. | Rezervai | | | |
| 34. | | | | |
| 35 | | | | |
| 36 | Nepaskirstytas praėjusių ūkinių metų pelnas (nuostolis) | | | |
| 36 | Einamųjų ūkinių metų pelnas (nuostolis) | | | |
| 31 | Minus supirktos nuosavos akcijos | | | |
| | Viso akcininkų nuosavybės | | | |
| | Viso įsipareigojimų ir akcininkų nuosavybės | | | |

Taip pat žiūrėti pastabas prie finansinių ataskaitų

Nebalansinių straipsnių ataskaita
(nebalansinių sąskaitų ataskaita)

| Sąsk. gru- pė | Nebalansiniai straipsniai | Pastabos Nr. | Einamųjų metų pabaigai | Praėjusių metų pabaigai |
|------------------|---------------------------------------------------------|-----------------|------------------------------|-------------------------------|
| 40 | Emisijų registracijos sąskaitos | | | |
| 41 | Asmeninės vertybinių popierių sąskaitos: | 20 | | |
| | nuosavi vertybiniai popieriai | | | |
| | klientų vertybiniai popieriai | | | |
| | įkeisti nuosavi vertybiniai popieriai | | | |
| | įkeisti klientų vertybiniai popieriai | | | |
| | kitos asmeninės vertybinių popierių sąskaitos | | | |
| 43 | Sandorių su vertybiniais popieriais sąskaitos: | | | |
| | įsipareigojimai ateityje atpirkti vertybinius popierius | | | |
| | įsipareigojimai ateityje parduoti vertybinius popierius | | | |
| | kitos andorių su vertybiniais popieriais sąskaitos | | | |
| 45 | Gautos garantijos ir užstatai | 21 | | |
| 46 | Suteiktos garantijos ir užstatai | 14, 22 | | |
| | Kitas nebalansinis turtas (teisės) | 23 | | |
| | Kiti nebalansiniai įsipareigojimai | 23 | | |
| | Viso nebalansinių straipsnių | | | |

Taip pat žiūrėti pastabas prie finansinių ataskaitų

Pelno (nuostolio) ataskaita

| Sąsk. gru- pė | Pelno (nuostolio) ataskaitos straipsniai | Einamųjų metų pabaigai | Praėjusių metų pabaigai |
|------------------|-----------------------------------------------------------------------------------------------|---------------------------|----------------------------|
| | Pajamos | | |
| 50 | Komisiniai: | | |
| | už sandorius sudarytus vertybinių popierių biržose | | |
| | už sandorius sudarytus vertybinių popierių aukcionuose | | |
| | kiti | | |
| 51 | Prekybos knygos pelnas (nuostolis): | | |
| | realizuotas pelnas (nuostolis) iš prekybos vertybiniais popieriais (akcijomis, obligacijomis) | | |
| | nerealizuotas pelnas (nuostolis) dėl vertybinių popierių (akcijų, obligacijų) perkainojimo | | |
| | kitų finansinių instrumentų realizuotas ir nerealizuotas pelnas (nuostolis) | | |
| 52 | Neprekybos knygos pelnas (nuostolis): | | |
| | realizuotas pelnas (nuostolis) | | |
| | nerealizuotas pelnas (nuostolis) | | |
| 53 | Operacijų su užsienio valiutomis bei valiūtų perkainojimo pelnas (nuostolis) | | |
| 54 | Palūkanos ir dividendai | | |
| 55 | Emitentų aptarnavimo ir emisijų platinimo pajamos | | |
| 56 | Klientų vertybinių popierių portfelių (turto) valdymo ir konsultavimo pajamos | | |
| 57 | Klientų aptarnavimo pajamos | | |
| 58 | Kitos pajamos | | |
| | Viso pajamų | | |
| | Sąnaudos | | |
| 60 | Sumokėti komisiniai biržai ir kliringo bankui | | |
| 60 | Kiti komisiniai | | |
| 61 | Darbo užmokesčio ir su tuo susijusios | | |
| 61 | Pagal darbo sutartis priklausanti pelno dalis darbuotojams | | |
| 62 | Biuro įrangos ir duomenų apdorojimo sąnaudos | | |
| 63 | Palūkanų | | |
| 63 | Ryšių | | |
| 63 | Mokesčiai priežiūros institucijoms ir pan. sąnaudos | | |
| 64 | Kitos | | |
| | Viso sąnaudų | | |
| | Pagrindinės veiklos pelnas (nuostolis) | | |
| 65 | Nusidėvėjimas ir amortizacija | | |
| 66 | Atidėjimai blogoms paskoloms ir tikėtiniems išpareigojimams | | |
| | Pelnas (nuostolis) prieš neįprastinės veiklos rezultata | | |
| 59 | Neįprastinės veiklos pelnas | | |
| 68 | Neįprastinės veiklos nuostolis | | |
| | Pelnas prieš pelno mokestį | | |
| 69 | Pelno mokestis | | |
| | Pelno mokesčio atidėjimai ? | | |
| | Grynasis pelnas | | |

Taip pat žiūrėti pastabas prie finansinių ataskaitų

Pinigų srautų ataskaita

| Eil. Nr. | Eilutės pavadinimas | Einamųjų metų pabaigai | Praėjusių metų pabaigai |
|----------|--------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------|
| | Pinigų srautai iš veiklos (operacinės veiklos) | | |
| 1. | Komisinių įplaukos | | |
| 2. | Komsinių išlaidos | | |
| 3. | Klientų aptarnavimo įplaukos | | |
| 4. | Prekybos knygos realizuotas pelnas (nuostolis) | | |
| 5. | Perpardavimui skirtų vertybinių popierių vertės, išskyrus nerealizuotą rezultata, vertės (padidėjimas) sumažėjimas | | |
| 6. | Gautinų sumų (padidėjimas) sumažėjimas | | |
| 7. | Mokėtinų sumų padidėjimas (sumažėjimas) | | |
| 8. | Darbo užmokesčio ir su tuo susijusios išlaidos | | |
| 9. | Kitos veiklos įplaukos | | |
| 10. | Kitos veiklos išlaidos | | |
| 11. | Pelno mokesčio išlaidos | | |
| 12. | <i>Grynieji veiklos (operacinės veiklos) pinigų srautai</i> | | |
| | Pinigų srautai iš investicinės veiklos | | |
| 13. | Neprekybos knygos (investicijų) realizuotas pelnas (nuostolis) | | |
| 14. | Investicijoms skirtų vertybinių popierių, išskyrus nerealizuotą rezultata, vertės (padidėjimas) sumažėjimas | | |
| 15. | Dalyvavimo kapitale (padidėjimas) sumažėjimas | | |
| 16. | Įmonių skolų (padidėjimas) sumažėjimas | | |
| 17. | Materialaus turto (padidėjimas) sumažėjimas | | |
| 18. | Gauti dividendai ir palūkanos, | | |
| 19. | Pinigų srautai iš kitos investicinės veiklos | | |
| 20. | <i>Grynieji pinigų srautai iš investicinės veiklos</i> | | |
| | Pinigų srautai iš finansinės veiklos | | |
| 21. | Nuosavų vertybinių popierių išleidimas | | |
| 22. | Įsipareigojimų padidėjimas (sumažėjimas) | | |
| 23. | Subordinuotų paskolų padidėjimas (sumažėjimas) | | |
| 24. | Sumokėti dividendai ir palūkanos | | |
| 25. | Pinigų srautai iš kitos finansinės veiklos | | |
| 26. | <i>Grynieji pinigų srautai iš finansinės veiklos</i> | | |
| 27. | Užsienio valiutų pinigų srautai | | |
| 28. | <i>Grynasis pinigų padidėjimas (sumažėjimas)</i> | | |
| 29. | Pinigai einamųjų ūkinių metų pradžioje | | |
| 30. | Pinigai einamųjų ūkinių metų pabaigoje | | |

Akcininkų nuosavybės pakitimų ataskaita

| | Privilegiuotosios akcijos | Paprastosios akcijos | Akcijų nominalios vertės perviršis | Rezervai, išskyrus perkainojimo | Materialaus turto perkainojimo rezervai | Finansinio turto perkainojimo rezervai | Nepaskirstytas praėjusių ūkinių metų pelnas (nuostolis) | Einamųjų ūkinių metų pelnas (nuostolis) | Supirktos nuosavos akcijos | Kita * | Viso |
|--------------------------------------------|---------------------------|----------------------|------------------------------------|---------------------------------|-----------------------------------------|----------------------------------------|---------------------------------------------------------|-----------------------------------------|----------------------------|--------|------|
| Praėjusių metų pabaigai | | | | - | | | | | | | - |
| Padidėjimas | | | | | | | | | | | |
| Sumažėjimas (-) | | | | | | | | | | | |
| Kita * | | | | | | | | | | | |
| Einamojo ataskaitinio laikotarpio pabaigai | | | | | | | | | | | |

* Įvardyti

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Pavyzdinis sąskaitų planas
(taikomas finansų maklerio įmonėms)

| 1 klasė | 2 klasė | 3 klasė | 4 klasė | 5 klasė | 6 klasė |
|---------------------------------------------------------|------------------------------------------------------|--------------------------------------|--------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|
| <i>Turtas</i> | <i>Įsipareigojimai</i> | <i>Kapitalas</i> | <i>Balanse neatspindėtas turtas ir įsipareigojimai</i> | <i>Pajamos</i> | <i>Sąnaudos</i> |
| 10 FMĮ klientų lėšos | 20 Įsipareigojimai klientams | 30 Akcijos | 40 Emisijos registracija | 50 Komisinių pajamos | 60 Komisinių sąnaudos |
| 11 FMĮ lėšos | 21 Mokėtinos sumos | 31 Supirktos nuosavos akcijos | 41 Asmenines v.p. sąskaitos | 51 Prekybos knygos pelnas (nuostolis) | 61 Darbo užmokesčio ir susijusios |
| 12 Prekybos knygos vertybiniai popieriai | 22 Trumpalaikiai įsipareigojimai | 32 Akcijų emisijos perviršis | 42 Balansuojančios v.p. sąskaitos | 52 Neprekybos knygos pelnas (nuostolis) | 62 Biuro įrangos |
| 13 Neprekybos knygos vertybiniai popieriai | 23 Su vertybiniais popieriais susiję įsipareigojimai | 33 Rezervai, išskyrus perkainojimo | 43 Sandoriai su vertybiniais popieriais | 53 Operacijų su užsienio valiutomis pelnas (nuostolis) | 63 Administracinės |
| 14 Išvestiniai instrumentai | 24 Išleisti skolos vertybiniai popieriai | 34 Materialaus turto perkainojimo | 44 Laikinai nepaskirstytų v.p. sąskaitos | 54 Palūkanos ir dividendai | 64 Kitos sąnaudos |
| 15 Gautinos sumos | 25 Sukauptos pajamos ir ateinančių laikot. san. | 35 Finansinio turto perkainojimo | 45 Gautos garantijos, užstatai | 55 Pajamos iš emitentų aptarnavimo | 65 Nusidevėjimas ir amortizacija |
| 16 Trumpalaikis materialus turtas | 26 Ilgalaikiai įsipareigojimai | 36 Nepaskirstytas pelnas (nuostolis) | 46 Suteiktos garantijos, užstatai | 56 Turto valdymo pajamos | 66 Blogų paskolų ir tikėtinų įsipareigojimų. |
| 17 Ilgalaikis materialus ir nematerialus turtas | 27 Kiti įsipareigojimai | 37 Laisva | 47 Laisva | 57 Klientų aptarnavimo pajamos | 67 Laisva |
| 18 Kitas turtas | 28 Tiketini įsipareigojimai | 38 Laisva | 48 Laisva | 58 Kitos pajamos | 68 Nejprastinės veiklos nuostolis |
| 19 Sukauptos pajamos ir ateinančių laikotarpių sąnaudos | 29 Subordinuotos paskolos | 39 Pajamų ir sąnaudų suvestinė | 49 Laisva | 59 Nejprastinės veiklos pelnas | 69 Pelno mokestis, pelno mokesčio koregavimas |

(žiūrėti tęsinį kitame puslapyje)

Detalus sąskaitų plano aprašymas

| Sąskaitų klasės | Sąskaitų grupės | Sąskaitų pavadinimai ir aprašymai |
|-------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 klasė Turtas | 10 - FMI klientų lėšos | Šios grupės sąskaitose apskaitomi įmonės klientų grynai pinigai, įvairių tipų ir valiutų sąskaitos bankuose, čekiai ir pan. <u>Gali būti nuspresta, kad įmonės klientų lėšos bus apskaitomos nebalansinėse sąskaitose arba bus apjungtos su FMI lėšų sąskaitų grupe.</u> |
| | 11 - FMI lėšos | Šioje sąskaitų grupėje įtraukiamos visos sąskaitos, kuriose apskaitomos įmonės nuosavos lėšos turinčios aukščiausią likvidumo laipsnį, t.y. grynai pinigai kasoje, įvairių tipų ir valiutų sąskaitos bankuose, lėšos biržų ir kliringo institucijų sąskaitose, čekiai ir pan. |
| | 12 - prekybos knygos vertybiniai popieriai | Šios grupės sąskaitose turi būti apskaitomi visi įmonės turimi nuosavybės ir skolos vertybiniai popieriai, įeinantys į prekybos knygos sudetį. Balanse ši sąskaitų grupė atsispindi keliose turto eilutėse. |
| | 13 - neprekybos knygos vertybiniai popieriai | Šios grupės sąskaitose turi būti apskaitomi visi įmonės turimi nuosavybės ir skolos vertybiniai popieriai, įeinantys į neprekybos knygos sudetį. Balanse ši sąskaitų grupė atsispindi keliose turto eilutėse. |
| | 14 - įvestiniai finansiniai instrumentai | Šios grupės sąskaitose turi būti apskaitomi visi likę įmonės turimi finansiniai instrumentai, kurie nėra traktuojami kaip vertybiniai popieriai, bet kurie gali būti sudaromi vertybinių popierių (indeksų, valiutų kursų ir t.t.) pagrindu. Šiose sąskaitose atspindima finansinio instrumento įsigijimo (rinkos) verte. Sukauptos palūkanos ir panašios pajamos nekoreguoja finansinių instrumentų vertės ir turi būti atspindimos 19 sąskaitų grupėje. |
| | 15 - gautinos sumos | Čia turi būti įtrauktos ilgalaikių ir trumpalaikių gautinių sumų sąskaitos, įmonių skolų sąskaitos bei šioms sumoms padarytų atidėjimų sąskaitos. Atidėjimų sąskaitos savo kilme yra kontraaktyvines, t.y. mažinančios turto sąskaitų vertę padarytų atidėjimų suma. |
| | 16 - trumpalaikis materialus turtas | Čia turi būti įtrauktos atsargų, ilgalaikio turto skirtu parduoti, išankstinių apmokėjimų ir panašaus trumpalaikio materialaus turto sąskaitos. Taip pat šio turto nukainojimo sąskaitos (jei tokia procedūra yra atliekama). |
| | 17 - ilgalaikis materialus ir nematerialus turtas | Šios grupės sąskaitose yra apskaitomas bet koks įmonės nuosavas ilgalaikis materialus turtas bei tam turtui priskaičiuojamas nusidevėjimas. Šioje sąskaitų grupėje turi būti apskaitomas ir turtas, turimas išperkamosios nuomos pagrindu (kapitalo lizingo pagrindu). Be to šios grupės sąskaitose apskaitomas nematerialus turtas, toks kaip licencijos, patentai, gera valia, kompiuterinės programos, NVPB akcija (tai galėtų būti finansinis turtas, tačiau kad atitiktų kapitalo pakankamumo taisyklės, siūloma įtraukti į šią grupę) ir pan. |
| | 18 - kitas turtas | Čia turi būti įtrauktas visas kitas turtas, kuris netinka būti sugrupuotas kituose sąskaitų grupėse, toks kaip už paskolą perimtas turtas ir t.t. Taip pat NVPB garantinis fondas. |
| | 19 - sukauptos pajamos ir ateinančių laikotarpių sąnaudos | Šioje sąskaitų grupėje atspindimos sąskaitos, kuriose apskaitomos sukauptos komisinių, palūkanų, nuomos ir pan. pajamos bei sąnaudos, kurias įmone apmoka iš anksto (už nuomą, palūkanas ir pan.). |

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| 2 klase įsipareigojimai | 20 - įsipareigojimai klientams | Šioje sąskaitų grupėje apjungiamos sąskaitos, kuriose atsispindi įmonės įsipareigojimai klientams, atsiradę dėl klientų pateiktų pavedimų pirkti ar parduoti vertybinius popierius bei kitus finansinius instrumentus. |
| | 21 - mokėtinoms sumoms | Šios grupės sąskaitos skirtos apskaityti įmonės mokėtinoms sumoms, susijusioms su prekyba vertybiniais popieriais, tokioms kaip: klientams, viešosios apyvartos tarpininkams ir pan. |
| | 22 - trumpalaikiai įsipareigojimai | Šios grupės sąskaitos skirtos apskaityti įmonės trumpalaikiams įsipareigojimams: kreditinėms institucijoms, viešosios apyvartos tarpininkams, klientams, palūkanų ir dividendų įsipareigojimams, ilgalaikių įsipareigojimų einamajai daliai ir pan. |
| | 23 - su vertybiniais popieriais susiję įsipareigojimai | Šioje sąskaitų grupėje įtraukiamos sąskaitos, kuriose apskaitomi įsipareigojimai susiję su sandoriais su vertybiniais popieriais ir kitais finansiniais instrumentais, t.y. pagal perdavimo sutartis gražintini vertybiniai popieriai, kiti įsipareigojimai susiję su vertybinių popierių skolinimu. Be to į šią grupę turi būti įtraukti ir sąskaitos, kuriose apskaitomi per kitą įmonę parduoti, neturimi vertybiniai popieriai (tik tada, kai tokie sandoriai bus įteisinti). |
| | 24 - išleisti skolos vertybiniai popieriai | Šios grupės sąskaitos skirtos apskaityti įmonės išleistiems skolos vertybiniais popieriais. |
| | 25 - sukauptos sąnaudos ir ateinančių laikotarpių pajamos | Šios grupės sąskaitose turi būti apskaitomos komisinių, palūkanų ir panašios sąnaudos, kurios jau priskaičiuotos, bet dar neapmokėtos bei tolygiai besikaupiančios ir jau apmokėtos, tačiau dar neuždirbtos pajamos. |
| | 26 - ilgalaikiai įsipareigojimai | Ilgalaikių įsipareigojimų sąskaitų grupėje turi būti įtraukiami ilgalaikiai įsipareigojimai kreditinėms institucijoms, viešosios apyvartos tarpininkams, klientams ir kiti ilgalaikiai įsipareigojimai. |
| | 27 - kiti įsipareigojimai | |
| | 28 - tikėtini įsipareigojimai | Šios grupės sąskaitose turi būti apskaitomi bet kokie tikėtini įsipareigojimai (contingent liabilities). Tikėtini įsipareigojimai tai nebalansinių įsipareigojimų pilna arba nepilna dalis, priklausomai nuo kokia yra tikimybė, kad tie nebalansiniai įsipareigojimai tikrai taps realiais. Be to tikėtiniu įsipareigojimu rekomenduojama pripažinti ir ieškovo ieškinį nukreiptą į įmonę, kai labai tikėtina, kad ieškovas teismo procesa laimes. |
| 29 - subordinuotos paskolos | Šios grupės sąskaitose apskaitomos bet kokios subordinuotos paskolos. Subordinuotos paskolos yra trumpalaikes, kai jų gražinimo terminas yra ne anksčiau kaip po 2 metų bei ilgalaikes - kai sugražinimo terminas ne anksčiau kaip 5 metų. Subordinuotų paskolų pagrindiniai bruožai yra tai, kad įmonės likvidavimo atveju, jų davejai bus paskutiniai prieš akcininkus kreditoriai kreditorių eilėje; subordinuota paskola teikiama kapitalo pakankamumo rodikliui pagerinti. | |
| 3 klase Kapitalas | 30 - akcijos | Šios grupės sąskaitose turi būti apskaitomos visų klasių įmonės išleistos akcijos. |
| | 31 - supirktos nuosavos akcijos | Supirktos nuosavos akcijos, apskaitomos šios grupės sąskaitose, įsigijimo verte mažina savininkų nuosavybę, t.y finansinėse ataskaitose turi būti rodomos su minuso ženklu. |
| | 32 - akcijų emisijos perviršis | |

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| | 33 - rezervai išskyrus perkainojimo | Šios klasės sąskaitos skirtos apskaityti rezervams, kurie sudaromi paskirstant įmonėje likusį pelną visuotinio akcininkų susirinkimo sprendimu. Jos detalizuojamos pagal atskiras rezervų rūšis. |
| | 34 - materialaus turto perkainojimo rezervai | Šios klasės sąskaitose galima apskaityti tik rezervus, susijusius su materialaus turto perkainojimu. Materialaus turto perkainojimas atliekamas tada kai jo vertė aiškiai ir nuolatos viršija balansinę vertę ir (arba) kai tai patvirtina kvalifikuoti turto vertintojai. |
| | 35 - finansinio turto perkainojimo | Šios grupės sąskaitos skirtos apskaityti tik finansinio turto perkainojimo rezervams, kurie gali būti sudaryti pagal atskirus finansinio turto pavadinimus. Paprastai čia atspindimas tik ilgalaikio finansinio turto perkainojimas, kurį gali atlikti įmonės vadovybe savo sprendimu, atsižvelgiant į savo pasirinktą finansines apskaitos politiką. |
| | 36 - nepaskirstytas pelnas (nuostolis) | Šios grupės sąskaitose apskaitomas einamųjų ir ankstesniųjų ūkinių metų pelnas arba nuostolis. |
| | 37 - 38 laisva | |
| | 39 - pajamų ir sąnaudų suvestinė | |
| 4 klasė Balanse neatspindėtas turtas (teises) ir įsipareigojimai | 40 - emisijos registracijos sąskaitos | |
| | 41 - asmenines vertybinių popierių sąskaitos | Šioje sąskaitų grupėje apskaitomos asmeninės vertybinių popierių sąskaitos, tokios kaip einamosios asmeninės vertybinių popierių sąskaitos, einamosios apribotų vertybinių popierių sąskaitos ir t.t. |
| | 42 - balansuojančios vertybinių popierių sąskaitos | Balansuojamos su Centrinio depozitoriumu sąskaitos, netiesioginių Centrinio depozitoriumo dalyvių sąskaitos ir pan. |
| | 43 - sandorių su vertybiniais popieriais sąskaitos | Šios sąskaitų grupės sąskaitose yra apskaitomi įsipareigojimai atpirkti, įsipareigojimai parduoti vertybinius popierius ateityje bei kiti sandoriai su vertybiniais popieriais. |
| | 44 - laikinai nepaskirstytų vertybinių popierių sąskaitos | Šioje sąskaitų grupėje atsispindi laikinai nepaskirstytų vertybinių popierių sąskaitos, tokios kaip savanoriškai pristabdytų operacijų sąskaitos, koregavimo sąskaitos ir kitos. |
| | 45 - gautos garantijos, užstatai | Gautų garantijų, užstatų bei gautų dokumentų ir vertybių sąskaitos. |
| | 46 - suteiktos garantijos | Suteiktų garantijų, užstatyto turto bei išleistų dokumentų ir perduotų vertybių sąskaitos. |

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| | 47 - 49 kitos laisvai pasirenkamos sąskaitos | |
| 5 klase Pajamos | 50 - komisinių- pajamos | Šioje grupėje turi būti įtraukiamos visos sąskaitos, kuriose apskaitomos komisinių pajamos už tarpininkavimą viešojoje vertybinių popierių apyvartoje (Lietuvos bei užsienio vertybinių popierių biržose) bei kitos sandorių registravimo pajamos. Komisinių pajamos už kitokį tarpininkavimą ne pagal Lietuvos Respublikos viešosios apyvartos įstatymą turi būti laikomos kitomis pajamomis. |
| | 51 - prekybos knygos pelnas (nuostolis) | Šios grupės sąskaitose turi būti apskaitomas realizuotas ir nerealizuotas prekybos knygos pelnas pagal kiekvieną finansinių instrumentų rūšį (pavadinimą). |
| | 52 - neprekybos knygos pelnas (nuostolis) | Šios grupės sąskaitose turi būti apskaitomas realizuotas ir nerealizuotas neprekybos knygos pelnas pagal kiekvieną finansinių instrumentų rūšį (pavadinimą). |
| | 53 - Operacijų su užsienio valiutomis pelnas (nuostolis) | Šios grupės sąskaitose turi būti apskaitomas realizuotas ir nerealizuotas pelnas (nuostolis) iš operacijų užsienio valiutomis ir valiutinių straipsnių perkainojimo, keičiantis oficialiam lito ir užsienio valiutų kursui. |
| | 54 - palūkanos ir dividendai | Šiose sąskaitose atsispindi tik palūkanų ir dividendų pajamos. |
| | 55 - pajamos iš emitentų aptarnavimo | Šioje sąskaitų grupėje apskaitomos emisijų platinimo, emisijos dokumentų ruošimo ir registravimo, emitentų vertybinių popierių apskaitos, emitentų konsultavimo ir pan. pajamos. |
| | 56 - turto valdymo pajamos | Šios grupės sąskaitose turi būti apskaitomos klientų vertybinių popierių portfelio (turto) valdymo pajamos, tuo atveju kai įmone teikia tokias paslaugas klientams. |
| | 57 - klientų aptarnavimo pajamos | Šios grupės sąskaitose apskaitomos klientų sąskaitų aptarnavimo, klientų konsultavimo ir pan. pajamos. |
| | 58 - kitos | Šios grupės sąskaitose apskaitomos visos kitos įmonės pajamos, tokios kaip ilgalaikio turto perleidimai, trumpalaikio turto pardavimai, pajamos už išnuomotą turtą ir panašios pajamos. |
| 59 - neįprastinės veiklos pelnas | Čia apskaitomas įmonės neįprastinės (ypatingosios) veiklos pelnas, toks kaip ilgalaikio turto nurašytų ir nudėvėtų sumų atstatymas, suformuotų atidejimų atstatymas, gauto užstatu turto pardavimo ir pan. pajamos. | |

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| 6 klase Sanaudos | 60 - komisinių sanaudos | Šioje sąskaitų grupėje apskaitomos įmonės komisinių sąnaudos, susijusios su įmonių tarpininkavimu viešojoje vertybinių popierių apyvartoje bei kitos sandorių registravimo komisinių sąnaudos. |
| | 61 - darbo užmokesčio ir susijusios | Šioje grupėje įtraukiamos pagrindinio ir papildomo darbuotojų atlyginimų sąnaudų sąskaitos, personalo kvalifikacijos kėlimo ir kitos su personalu susijusių sąnaudų sąskaitos. |
| | 62 - biuro įrangos sanaudos | Šios grupės sąskaitose apskaitoma patalpų nuomos, patalpų įrangos nuomos, patalpų, patalpų įrangos, kompiuterių remonto ir eksploatacijos ir pan. sąnaudos. |
| | 63 - administra- cines | Šioje sąskaitų grupėje apskaitomos palūkanų, ryšių ir kitos administracinės sąnaudos |
| | 64 - kitos | Šios grupės sąskaitose apskaitomos visos kitos sąnaudos, tokios kaip teisinių paslaugų sąnaudos, konsultacinės, informacinės, audito paslaugų, kelių mokesčio, turto draudimo ir pan. sąnaudos. |
| | 65 - nusidevejimas ir amortizacija | Šioje sąskaitų grupėje apskaitomos ilgalaikio turto nusidevejimo bei nematerialaus turto amortizacijos sąnaudos. |
| | 66 - blogų paskolų ir tiketinių įsipareigojimų atidėjimų sanaudos | Čia atspindimos blogų paskolų ar pradelstų mokejimų bei tiketinių įsipareigojimų atidėjimų sąnaudos. |
| | 67 laisva | |
| | 68 - neįprastines veiklos nuostolis | Šios grupės sąskaitose apskaitomas neįprastinis (ypatingas), nuo įmonės pagrindinės veiklos nepriklausantis nuostolis. |
| 69 - pelno mokeskis | Čia apskaitomos įmonės pelno mokesčio sąnaudos. Be to šioje sąskaitų grupėje atskiroje (-ose) sąskaitoje (-ose) turi būti apskaitomi pelno mokesčio koregavimai, jei tokie yra atliekami. | |

Finansinių ataskaitų, taikomų finansų maklerio įmonėms, aprašymas

I. Bendra dalis.

Finansinių ataskaitų formos, taikomos finansų maklerio įmonėms, yra tiek metinės, tiek tarpinės, t.y. tinkamos pristatyti suinteresuotoms institucijoms metų eigoje.

Į metinių finansinių ataskaitų sudėtį įeina: balansas, nebalansinių straipsnių ataskaita, pelno (nuostolio) ataskaita, pinigų srautų ataskaita, akcininkų nuosavybės pakitimų ataskaita bei paaiškinamasis raštas. Į tarpinių finansinių ataskaitų sudėtį įeina: balansas, nebalansinių straipsnių ataskaita, pelno (nuostolio) ataskaita, pinigų srautų ataskaita bei akcininkų nuosavybės pakitimų ataskaita. Vertybinių popierių komisija savo sprendimu gali nustatyti jai pristatomų finansinių ataskaitų sudėtį ir pateikimo periodiškumą.

Mokesčių inspekcijai ir Statistikos departamentui pristatomų finansinių ataskaitų sudėtį ir pateikimo periodiškumą nustato Finansų ministerija.

Finansinės ataskaitos ir finansinės apskaitos principai, kuriais vadovaujantis turi būti vedama finansinė apskaita finansų maklerio įmonėse, skirti tiksliai ir teisingai atspindėti ūkinius įvykius, įvykusius įmonėje ir gali nesutapti su įvairiais mokesčių įstatymų ir poįstatyminių aktų reikalavimais.

Įvairių kategorijų finansų maklerio įmonės parengtas finansinių ataskaitų formas turi pačios pritaikyti prie savo įmonės veiklos, kad kuo tiksliau atspindėtų veiklos rezultatus. Pavyzdžiui, B kategorijos FMĮ neturi teisės prekiauti savo sąskaita, todėl Pelno (nuostolio) ataskaitoje turėtų praleisti eilutę "Prekybos knygos pelnas (nuostolis)".

II. Balansas.

Balanso forma, taikoma finansų maklerio įmonėms, skiriasi nuo gamybinės ar komercinės įmonėms taikomos balanso formos. Finansų maklerio įmonėms taikomo balanso formoje turtas išdėstytas pradedant likvidžiausio turto eilutėmis ir baigiant mažiausiai likvidaus turto eilutėmis. Pagrindinis dėmesys kreipiamas į finansinio turto (prekybos ir neprekybos knygų) straipsnių atskleidimą. Be to kai kurios turto straipsnius papildomai reikalaujama detalizuoti paaiškinamajame rašte.

Vadovaujantis visuotinai priimtais apskaitos principais atskiri turto straipsniai balanse pateikiami grynąja verte, t.y. iš ilgalaikio turto atėmus nudėvėtąją turto dalį, iš gautinų sumų atėmus padarytus atidėjimus ir pan. Finansinis turtas pateikiamas atspindint realias atskirų turto straipsnių rinkos vertes, t.y. atskiros vertybinių popierių grupės turi būti perkainuojamos atsižvelgiant į realias rinkos kainas, vadovaujantis pasirinkta įkainojimo bei finansinės apskaitos politika.

Vertybiniai popieriai, kurie neturi realiai nustatytos rinkos kainos (securities which are not readily marketable), turi būti apskaitomi įsigijimo kaina arba kitu priimtinu būdu nustatyta kaina ir turi būti atskleisti

paaiškinamajame rašte. Šiems vertybiniams popieriams balanse nėra skirtos atskiros eilutės.

Kiekviena balanso turto, įsipareigojimų ir akcininkų nuosavybės eilutė atitinka vieną arba kelias sąskaitų grupes, kurių sudėtis bei aprašymas yra pateiktas Pavyzdiniame sąskaitų plane. Todėl pildant balanso formą reikia vadovautis Pavyzdiniame sąskaitų plane pateiktu sąskaitų klasių ir tų klasių sudarančių grupių aprašymu.

III. Nebalansinių straipsnių ataskaita. (nebalansinių sąskaitų ataskaita)

Nebalansinių straipsnių ataskaita yra skirta atspindėti įmonės nebalansiniam turtui ir nebalansiniams įsipareigojimams. Nebalansinių straipsnių ataskaitos eilutės yra sugrupuotos pagal Pavyzdiniame sąskaitų plane pateiktas sąskaitų grupes.

Pavyzdiniame sąskaitų plane vertybiniams popieriams apskaityti yra skirtos dvi sąskaitų grupės: bendrųjų ir asmeninių sąskaitų grupės. Taip yra todėl, kad vertybiniai popieriai yra apskaitomi dvejybinio įrašu. Nebalansinių straipsnių ataskaitoje pateikiamos tik bendrųjų (balansuojančių) vertybinių sąskaitų eilutės.

Sandorių su vertybiniais popieriais apskaita bei kito nebalansinio turto (teisių) ir įsipareigojimų apskaita gali būti vedama paprastuoju arba dvejybinio įrašu. Tai priklauso nuo įmonės pasirinktos apskaitos sistemos.

Jei pastarųjų nebalansinių straipsnių apskaita vedama dvejybinio įrašu, tai asmeninėms sąskaitoms (įsipareigojimų atėityje atpirkti vertybinius popierius, gautos garantijos, išleisti dokumentai ir pan.) koresponduoti turi būti atidaromos bendrosios (balansuojančios, tranzitinės) sąskaitos. Šios balansuojančios sąskaitos turi būti atidaromos kitoje (?) sąskaitų grupėje.

Kai įmonė atlieka sandorius su finansiniais instrumentais (išvestiniais finansiniais instrumentais), tai ji į nebalansinių straipsnių ataskaitą turi įtraukti papildomas eilutes, kad būtų tinkamai atkleista atliekamų sandorių apimtis bei rizika. Tokios eilutės turi būti paaiškintos paaiškinamajame rašte. Tie išvestiniai finansiniai instrumentai, kurie turi balansinę dalį, paaiškinamajame rašte turi būti aprašyti prie pastabos "Išvestiniai finansiniai instrumentai". Kiti finansiniai instrumentai turi būti aprašyti kitoje pastaboje.

IV. Akcininkų nuosavybės pakitimų ataskaita.

Akcininkų nuosavybės pakitimų ataskaita skirta parodyti kaip kito akcininkų nuosavybė ataskaitinio laikotarpio eigoje. Akcininkų nuosavybė gali kisti sąlygojant tokioms priežastims: išleidžiant naują akcijų emisiją, gaunant pelną, perkainojant materialųjį ir finansinį turtą, patiriant nuostolį, superkant nuosavas akcijas. Ataskaitoje, padidėjimo ir sumažėjimo eilutėse, kaip tik ir turi atsispindėti šie pokyčiai. Kai ši ataskaita yra rengiama metų eigoje, tai praėję ir einamieji ataskaitiniai laikotarpiai turi atitikti balanso ataskaitinius laikotarpius, pvz.: kai ataskaita sudaroma už I ketvirtį, tai praėjęs ataskaitinis laikotarpis bus prėjusių metų pabaiga, o einamasis - I - ojo ketvirčio pabaiga.

V. Pelno (nuostolio) ataskaita.

Pelno (nuostolio) ataskaitos forma yra pritaikyta finansų maklerio įmonėms, siekiant kuo tiksliau atspindėti įmonės uždirbamas pajamas bei patiriamas sąnaudas.

Pelno (nuostolio) ataskaitos komisinių eilutėje turi būti pateikta grynoji komisinių vertė, t.y. bendroji komisinių vertė, kai įmonė pateikia klientų pavedimus tiesiogiai į biržą ir grynoji komisinių vertė, kai įmonė tarpininkauja tarp kliento ir kitos įmonės arba perduoda pavedimą kitai įmonei. Šioje eilutėje atspindimi tiek nuosavybės tiek ir skolos vertybinių popierių pavedimų komisiniai, atitinkamai juos išskaidant į sandorius sudaromus vertybinių popierių biržose bei sandorius, sudaromus vertybinių popierių aukcionuose.

Prekybos ir neprekybos knygų pelno (nuostolio) eilutėse pateikiamas grynasis rezultatas, t.y. vertybinių popierių apyvarta nėra atspindima, o pateikiamas tik skirtumas tarp vertybinių popierių pirkimo ir pardavimo kainų arba skirtumas tarp vertybinių popierių pirkimo ir perkainojimo verčių.

Prekybos knygos sudėtyje esančių vertybinių popierių bei kitų finansinių instrumentų uždirbama palūkanų bei dividendų suma turi būti koreguojamas prekybos knygos realizuotas arba nerealizuotas pelnas (nuostolis). Pelno (nuostolio) ataskaitos palūkanų ir dividendų eilutėje turi atspindėti tik neprekybos knygos sudėtyje esančių straipsnių uždirbamos palūkanos ir dividendai. (JAV variante ir šitos palūkanos bei dividendai turi būti įtraukiami tiesiai į neprekybos knygos realizuotą arba nerealizuotą pelną (nuostolį)).

Neprekybos knygos nerealizuotas pelnas (nuostolis) gali būti pateikiamas ne Pelno (nuostolio) ataskaitoje, o Balanse finansinio turto perkainojimo rezervuose. Neprekybos knygos nerealizuoto rezultato atspindėjimas priklauso nuo finansinių instrumentų esmės bei įmonės vadovybės pasirinktos finansinės apskaitos politikos.

Operacijų su užsienio valiutomis bei valiutų perkainojimo pelno (nuostolio) eilutėje turi būti atspindimas pelnas ar nuostolis gautas atliekant operacijas su užsienio valiutomis bei perkainojant balansinius straipsnius, kurie yra denominuoti užsienio valiuta, pagal oficialiuosius lito ir konkrečių užsienio valiutų buhalterinius kursus.

Emitentų aptarnavimo ir emisijų platinimo pajamų eilutėje turi atspindėti bendrasis pelnas gautas aptarnaujant emitentus arba platinant emitentų emisijas, prisiimant atsakomybę arba tik tarpininkaujant, individualiai arba dalyvaujant platintojų sidikate. Bendrasis pelnas nustatomas kaip skirtumas tarp vertybinių popierių pardavimo kainos ir jų įsigijimo kainos, papildomai jį koreguojant gauta ar suteikta nuolaidų suma, komisinių suma ir pan. Bet kokias tiesiogines sąnaudas, kurias galima tiesiogiai priskirti emisijų platinimui, taip pat reikėtų minusuoti nustatant bendrąjį pelną. Jei platinant emisiją liko neparduotų akcijų, kurių vertė vėliau rinkoje sumažėjo, tai šio nerealizuoto nuostolio verte turi būti sumažintas emisijų platinimo pajamos (bendrasis pelnas).

Reikia pagalvoti kur įkišti pajamas (komisinius) už investicinių fondų akcijų platinimą.

Klientų vertybinių popierių portfelių (turto) valdymo ir konsultavimo pajamų eilutėje turi atspindėti komisiniai, kurie gaunami už klientų (investicinių fondų, pensijų fondų, privačių klientų) valdomas investicijas. Šie

komisiniai paprastai nustatomi procentine išraiška nuo viso valdomo turto rinkos vertės. Taip pat šioje eilutėje turi būti įtrauktos ir klientų konsultavimo pajamos.

Kitų komisinių eilutėje turi būti įtraukti visi kiti komisiniai, kurie neįeina į sumokėtų komisinių biržai ir kliringo bankui eilutę. Čia gali būti įtraukti tokie komisiniai, kaip įmonės atstovavimo komisiniai arba užmokestis ir pan.

Pelno mokesčio atidėjimų eilutėje turi atsispindėti atidėtas pelno mokeskis, nustatomas vadovaujantis tam tikrais pelno mokesčio apskaitos metodais (jei tokie yra taikomi). Pelno mokesčio atidėjimas paprastai gaunamas dėl neatitikimų tarp finansinės apskaitos ir apskaitos, skirtos teisingai vesti apskaitą pagal mokesčių reikalavimus, pvz.: finansinėje apskaitoje gali būti nuspręsta, kad kompiuterius galima nudėvėti per 2 metus, tačiau pagal Finansų ministerijos nustatytą tvarką kompiuterius galima nudėvėti ne trumpiau kaip per 3 - 5 metus.

VI. Pinigų srautų ataskaita.

Finansų makierio įmonėms taikoma pinigų srautų ataskaita yra parengta pagal tiesioginį pinigų srautų iš įmonės veiklos skaičiavimo metodą. Tai reiškia, kad pinigų srautai iš įmonės veiklos yra skaičiuojami pagal pagrindinius įmonės įplaukų ir išlaidų straipsnius, o ne koreguojant grynojo pelno (nuostolio) rodiklį, nepiniginių straipsnių suma, kaip tai daroma taikant netiesioginį pinigų srautų metodą.

Pinigų srautų ataskaita susideda iš trijų pagrindinių dalių, tai pinigų srautai iš veiklos (operacinės veiklos), iš investicinės veiklos ir iš finansinės veiklos. Ši klasifikacija yra daugiau informacinio pobūdžio, todėl jei kuri nors eilutė, kuri yra įtraukta į vieną pinigų srautų grupę savo esme turėtų priklausyti kitai grupei, tai ją reikėtų perklasifikuoti. Pavyzdžiui, įmonių skolų (padidėjimo) sumažėjimo eilutė, kuri įtraukta į pinigų srautus iš investicinės veiklos grupę ir kurioje atsispindi tik trumpalaikės (iki metų) įmonių skolos, turėtų būti įtraukta į pinigų srautus iš veiklos grupę. Kadangi šioje srautų grupėje turi atsispindėti tik pinigų srautai iš tiesioginės, kasdieninės įmonės veiklos.

Pinigai ir pinigų ekvivalentai. Pinigų srautų ataskaitos pabaigoje yra išvedamas pinigų padidėjimas arba sumažėjimas per ataskaitinį laikotarpį. Šis skirtumas yra lygus balansinės pinigų sumos pokyčiui per ataskaitinį laikotarpį. Nustatant pinigų pokytį į pinigų sampratą įeina ir pinigų ekvivalentai. Tai reiškia, kad prie pinigų priskiriami gryniesi pinigai kasoje, pinigai bankų sąskaitose, investicijos į finansinius instrumentus, kurių trukmė iki 3 mėn. (VVP, komerciniai (ne vertybiniai) popieriai, kiti pinigų rinkos instrumentai). Nustatant instrumentų galiojimo trukmę, reikia vadovautis tokiu principu: jei 1 metų trukmės VVP įmonė įsigyja likus iki jo išpirkimo termino mažiau kaip trims mėnesiams, tai jį galima pripažinti pinigų ekvivalentu. Jei tokie patys VVP yra įsigijami likus daugiau nei 3 mėnesiams iki jų išpirkimo termino, tai jie negali būti pripažinti pinigų ekvivalentais ir turi būti įtraukti į prekybos arba neprekybos knygas. Tačiau jei anksčiau nupirkti įmonės VVP peržengia 3 mėnesių iki jų išpirkimo termino laikotarpį, tai jie negali būti perklasifikuoti į pinigų ekvivalentus, o turi likti tose pozicijose, kur ir yra.

Įmonės pačios turi nustatyti kokie instrumentai tinkami klasifikuoti kaip pinigų ekvivalentai ir kokiais kriterijais vadovautis. Kadangi tokios trumpalaikės investicijos (iki 3 mėnesių) į finansinius instrumentus gali būti

traktuojamos kaip įmonės pinigų srautų valdymas arba kaip investicijos į prekybos knygos pozicijas. Tokia finansinės apskaitos politika turi būti aprašyta paaiškinamajame rašte. Jei finansinių instrumentų klasifikacija į pinigų ekvivalentus keisis metų eigoje, tai įmonė paaiškinamajame rašte turi pateikti papildomą palyginamąją pinigų srautų lentelę.

Pinigų srautai iš veiklos (operacinės veiklos). Šioje pinigų srautų grupėje pateikiami teigiami ir neigiami pinigų srautai iš įmonės tarpininkavimo, klientų ir emitentų aptarnavimo, prekybinės veiklos ir kitos kasdienės įmonės veiklos. Pinigų srautų iš įmonės veiklos analizė pagalba galima nustatyti kaip įmonei sekasi generuoti pinigus ar jų ekvivalentus dabartiniu momentu bei ateityje, koks yra įmonės likvidumas ir mokumas.

Pinigų srautai iš investicinės veiklos. Šios pinigų srautų grupės pagalba nustatoma kur įmonė panaudoja savo pinigus ir kaip tos investicijos atsiperka. Įmonė gali investuoti į įvairius vertybinius popierius ir finansinius instrumentus siekdama ilgalaikės naudos arba siekdama dalyvauti kitos įmonės valdyme, gali investuoti į materialųjį ir nematerialųjį ilgalaikį turtą, suteikti klientams ir ne klientams ilgalaikes paskolas ir pan.

Pinigų srautai iš finansinės veiklos. Pinigų srautai iš finansinės veiklos parodo kaip įmonė finansuoja savo veiklą iš ilgalaikių šaltinių, tokių kaip nuosavų skolos ir nuosavybės vertybinių popierių išleidimas, ilgalaikių paskolų, tame tarpe ir subordinuotų, prisiėmimas. Neigiami pinigų srautai iš finansinės veiklos yra dividendų ir palūkanų už nuosavus vertybinius popierius sumokėjimas, nuosavų vertybinių popierių supirkimas arba išpirkimas ir pan.

Užsienio valiutų pinigų srautai. Realizuotas pelnas arba nuostolis iš operacijų užsienio valiuta turi atsispindėti pinigų srautuose iš veiklos kitos veiklos įplaukų arba išlaidų eilutėse. Įmonės turimų vertybinių popierių arba finansinių instrumentų, denominuotų užsienio valiuta, perkainojimo rezultatas, atsispindintis pelno (nuostolio) ataskaitoje, pinigų srautų ataskaitoje neatsispindi niekaip. Tačiau tokie straipsniai turi būti konvertuoti į nacionalinę valiutą ataskaitų sudarymo dienai, pagal oficialųjį lito ir užsienio valiutų kursą. Skirtumas, susidaręs tarp jų įsigijimo ar sutarčių sudarymo dieną buvusių kursų ir ataskaitų sudarymo dieną esančių kursų, turi būti pateiktas eilutėje "Užsienio valiutų pinigų srautai".

Informacija apie nepiniginis srautus. Investicinė ar finansinė veikla, nereikalaujanti pinigų ar pinigų ekvivalentų panaudojimo, turi būti neatspindėta pinigų srautų ataskaitoje. Tokie sandoriai turi būti atskleisti ir aprašyti paaiškinamajame rašte, pateikiant visą reikalingą informaciją apie įvykusius sandorius. Sandorių kai neįvyksta pinigų ar pinigų ekvivalentų judėjimas, pavyzdžiai galėtų būti tokie: įsigyjant turtą už tiesioginę paskolą arba lizingo (kapitalo lizingo) būdu, įsigyjant turtą (kitą įmonę) už naujai išleistą emisiją, konvertuojant įmonės turimas skolas arba skolos vertybinius popierius į nuosavybės vertybinius popierius.

Kita. Visose pinigų srautų ataskaitos eilutėse turi būti pateikti tik gryniesi pinigų srautai, t.y. iš pajamų, sąnaudų, turto ar įsipareigojimų eilučių eliminuojant sukauptas sumas (nepiniginis straipsnius). Pavyzdžiui, norint nustatyti grynąjį palūkanų pajamų pinigų (įplaukų) srautą reikia prie balansinės, ataskaitinio laikotarpio pradžioje, sukauptų palūkanų pajamų vertės pridėti per metus priskačiuotą (sukauptą) palūkanų sumą, pateikiamą pelno (nuostolio) ataskaitoje ir atimti balansinę sukauptų palūkanų sumą, ataskaitinio laikotarpio pabaigoje. Tokiu principu apskaičiuojamos visos

veiklos įplaukos ir išlaidos, kurios nustatomos pelno (nuostolio) ataskaitos ir balanso pagalba.

Pildant pinigų srautų ataskaitos eilutes, kurios nustatomos tik balanso pagalba reikia išvesti atskirų balanso eilučių pokytį per metus. Pavyzdžiui, gautinų sumų (padidėjimo) sumažėjimo eilutėje turi būti pateiktas gautinų sumų skirtumas tarp ataskaitinio laikotarpio pradžios ir pabaigos. Jei ataskaitinio laikotarpio pabaigoje gautinų sumų vertė buvo didesnė nei ataskaitinio laikotarpio pradžioje, tai šis padidėjimas laikomas neigiamu pinigų srautu (turi būti pateiktas su minuso ženklu arba skliaustuose), įmonė teikdama paslaugas padarė išlaidas o su ja klientai neatsiskaito. Jei gautinų sumų vertė sumažėjo, tai įmonė turi teigiamą pinigų srautą.

VII. Paaiškinamasis raštas.

Finansų maklerio įmonės turi parengti dviejų dalių paaiškinamąjį raštą: pirmiausia turi būti aprašomi ir atskleidžiami įmonės naudojami pagrindiniai apskaitos principai (finansinės apskaitos politika), po to seka paaiškinamosios pastabos ir lentelės.

Pagrindinių apskaitos principų atskleidimas. Tvarkant finansinę apskaitą ir rengiant finansines ataskaitas turi būti vadovujamasi trimis pagrindinėmis apskaitos prielaidomis (principais): besitęsiančios veiklos, pastovumo, kaupimo.

Besitęsiančios veiklos principas. Finansinės ataskaitos yra rengiamos remiantis prielaida, kad įmonė veiks ir tęs savo operacijas pakankamai ilgai, kad ji nesiruošia likviduoti ir jos veiklos sritys nebus reikšmingai apribotos. Jei įmonę ketinama likviduoti, jos finansinės ataskaitos turi būti parengtos laikantis kitokių principų, kurie turi būti aprašyti paaiškinamajame rašte.

Apskaitos pastovumo principas. Siekiant užtikrinti, kad vieno laikotarpio finansinių ataskaitų duomenis būtų galima palyginti su kitų laikotarpių duomenimis, apskaitos metodika turi nesikeisti pakankamai ilgą laiką. Jei per apskaitinį laikotarpį ar jam pasibaigus kurių nors apskaitos sričių politika yra keičiama, paaiškinamajame rašte turi būti nurodyta, kokie būtų finansiniai rezultatai, jei būtų taikoma ankstesnė apskaitos politika, ir kokie jie yra dabar.

Kaupimo principas. Ūkinių įvykių finansinė apskaita įmonėse turi būti tvarkoma taikant kaupimo principą. Tai reiškia, kad įmonės veiklos operacijos turi būti pripažintos tada, kai jos įvyko (ne pinigų gavimo ar išleidimo momentu), ir turi būti parodytos to laikotarpio finansinėse ataskaitose.

Finansinė apskaita vedama vadovaujantis tam tikrais apskaitos metodais bei apskaitos būdais. Šių apskaitos metodų ir būtų visumos aprašymas yra vadinamas apskaitos politika. Rengiant apskaitos politiką reikia vadovautis atsargumo (konservatyvumo), turinio o ne formos pirmenybės bei reikšmingumo principais. Šie principai yra esminės apskaitos politikos gairės, o jais vadovaujantis turi būti aprašyta kiekvienos reikšmingos apskaitos srities apskaitos politika.

Atsargumo (konservatyvumo) principas. Atsargumas yra tam tikrų priimtų sprendimų ar ūkinių operacijų, dėl kurių rezultatų negalima būti pakankamai tikriems, apdairus įvertinimas, siekiant, kad pajamos arba turtas nebūtų nepagrįstai padidinti, o sąnaudos arba įsipareigojimai - sumažinti.

Turinio, o ne formos, pirmenybės principas. Sandoriai ar ūkinės operacijos turi būti apskaitomos atsižvelgiant į jų esmę ir ekonominę realybę ir ne visada atsižvelgiant į jų juridinę formą.

Reikšmingumo principas. Finansinėse ataskaitose turi būti pateikta visa pakankamai reikšminga informacija. Informacija yra reikšminga tada, kai ją praleidus arba pateikus neteisingai, finansinių ataskaitų vartotojai gali priimti neteisingus ekonominius sprendimus.

Paaiškinamosios pastabos ir lentelės. Šioje paaiškinamojo rašto dalyje įmonė turi atskleisti visą reikšmingą finansinę ir nefinansinę informaciją. Dalis pastabų ir lentelių yra skirtos kai kuriems finansinių ataskaitų straipsniams detalizuoti, kadangi pastarosiose informacija yra pateikta "vienu kampu", o finansinių ataskaitų vartotojams ją būtina žinoti ir "kitu kampu". Pavyzdžiui, lentelėje Nr. 4 "Nuosavybės vertybiniai popieriai" vertybiniai popieriai yra detalizuojami pagal tai kokiose biržose tie vertybiniai popieriai yra kotiruojami, pagal investavimo tikslą (ilgalaikiai, trumpalaikiai), atskirai parodant kapitalo prieaugį. Balanse nuosavybės vertybiniai popieriai pateikti tik pagal investavimo tikslą.

Kitose pastabose ir lentelėse turi būti pateikta nefinansinė informacija arba su finansine informacija susijusi informacija. Tai tikėtinų įsipareigojimų aprašymas, įvykių įvykusių po balanso sudarymo datos atskleidimas, apskaitos politikos pasikeitimų bei to pasikeitimo įtakos aprašymas, susijusių šalių atskleidimas ir pan.

VIII. Baigiamoji dalis.

Reikalavimai paaiškinamajam raštui

1. Bendra dalis

1.1. Paaiškinamasis raštas yra neskiriama finansų maklerio įmonės (toliau - įmonės) metinės finansinės atskaitomybės-dalis.

1.2. Paaiškinamajame rašte aprašomi pagrindiniai apskaitos principai, pateikiama informacija detalizuojanti kai kuriuos finansinių ataskaitų straipsnius bei papildanti metinę finansinę atskaitomybę.

1.3. Įmonės sudarydamos metines finansines ataskaitas privalo parengti paaiškinamąjį raštą, vadovaudamosios šiame dokumente pateiktais reikalavimais. Įmonės savo nuožiūra gali pateikti daugiau informacijos apie savo veiklą.

1.4. Rengiant paaiškinamąjį raštą pagal šiuos reikalavimus reikia atsižvelgti į finansų maklerio įmonės dydį bei atliekamų operacijų apimtį.

2. Pagrindinių apskaitos principų atskleidimas

2.1. Paaiškinamajame rašte turi būti trumpai aprašyti tokių finansinės apskaitos sričių principai:

2.1.1. finansinių ataskaitų konsolidavimo principai;

2.1.2. investicinių vertybinių popierių (neprekybos knygos) įkainojimas, perkainojimas bei perkainojimo rezultato apskaita;

2.1.3. prekybinių vertybinių popierių (prekybos knygos) įkainojimas, perkainojimas bei perkainojimo rezultato apskaita;

2.1.4. įvairių operacijų, susijusių su vertybinių popierių perdavimu, apskaita ir iš to uždirbamų pajamų pripažinimas;

2.1.5. kitų operacijų, susijusių su vertybiniais popieriais, išskyrus jų pardavimą, apskaita ir iš to uždirbamų pajamų pripažinimas;

2.1.6. atidėjimų blogoms skoloms pripažinimas;

2.1.7. trumpalaikio ir ilgalaikio materialaus bei nematerialaus turto apskaita ir nusidėvėjimo sąnaudų pripažinimas;

2.1.8. palūkanų ir dividendų, emisijų platinimo, turto valdymo bei klientų sąskaitų aptarnavimo ir konsultavimo pajamų pripažinimas;

2.1.9. pajamų mokesčio apskaitos principai (tik tuo atveju jei yra naudojami);

2.1.10. finansinių instrumentų apskaita;

2.1.11. užsienio valiutų kursų kitimo apskaita.

2.2. Kiekviena įmonė priklausomai nuo jos dydžio ir atliekamų operacijų apimties privalo nusistatyti savo finansinės apskaitos politiką, kuri turi būti pakankamai detalai aprašyta, patvirtinta įmonės vyriausiojo finansininko (finansų direktoriaus) ir saugoma įmonėje kaip vidinis dokumentas. Paaiškinamajame rašte turi būti pateiktas tik sutrumpintas apskaitos politikos aprašymas, taip kaip nustatyta punkte Nr. 2.1.

2.3. Įmonė privalo vadovautis savo nusisatyta apskaitos politika ir nekeisti apskaitos principų. Tačiau esant reikalui kai kurie principai gali būti pakeisti, pateikiant papildomą palyginamąją informaciją apie tai kokią įtaką principo pakeitimas turi finansiniam rezultatui.

3. Pastabos ir lentelės

3.1. Išvestiniai finansiniai instrumentai.

Sugrupuoti išvestinius finansinius instrumentus pagal jų kilmę bei pagal galiojimo laikotarpį, taip kaip parodyta lentelėje:

Lentelė Nr. 1 Išvestiniai finansiniai instrumentai.

| Išvestiniai finansiniai instrumentai | Sandorio vertė | | | Vertinta rinkos vertė | Vertinta rinkos vertė, atėmus sukauptumus |
|--------------------------------------|-----------------------|-----------|------|-----------------------|-------------------------------------------|
| | Galiojimo laikotarpis | | | | |
| | Iki metų | Virš metų | Viso | | |
| Palūkanų normų sutartys: | | | | | |
| prekiaujamos biržose | | | | | |
| neprekiaujamos biržose | | | | | |
| Užsienio valiutų sutartys: | | | | | |
| prekiaujamos biržose | | | | | |
| neprekiaujamos biržose | | | | | |
| Nuosavybės v.p. sutartys: | | | | | |
| prekiaujamos biržose | | | | | |
| neprekiaujamos biržose | | | | | |
| Indeksų sutartys: | | | | | |
| prekiaujamos biržose | | | | | |
| neprekiaujamos biržose | | | | | |
| Viso | | | | | |

Taip pat šioje pastaboje reikia atskleisti reikšmingas finansinių instrumentų (išvestinių finansinių instrumentų) sutarčių sąlygas (palūkanų normas, reikalingas įnešti grynujų pinigų sumas, reikalaujamo užstato vertę ir pan.)

3.2. Vertybiniai popieriai, gauti pagal perdavimo sutartis.

Pateikti lentelėje Nr. 2 vertybinius popierius, gautus pagal vertybinių popierių perdavimo sutartis. Sugrupuoti juos pagal atskirus perdavimo tipus.

Lentelė Nr. 2 Vertybiniai popieriai, gauti pagal perdavimo sutartis.

| Vertybinių popierių sandorio tipas | Galiojimo laikotarpis | | | | Viso |
|--------------------------------------------------------------|-----------------------|------------|----------|-----------|------|
| | iki mėnesio | 1 - 3 mėn. | iki metų | virš metų | |
| Vp pasiskolinti už užstatą: | - | | | | |
| obligacijos | | | | | |
| akcijos | | | | | |
| Vp pasiskolinti, kai skolinimasi pagal pardavimo kriterijus: | | | | | |
| obligacijos | | | | | |
| akcijos | | | | | |
| Viso | | | | | |

Pageidautina detalizuoti vertybinių popierių sandorius su perdavimu pagal jų formą, t.y. ar tai skolinimas, ar pardavimas su įsipareigojimų atpirkti (repo sandoris) ir pan.

3.3. Skolos vertybiniai popieriai.

Užpildyti lentelę, skolos vertybinius popierius detalizuojant pagal jų galiojimo laikotarpius bei pagal tai ar jie įtraukti į kokių nors biržų prekybinius sąrašus ar ne.

Lentelė Nr. 3 Skolos vertybiniai popieriai.

| Skolos vertybiniai popieriai | Galiojimo laikotarpis | | | | Viso |
|-------------------------------------------------------------------------------------------|-----------------------|------------|----------|-----------|------|
| | iki mėnesio | 1 - 3 mėn. | iki metų | virš metų | |
| Įtraukti į NVPB sąrašus | | | | | |
| Įtraukti į kitų biržų sąrašus | | | | | |
| Kiti skolos vp | | | | | |
| Viso | | | | | |
| Suma, kuria įtrauktų į sąrašus vp rinkos vertė yra didesnė (mažesnė) už išsigijimo vertę* | | | | | |
| Suma, kuria kitų vp rinkos vertė yra didesnė (mažesnė) už išsigijimo vertę* | | | | | |
| Skolos vp rinkos vertė, kurių galiojimo terminas baigiasi kitais metais | | | | | |

* Šiose eilutėse turi būti pateikta grynoji vertė, kuria skolos vertybinių popierių rinkos vertė viršija arba yra mažesnė (su minuso ženklu) už jų įsigijimo savikainą.

Pastaba. Prie šios lentelės reikia pateikti informaciją ar įmonė turi užstatytą skolos vertybinių popierių arba kitų skolos vertybinių popierių, kurių disponavimas įmonei yra apribotas.

3.4. Nuosavybės vertybiniai popieriai.

Užpildyti lentelę, nuosavybės vertybinius popierius detalizuojant pagal jų įsigijimo tikslą (skirti prekybai ar investicijoms) bei pagal tai ar jie įtraukti į kokių nors biržų prekybinius sąrašus ar ne.

Lentelė Nr. 4 Nuosavybės vertybiniai popieriai.

| Nuosavybės vertybiniai popieriai | Skirti prekybai (iki metu) | Skirti investicijoms (virš metu) | Viso |
|------------------------------------------------------------------------------------------|----------------------------|----------------------------------|------|
| Įtraukti į NVPB sąrašus | | | |
| Įtraukti į kitų biržų sąrašus | | | |
| Kiti nuosavybės vp | | | |
| Viso | | | |
| Suma, kuria įtrauktų į sąrašus vp rinkos vertė yra didesnė (mažesnė) už įsigijimo vertę* | | | |
| Suma, kuria kitų vp rinkos vertė yra didesnė (mažesnė) už įsigijimo vertę* | | | |

* Šiose eilutėse turi būti pateikta grynoji vertė, kuria nuosavybės vertybinių popierių rinkos vertė viršija arba yra mažesnė (su minuso ženklu) už jų įsigijimo savikainą.

Pastaba. Prie šios lentelės reikia pateikti informaciją ar įmonė turi užstatytą nuosavybės vertybinių popierių arba kitų nuosavybės vertybinių popierių, kurių disponavimas įmonei yra apribotas.

3.5. Gautinos sumos.

Detalizuoti lentelėje Nr. 5 gautinas sumas, susijusias su įmonės tarpininkavimu viešojoje vertybinių popierių rinkoje, pagal jų pradinę vertę, padarytus atidėjimus (jei reikia) bei pagal grynąją vertę.

Lentelė Nr. 5 Gautinos sumos.

| Gautinos sumos | Pradinė vertė | Padaryti atidėjimai | Grynoji vertė |
|-------------------------------------|---------------|---------------------|---------------|
| Klientų: | | | |
| įmonių | | | |
| privatų asmenų | | | |
| Kitų viešosios apyvartos tarpininkų | | | |
| Palūkanų ir dividendų | | | |
| Komisinių, mokesčių ir pan. | | | |
| Viso | | | |

3.6. Įmonių skolos.

Detalizuoti lentelėje Nr. 6 įmonių skolas, nesusijusias su tarpininkavimu viešojoje vertybinių popierių rinkoje, pagal jų pradinę vertę, padarytus atidėjimus (jei reikia) bei pagal grynąją vertę.

Lentelė Nr. 6 Įmonių skolos.

| Įmonių skolos | Pradinė vertė | Padaryti atidėjimai | Grynoji vertė |
|------------------------|---------------|---------------------|---------------|
| Avansu sumokėtos sumos | | | |
| Trumpalaikes skolos | | | |
| Ilgalaikes skolos | | | |
| Viso | | | |

3.7. Išperkamoji nuoma.

Pastaba Nr. 7 Išperkamoji nuoma.

Aprašyti išperkamosios nuomos (kapitalo lizingo) pagrindu įsigytą turtą, t.y. atskleisti kiekvieną išperkamosios nuomos pagrindu įsigyto turto rūšį pagal pavadinimą, jo išpirkimo terminą ir kitas svarbias išperkamosios nuomos sutarties sąlygas (neatskleidžiant komercinės paslapties).

3.8. Sukauptos pajamos ir ateities laikotarpių sąnaudos.

Pastaba Nr. 8 Sukauptos pajamos ir ateities laikotarpių sąnaudos.

Šioje pastaboje atskleisti sukauptas pajamas ir ateities laikotarpių sąnaudas pagal jų kilmę, t.y. atskirai pateikti palūkanų ir komisinių sukauptas pajamas ir ateities laikotarpių sąnaudas, tame tarpe pateikiant pradelstas sumas, kurioms padaryti atidėjimai bei kitas sukauptas pajamas ir ateities laikotarpių sąnaudas, tame tarpe pateikiant joms padarytus atidėjimus.

3.9. Įsipareigojimai klientams, pagal FMĮ klientų sąskaitose ir kasoje laikomus klientų pinigus. (pavadinimas keisis priklausomai nuo to ar bus reikalavimas atskiroje sąskaitoje banke laikyti klientų pinigus, pagal vp viešosios apyvartos įst. 13 str. siūlomą pataisą)

Pastaba Nr. 9 Įsipareigojimai klientams, pagal FMĮ klientų sąskaitose ir kasoje laikomus klientų pinigus.

Reikia atskirai pateikti kokios sumos klientų pinigų buvo FMĮ sąskaitose bei kasoje. Taip pat reikia pateikti kokiai sumai klientai jau buvo pateikę pavedimų nupirkti vertybinių popierių ataskaitinio laikotarpio pabaigoje.

3.10. Trumpalaikiai įsipareigojimai ir mokėtinos sumos.

Detalizuoti trumpalaikius įsipareigojimus ir mokėtinas sumas pagal jų trukmės laikotarpius.

Lentelė Nr. 10 Trumpalaikiai įsipareigojimai ir mokėtinos sumos.

| Trumpalaikiai įsipareigojimai | Galiojimo laikotarpis | | | | |
|------------------------------------------|-----------------------|-------------|-------------|----------|------|
| | iki mėn. | nuo 1 iki 3 | nuo 3 iki 6 | iki metų | Viso |
| Kreditinems institucijoms | | | | | |
| Kitiems viešosios apyvartos tarpininkams | | | | | |
| Klientams | | | | | |
| Palūkanų ir dividendų | | | | | |
| Ilgalaikių įsipareigojimų einamoji dalis | | | | | |
| Kitos mokėtinos sumos | | | | | |
| Viso | | | | | |

3.11. Įsipareigojimai pagal vertybinių popierių perdavimo sutartis.

Lentelėje pateikti įsipareigojimų sumas, susijusias su vertybiniais popieriais, gautais pagal vertybinių popierių perdavimo sutartis. Įsipareigojimų sumas sugrupuoti pagal sandorių su vertybiniais popieriais tipus. Taip pat pateikti kitus įsipareigojimus susijusius su vertybiniais popieriais.

Lentelė Nr. 11 Įsipareigojimai pagal vertybinių popierių perdavimo sutartis.

| Vertybinių popierių sandorio tipas | Galiojimo laikotarpis | | | | Viso |
|--------------------------------------------|-----------------------|------------|----------|-----------|------|
| | iki mėnesio | 1 - 3 mėn. | iki metų | virš metų | |
| Gražintini vertybiniai popieriai: | | | | | |
| obligacijos | | | | | |
| akcijos | | | | | |
| Mokėtina suma, pagal vp skolinimo sutartis | | | | | |
| Kiti įsipareigojimai | | | | | |
| Viso | | | | | |

Taip pat šioje pastaboje reikia atskleisti perduotų, bet dar nenupirktų vertybinių popierių (finansinių instrumentų) sandorius pagal kiekvieną parduotų vertybinių popierių rūšį.

3.12. Išleisti skolos vertybiniai popieriai.

Pastaba Nr. 12 Išleisti skolos vertybiniai popieriai.

Jei įmonė yra išleidusi skolos vertybinių popierių, atsižvelgiant į kiekvieną vertybinių popierių klasę, reikia aprašyti, kokiam terminui, kokia suma, kokioje rinkoje išleisti tie vertybiniai popieriai, bei kitas svarbias sąlygas.

3.13. Sukauptos sąnaudos ir būsimųjų laikotarpių pajamos.

Pastaba Nr. 13. Sukauptos sąnaudos ir būsimųjų laikotarpių pajamos.

Šioje pastaboje atskleisti sukauptas sąnaudas ir būsimųjų laikotarpių pajamas pagal jų kilmę, t.y. atskirai pateikti palūkanų ir komisinių sukauptas sąnaudas ir būsimųjų laikotarpių pajamas bei kitas sukauptas sąnaudas ir būsimųjų laikotarpių pajamas.

3.14. Tikėtini įsipareigojimai.

Pastaba Nr. 14 Tikėtini įsipareigojimai.

Aprašyti tikėtinius įsipareigojimus pagal jų rūšis, atskleidžiant balansinę ir nebalansinę sumas. Tikėtiniais įsipareigojimais (contingent liabilities) gali būti suteiktos garantijos, kai yra rizika, kad garanto gavėjas ko gero nebesugebės padengti savo įsipareigojimo; akredityvai?; suma, dėl kurios įmonė yra paduota į teismą ir yra didelė tikimybė, kad ši suma bus iš įmonės prisiesta ir pan.

3.15. Subordinuotos paskolos.

Pastaba Nr. 15 Subordinuotos paskolos.

Aprašyti gautas subordinuotas paskolas, atskleidžiant pagrindines sutarties sąlygas, t.y. pradinę paskolos sumą, palūkanų normos dydį, paskolos pasiėmimo datą, paskolos sugražinimo datą, balansinę vertę ataskaitos sudarymo datą.

Taip pat šioje pastaboje reikia aprašyti ir suteiktas subordinuotas paskolas, atskleidžiant pagrindines paskolos sutarties sąlygas.

3.16. Tikėtinų įvykių ir įvykių įvykusių po balanso sudarymo datos atskleidimas.

Pastaba Nr. 16 Tikėtini įvykiai ir įvykiai įvykę po balanso sudarymo datos.

Aprašyti kiekvieno tikėtino nuostolio ar tikėtino pelno gavimo galimybes atskleidžiant tokią informaciją:

- (a) tikėtino įvykio (tikėtinų įsipareigojimų) pobūdį;
- (b) kokį poveikį tas įvykis turės ateities rezultatams;
- (c) kokia tikimybė, kad jis įvyks.

Atskleisti įvykius, įvykusius po finansinių ataskaitų sudarymo datos (ataskaitinių metų pabaigos) iki finansinių ataskaitų tvirtinimo metiniame akcininkų susirinkime (arba finansinių ataskaitų publikavimo) datos. Reikia aprašyti kokio pobūdžio yra šie įvykiai ir kokią įtaką jie gali turėti ateities rezultatams.

3.17. Apskaitos politikos pasikeitimas.

Pastaba Nr. 17 Apskaitos politikos pasikeitimas.

Jei ataskaitinių metų eigoje įmonė keitė savo apskaitos politiką tai reikia aprašyti kodėl taip buvo pasielgta (įsigaliojo naujas finansinės apskaitos standartas, vadovybė nusprendė, kad naujo metodo pagalba bus tiksliau ir teisingiau atspindėtas finansinis rezultatas) ir metodą, kuriuo vadovaujantis buvo (bus) atspindima pasikeitimo įtaka finansinėms ataskaitoms. Apskaitos politikos ar atskiro finansinės apskaitos metodo pakeitimo įtaka finansiniam rezultatui gali būti atspindėta dviem būdais - koreguojant praėjusių ūkinių metų nepaskirstytą pelną arba parengiant visiškai naujas palyginamąsias finansines ataskaitas.

3.18. Konsoliduotos finansinės ataskaitos.

Pastaba Nr. 18 Konsoliduotos finansinės ataskaitos.

Šioje pastaboje reikia aprašyti visas įmones, kurios buvo konsoliduotos pagrindinės įmonės finansinėse ataskaitose bei įmones, kurios nebuvo konsoliduotos. Rengiant aprašymą, reikia:

- (a) konsoliduotų įmonių atveju: pateikti įmonės pavadinimą, būstinės registracijos adresą, turimą dalį akciniame kapitale arba turimą balsų skaičių (jei skiriasi nuo turimos dalies akciniame kapitale);
- (b) nekonsoliduotų įmonių atveju aprašyti priežastis, kodėl nekonsoliduojama.

3.19. Susijusių šalių atskleidimas.

Pastaba Nr. 19. Susijusių šalių (asmenų) atskleidimas.

Atskleisti įmonės santykius su susijusiomis šalimis, neatsižvelgiant į tai ar vyko kokie nors sandoriai tarp įmonės ir susijusių šalių, ar ne. Reikia aprašyti tokių santykių pobūdį, sandorių (jei buvo) apimtį vertine išraiška arba santykinė, kainų politiką tarp įmonės ir susijusių šalių (ar buvo daromos lengvatos ir pan.). Susijusios šalys laikomos susijusiomis tada, kai viena iš šalių turi galimybę kontroliuoti ar kitaip reikšmingai įtakoti kitą šalį (jos vadovus) priimant įvairius sprendimus. Susijusiomis šalimis paprastai yra įmonės vadovai, reikšmingą akcinio kapitalo dalį valdantys akcininkai, dukterinės ar kitos susijusios (afilijuotos) įmonės.

3.20. Klientų vertybinių popierių portfelių valdymas.

4. Baigiamoji dalis.

Finansinės apskaitos metodai

Bendri principai

Finansų maklerio įmonės vedamos finansinę apskaita bei rengdamos finansines ataskaitas turi vadovautis tokiais finansinės apskaitos principais:

- (a) besitęsiančios veiklos, t.y. daroma prielaida, kad įmonė tęs savo veiklą neribotą laiko tarpą, o jos veiklos sritis nebus reikšmingai apribota ar suvaržyta;
- (b) pastovumo, t.y. įmonė turi taikyti tuos pačius finansinės apskaitos metodus pakankamai ilgą laiko tarpą. Jeigu įmonės vadovybė nusprendžia pakeisti taikomus metodus, tai paaiškinamajame rašte turi būti papildomai pateikta palyginamoji informacija;
- (c) kaupimo, t.y. įmonės pajamos ir sąnaudos turi būti pripažintos tuo metu kai jos uždirbamos arba patiriamos, o ne tada kai yra gaunami pinigai;
- (d) įmonės turto ir įsipareigojimų komponentai turi būti įvertinami ir ataskaitose atspindimi atskirai;
- (e) įmonės balanso praėjusių ūkinių metų pabaigos duomenys turi sutapti su einamųjų ūkinių metų pradžios balanso duomenimis.

Šių principų nesilaikymas galimas tik išskirtiniais atvejais. Jei įmonė dėl kažkokių priežasčių nesivadovavo nors vienu iš šių principų, tai šis nukrypimas turi būti atskleistas paaiškinamajame rašte. Papildomai turi būti pateikta palyginamoji informacija, atskleidžianti kokią įtaką tam tikro principo nesilaikymas turi įmonės turtui, įsipareigojimams, pelnui ar nuostoliumi.

Investicijų užsienio valiuta apskaita

Finansų maklerio įmonė operacijas užsienio valiuta gali atlikti dviem būdais. Ji gali sudaryti sandorius užsienio valiuta arba vykdyti užsienio operacijas per dukterines įmones ar filialus. Atliekant sandorius užsienio valiuta, užsienio valiutų kursų pokyčių įtaka yra tiesiogiai įtraukiama į įmonės finansines ataskaitas. Atliekant užsienio operacijas, užsienyje esančių dukterinių įmonių ar filialų finansinės ataskaitos yra perskaičiuojamos į nacionalinę valiutą ir konsoliduojamos su pagrindinės įmonės finansinėmis ataskaitomis. Toliau yra pateiktas tik sandorių užsienio valiuta finansinės apskaitos aprašymas. Šiame aprašyme taip pat nėra nagrinėjamas sandorių užsienio valiuta apdraudimas, sudarant priešpriešinį išvestinį finansinį instrumentą (hedge accounting).

Finansų maklerio įmonės, turinčios savo prekybos arba neprekybos knygoje pozicijų, denominuotų užsienio valiuta, jų perskaičiavimus į nacionalinę valiutą turi atlikti kiekvieną dieną. Tačiau jei įmonė šių pozicijų aktyviai nekeičia (jomis aktyviai neprekiuoja), jų vertė nacionaline valiuta gali būti atspindima tik ataskaitinio laikotarpio pabaigoje. Tokio perskaičiavimo rezultatas yra pripažįstamas nerealizuotu pelnu arba nuostoliumi. Pozicijų užsienio valiuta perskaičiavimo rezultatas turi būti atspindimas to laikotarpio pelno (nuostolio) ataskaitoje.

Jei investicijos buvo įsigytos ir parduotos tą patį ataskaitinį laikotarpį, tai finansinėse ataskaitose atsispindės realizuotas pelnas (nuostolis) iš operacijų užsienio valiuta.

Denominuotos užsienio valiuta investicijos, kurių rinkos vertė taip pat kinta, pirmiausia turi būti perskaičiuojamos atspindint rinkos vertės pokyčius po to atspindint užsienio valiutų vertės svyravimus. ???

Ilgalaikis materialus ir nematerialus turtas, įsigytas už užsienio valiutą, yra apskaitomas vietine valiuta pagal tą kursą, kuris buvo turto įsigijimo dieną. Vėliau kintant valiutų kursams, ilgalaikio materialaus ir nematerialaus turto vertė nėra perskaičiuojama.

Prekybos dienos apskaita

Apskaitant finansų maklerio įmonės sandorius, sudaromus centrinėje rinkoje arba tiesiogiai, turi būti vadovaujama prekybos dienos apskaitos principu. Tai reiškia, kad jei sandoris buvo užfiksuotas tai jis turi būti pripažįstamas bei padaromi visi reikalingi įrašai balansinėse ir nebalansinėse sąskaitose. Prekybos dienos apskaitos principas turi būti naudojamas įvykdant tiek klientų vertybinių popierių pirkimo / pardavimo pavedimus tiek savo nuosavus pavedimus.

Piniginiu lėšu apskaita. Visos piniginės lėšos, susijusios su vertybinių popierių ar kitų finansinių instrumentų prekyba NVPB centrinėje rinkoje ar sandoriais sudaromais tiesiogiai, turi būti apskaitomos finansų maklerio įmonės balanse. Naujajame balanso projekte tam atspindėti yra skirtos atskiros eilutės:

1) turto pusėje, klientų pinigams atspindėti, skirta eilutė - "FMĮ klientų pinigai kasoje ir bankų sąskaitose" bei "Lėšos biržų arba kliringo institucijų sąskaitose", nuosaviems pinigams atspindėti - "FMĮ pinigai bankuose ir kasoje" bei "Lėšos biržų arba kliringo institucijų sąskaitose";

2) įsipareigojimų ir akcininkų nuosavybės pusėje, įsipareigojimams pagal sutartis su klientais dėl vertybinių popierių pirkimo atspindėti, skirta eilutė - "Įsipareigojimai klientams pagal FMĮ klientų sąskaitose ir kasoje laikomus klientų pinigus", įsipareigojimams dėl prekybos savo sąskaita atspindėti - "Trumpalaikiai įsipareigojimai ir mokėtinos sumos".

Šioms balanso eilutėms yra skirtos jas atitinkančios sąskaitų grupės. Sąskaitų grupėse Nr. 10 "FMĮ klientų lėšos", Nr. 11 "FMĮ lėšos", Nr. 20 "Įsipareigojimai klientams" ir Nr. 21 "Mokėtinos sumos" pagal naująjį pavyzdinį sąskaitų planą, turi atsispindėti visos sąskaitos, kurias nustatė Centrinis vertybinių popierių depozitoriumas.

Kadangi yra vadovaujama prekybos dienos apskaitos principu, tai finansų maklerio įmonės sudaromi sandoriai centrinėje rinkoje arba tiesiogiai turi būti apskaitomi sekančiai:

1) įvykdžius kliento pavedimą nupirkti centrinėje rinkoje arba tiesiogiai vertybinių popierių, kai klientas T dieną dar nėra pervedęs pinigų - debetuojama 15 grupės sąskaita "Kliento įsipareigojimas pagal vertybinių popierių pirkimo pavedimą" bei kredituojama 21 grupės sąskaita "FMĮ mokėtinos sumos (įsipareigojimai) kliringo institucijoms (viešosios apyvartos tarpininkams) pagal klientų pateiktą vertybinių popierių pirkimo pavedimą". Kliento gautini vertybiniai popieriai atsispindės nebalansinėse sąskaitose;

2) įvykdžius kliento pavedimą nupirkti tiesiogiai vertybinių popierių, kai klientas su kitu klientu atsiskaito tiesiogiai (ne per kliringo instituciją), FMĮ balanse turi atsispindėti tik gautini iš kliento komisiniai, kuriuos pastarasis privalo sumokėti įmonei už tarpininkavimą;

3) įvykdžius vertybinių popierių pirkimo pavedimą savo sąskaita, T dieną įmonės balansinėse sąskaitose turi būti padarytas toks įrašas - debetuojama 12 arba 13 grupių sąskaita "Gautini vertybiniai popieriai iš Centrinio depozitoriumo" bei kredituojama 21 grupės sąskaita "FMĮ mokėtinos sumos (įsipareigojimai) kliringo institucijoms (viešosios apyvartos tarpininkams) pagal vertybinių popierių pirkimą";

4) įvykdžius kliento pavedimą parduoti centrinėje rinkoje arba tiesiogiai vertybinius popierius, T dieną turi būti pripažintas FMĮ įsipareigojimas klientui, nurašyti kliento parduoti vertybiniai popieriai iš nebalansinių sąskaitų bei pripažinta gautina suma ir kliringo institucijos.

Vertybinių popierių nebalansinė apskaita. Visi vertybiniai popieriai (finansiniai instrumentai), kurie yra apskaitomi Centriniam depozitoriume, turi būti apskaitomi finansų maklerio įmonių nebalansinėse sąskaitose. Vertybiniai popieriai nebalansinėse sąskaitose turi būti apskaitomi kiekiu išraiška [ir vertine išraiška] (vertine išraiška yra apskaitomi nuosavi vertybiniai popieriai balanse). Vertybinių popierių apskaitai turi būti atidarytos asmeninės sąskaitos, balansuojančios sąskaitos, sandorių su vertybiniais popieriais sąskaitos bei kitos reikalingos sąskaitos.

Pavyzdiniame sąskaitų plane pateiktos sąskaitų grupės yra suderintos su Centrinio depozitoriumo nustatyta tvarka dėl vertybinių popierių nebalansinės apskaitos. Žemiau yra pateikta sąskaitų plano suderinamumo lentelė:

| FMĮ pavyzdinio sąskaitų plano 4 klasė "Balanse neatspindėtas turtas ir įsipareigojimai" | | Centrinio depozitoriumo Vykdomuoju raštu Nr. 4 nustatytas "VP sąskaitų planas" | |
|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sąskaitų grupės | Aprašymas (sąskaitų pavadinimai) | Sąskaitų klasės | Aprašymas (sąskaitų rūšies pavadinimai) |
| 40 | Emisijos registracija | 0 | Emisijos registracijos sąskaita (emitentų knygoje) |
| 41 | Asmeninės sąskaitos: - einamosios asmeninės sąsk. - einamosios apribotų vp sąsk. | 1 | Klientų sąskaitos: 11 - einamosios asm. sąsk. 12 - asmeninės apribotų vp sąsk. (13 - operacijų su vp asmeninės sąskaitos.) |
| 42 | Balansuojančios sąskaitos: - balansuojamos su CD sąsk. - netiesioginių CD dalyvių kreditinės sąskaitos. | 2 |sąskaitos: 21 - balansuojamos su CD sąsk. (22 - numatomų vp gavimo / pateikimo per CD sąskaitos.) 23 - netiesioginių CD dalyvių kreditinės sąskaitos. |
| 43 | Sandorių su vp sąskaitos: - operacijų su vp sąsk. - numatomų vp gavimo / pateikimo per CD sąskaitos. - įsipareigojimai ateityje atpirkti vp - įsipareigojimai ateityje parduoti vp | 1, 2 | 13 - operacijų su vp asmeninės sąskaitos. 22 - numatomų vp gavimo / pateikimo per CD sąskaitos. |

| | | | |
|----|--------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------|
| 44 | Laikiniai nepaskirstytų vertybinių popierių sąskaitos: | 3 | Laikiniai nepaskirstytų vp sąsk.: 31 - savanoriškai pristabdytų operacijų sąskaitos. 32 - koregavimo sąskaitos. |
|----|--------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------|

Pastaba. Pateiktais sąskaitų pavadinimais siekiama atspindėti buhalterinių įrašų finansų maklerio įmonėje esmę bei priklausymai konkrečiai sąskaitų grupei. Įmonės sąskaitų pavadinimus bei jų atitinkamas subsąskaitas pasirenka pačios, vadovaudamosios pavyzdinio sąskaitų plano struktūra.

Finansų maklerio įmonės turi atsidaryti sąskaitas pagal Centrinio depozitoriumo parengtą sąskaitų planą, kurios būtų suderinamos su naujojo Pavyzdinio sąskaitų plano sąskaitų grupėmis bei sąskaitomis. Esant reikalui įmonės gali atsidaryti papildomas nebalansines sąskaitas įvairiems sandoriams su vertybiniais popieriais apskaityti, pvz.: vertybinių popierių skolinimo arba skolinimosi sandoriams.

[Įrašai nebalansinėse vertybinių popierių sąskaitose atliekami Centrinio depozitoriumo [VP komisijos] nustatyta tvarka. Žemiau pateikiami kai kurie įrašų pavyzdžiai:

1) Įsigyjami vertybiniai popieriai centrinėje rinkoje:

įrašas atliekamas T dieną
D Numatomi gauti per biržą vertybiniai popieriai
K Einamoji asmeninė vp sąskaita

įrašas atliekamas S dieną
D Balansuojama su CD sąskaita
K Biržinių sandorių įvykdymo sąskaita

2) Skolinami vertybiniai popieriai už užstatą su perdavimu (užstato apskaita neaptarlama, žiūr. VP skolinimo taisyklės):

įrašas atliekamas T dieną
D Asmeninė vertybinių popierių sąskaita
K Balansuojama su CD sąskaita

D Pateikti vertybiniai popieriai pagal skolinimo sutartį
K Įsipareigojimas ateityje atsiimti (atpirkti) vp

3) Pasiskolinami vertybiniai popieriai su perdavimu:

įrašas atliekamas T dieną
D Numatomi gauti vertybiniai popieriai pagal skolinimosi sutartį
K Asmeninė vertybinių popierių sąskaita

D Gauti vertybiniai popieriai pagal skolinimosi sutartį
K Įsipareigojimas ateityje grąžinti (parduoti) vp

II

Įrašas atliekamas S (vp pervedimo pagal CD išrašą)
diena
D Balansuojanti su CD sąskaita
K VP skolinimosi su perdavimu įvykdymo sąskaita

Atidėjimai abejotinoms skoloms ar gautinoms sumoms

Finansų maklerio įmonė, vadovaudamasi konservatyvumo principu, kuris teigia, kad galimi nuostoliai apskaitoje turi būti pripažįstami nedelsiant, tačiau per anksti nepripažįstant pelno, turi daryti atidėjimus abejotinoms skoloms ar gautinoms sumoms. Abejotinų skolų pripažinimo kriterijus nustato pati įmonė. Pavyzdžiui, jei įmonės klientas nesumokėjo už įmonei už konsultavimo paslaugas pagal pateiktą sąskaitą, tai po 30 dienų nuo sąskaitoje nurodyto sumokėjimo termino, ši suma gali būti pripažinta abejotina ir jai padarytas 50 proc. atidėjimas. Jei ši suma buvo pradelsta 90 dienų po sąskaitoje nurodyto sumokėjimo termino, tai šiai sumai gali būti padarytas 100 proc. atidėjimas.

Atidėjimams abejotinoms skoloms ar gautinoms sumoms apskaityti turi būti atidaromos specialios kontraaktyvinės sąskaitos, kurių prasmė yra panaši į sukaupto nusidėvėjimo sąskaitą. Darant atidėjimus yra atliekamas toks buhalterinis įrašas:

D Atidėjimų sąnaudos (Pelno (nuostolio) ataskaitos sąskaita)
K Atidėjimai (Balanso turto kontraaktyvinė sąskaita)

Pastaba. Kol kas pagal galiojantį Juridinių asmenų pelno mokesčio įstatymą atidėjimų sąnaudos nėra pripažįstamos sąnaudomis, mažinančiomis apmokestinamąjį pelną. Todėl apskaičiuojant apmokestinamąjį pelną reikia atitinkamomis sumomis koreguoti pelną prieš mokesčius.

Investicijų į vertybinius popierius apskaita (žiūr. taisyklės)

Vertybinių popierių perdavimo (skolinimo) apskaita (žiūr. taisyklės)

Investicijų į vertybinius popierius finansinės apskaitos nuostatos

1. Bendroji dalis

1.1. Investicijų į vertybinius popierius finansinės apskaitos nuostatos yra taikytinos investiciniams bendrovėms, veikiančioms pagal Investicinių fondų įstatymą, viešosios apyvartos tarpininkams, veikiantiems pagal Lietuvos Respublikos Viešosios apyvartos įstatymą [bei kitiems ūkio subjektams, t.y. juridiniams asmenims ir įmonėms, neturinčioms juridinio asmens teisių, investavusiems į vertybinius popierius].

1.2. Investicijų į vertybinius popierius finansinės apskaitos metodai yra parengti vadovaujantis Tarptautiniu apskaitos standartu Nr. 25 "Investicijų apskaita", Ketvirtąją Europos Bendrijos direktyvą 78 / 660 / EEC "Dėl kai kurių tipų įmonių metinių finansinių ataskaitų", Europos Bendrijos direktyvą 86 / 635 / EEC "Dėl bankų ir kitų finansinių institucijų metinių ir konsoliduotų metinių finansinių ataskaitų" bei 29 - uoju Bendrai priimtu apskaitos principu (GAAP - Generally Accepted Accounting Principles) "Investicijos į skolas ir nuosavybės vertybinius popierius".

1.3. Visos įmonės, investuojančios į vertybinius popierius (finansinius instrumentus), turi nustatyti savo įmonės finansinės apskaitos politiką. Finansinės apskaitos politikoje be kita ko turi būti aprašyta: investicijų įsigijimo vertės nustatymas, investicijų pardavimo vertės nustatymas, investicijų perkainojimo tvarka bei rinkos vertės nustatymas, investicijų kapitalo prieaugio arba sumažėjimo (realizuoto ir nerealizuoto pelno (nuostolio) nustatymo bei pripažinimo tvarka.

2. Šiuose nuostatuose naudojami terminai:

2.1. **Investicija** - tai įmonės turimi vertybiniai popieriai (finansiniai instrumentai), už kuriuos tikimasi uždirbti pajamų, tokių kaip palūkanos, dividendai, ir pan. arba tikimasi gauti pelno iš jų vertės padidėjimo rinkoje, t.y. realizuoto arba nerealizuoto pelno.

Šioje nuostatose nėra nustatoma investicijų į atsargas ar ilgalaikį materialųjį turta, gautinų sumų ir pan. turto finansinės apskaitos tvarka.

2.2. **Trumpalaikė investicija** - tai įmonės investicija į skolas ar nuosavybės vertybinius popierius, turint tikslą jais pastoviai prekiauti arba juos parduoti ne vėliau kaip po metų ir kai tie vertybiniai popieriai turi realią (teisingą) vertę (fair value).

2.3. **Ilgalaikė investicija** - tai įmonės investicija į skolas ar nuosavybės vertybinius popierius, turint tikslą juos parduoti ne anksčiau kaip po metų arba jei tie vertybiniai popieriai neturi realios (teisingos) vertės.

2.4. **Laikomi iki išpirkimo vertybiniai popieriai** - tai skolos vertybiniai popieriai, kurių išpirkimo terminas gali būti iki metų arba vėliau nei po metų, tai įmonė turi tikslą juos laikyti iki išpirkimo termino. Šie vertybiniai popieriai, priklausomai nuo jų išpirkimo termino, finansinėse ataskaitose gali atsispindėti kaip ilgalaikės arba trumpalaikės investicijos.

2.5. **Skolos vertybiniai popieriai** - tai vertybiniai popieriai, įrodantys įmonės emitento įsipareigojimą vertybinio popieriaus turėtojui, kurie suėjus

terminui bus emitento išpirkti arba konvertuoti į kitus vertybinius popierius. Skolos vertybiniai popieriai yra Vyriausybės vertybiniai popieriai, savivaldybių vertybinių popieriai, įmonių skolos vertybiniai popieriai, konvertuojami įmonių skolos vertybiniai popieriai ir pan.

2.6. Nuosavybės vertybiniai popieriai - tai emitento išleisti vertybiniai popieriai, patvirtinantys jų turėtojų dalyvavimą įmonės emitento kapitale ir suteikiantys jiems turtinių ir neturtinių teisių. Tai gali būti: paprastosios akcijos, privilegijuotosios akcijos, kitos kapitalo akcijos bei vertybiniai popieriai (finansiniai instrumentai), kurie yra išvedami iš arba yra susiję su nuosavybės vertybiniais popieriais, tokie kaip teisės, opcionai ir pan.

Šios nuostatos nenustato investicijų į nuosavybės vertybinius popierius finansinės apskaitos tvarkos, kai į tuos vertybinius popierius investuojama su tikslu įtakoti arba dalyvauti įmonės emitento valdyme.

2.7. Vertybinių popierių kaina - tai vertybinių popierių rinkos kaina arba reali (teisinga) vertė, kurią galima nustatyti pagal pripažintos biržos arba kitos organizuotos ir reguliuojamos rinkos prekybos rezultatus. Be to reali (teisinga) vertė gali būti nustatoma vadovaujantis pripažintais vertybinių popierių kainos nustatymo būdais (metodais).

Vertybinių popierių, kuriais prekyba yra laikinai sustabdyta, vertė gali būti nustatyta vadovaujantis paskutiniaja kotiravimo vertybinių popierių biržoje arba kitoje organizuotoje ir reguliuojamoje rinkoje kaina, įsigijimo kaina arba kita verte jei manoma, kad tuo laikotarpiu tų vertybinių popierių vertė realiai sumažėjo. T.y. nustatant vertybinių popierių kainą reikia vadovautis konservatyvumo principu, kuris teigia, kad reikia kuo greičiau finansinėje apskaitoje pripažinti galimus nuostolius, tačiau nepagrįstai nepripažinti pelno.

3. Investicijų į vertybinius popierius kaštai

3.1. Vertybinių popierių įsigijimo kaštais yra laikoma jų pirkimo kaina bei sumokėti komisiniai vertybinių popierių viešosios apyvartos ar kitiems tarpininkams, bankų ir kiti mokesčiai, susiję su investicijomis į vertybinius popierius.

3.2. Pajamos iš vertybinių popierių, tokios kaip palūkanos, dividendai ir kitos pajamos, paprastai yra pripažįstamos pajamomis, tačiau kai kuriais atvejais šios pajamos turi būti traktuojamos kaip vertybinių popierių įsigijimo kaštų dalinis padengimas. Pavyzdžiui, įsigyjant skolos vertybinius popierius (obligacijas) vėliau nei jų išleidimo data, jie yra nusiperkami jau su sukaupta tam tikra palūkanų suma, kuri buvo įkalkuliuota į pardavimo kainą. Tuo atveju obligacijų uždirbamas palūkanas reikia suskirstyti į dvi dalis: susikaupusias iki obligacijos įsigijimo datos ir sukauptas obligacijų disponavimo metu. Palūkanų suma, susikaupusi iki obligacijų įsigijimo datos yra atimama iš obligacijų įsigijimo kaštų, kadangi ta palūkanų dalis priklauso ankstesniajam obligacijų savininkui ir ji negali būti pripažinta dabartinio savininko pajamomis. Palūkanos sukauptos obligacijų disponavimo metu yra pripažįstamos įmonės pajamomis už vertybinius popierius.

3.3. Įsigyjant skolos vertybinius popierius už kitokią nei jų išpirkimo kaina, skirtumas tarp jų įsigijimo ir išpirkimo verčių turi būti amortizuojamas per visą disponavimo tais vertybiniais popieriais laikotarpį. T. y. įsigyjant vertybinius popierius yra sumokama premija arba gautamas diskontas. Ši premija arba diskontas turi būti amortizuojamas atitinkamai debetuojuojant arba kredituojuojant palūkanų pajamų sąskaitą ir atimamas arba pridedamas prie

obligacijos pirkimo kainos. Gauta vertė yra laikoma obligacijos įsigijimo kaštais.

4. Trumpalaikių investicijų į vertybinius popierius finansinė apskaita ir pateikimas finansinėse ataskaitose

4.1. Vertybiniai popieriai, įsigyti kaip trumpalaikė investicija, balanse turi būti pateikiami rinkos verte arba žemesniaja iš rinkos ar įsigijimo verčių.

Jei trumpalaikiai vertybiniai popieriai yra apskaitomi žemesniaja iš rinkos ar įsigijimo verčių, tai ši žemesnioji vertė gali būti nustatoma kiekvienai vertybinių popierių rūšiai ar klasei atskirai. Apskaitant vertybinius popierius rinkos kaina arba realia (teisinga) verte, pastaroji turi būti nustatoma kiekvienai vertybinių popierių rūšiai atskirai.

4.2. Apskaitant trumpalaikius vertybinius popierius punkte Nr. 4.1. išvardintais metodais įmonė gauna nerealizuotą pelną arba nuostolį, kadangi tų popierių įsigijimo kaštai paprastai skiriasi nuo balanse pateikiamos vertės. Trumpalaikių vertybinių popierių perkainojimo pasekoje gautas nerealizuotas pelnas arba nuostolis turi būti atspindimas to ataskaitinio laikotarpio pelno (nuostolio) ataskaitoje. To ataskaitinio laikotarpio pelno (nuostolio) ataskaitos tam skirtoje eilutėje turi būti atspindimos ir pajamos iš vertybinių popierių (palūkanos, dividendai ir pan.).

5. Ilgalaikių investicijų į vertybinius popierius finansinė apskaita ir pateikimas finansinėse ataskaitose

5.1. Vertybiniai popieriai, įsigyti kaip ilgalaikė investicija, balanse turi būti pateikiami įsigijimo kaštų verte, perkainuota (rinkos) verte arba žemesniaja iš rinkos ar įsigijimo kaštų verčių.

Jei ilgalaikiai vertybiniai popieriai yra apskaitomi ir pateikiami balanse perkainuota verte, tai įmonė turi turėti parengtą ir vadovybės patvirtintą ilgalaikių investicijų perkainojimo politiką. Šioje politikoje turi būti nustatyti vertybinių popierių perkainojimo kriterijai bei periodiškumas.

5.2. Apskaitant ilgalaikius vertybinius popierius perkainuota verte arba žemesniaja iš rinkos ar įsigijimo verčių, įmonė gauna nerealizuotą pelną arba nuostolį. Šis nerealizuotas pelnas arba nuostolis turi būti atspindimas balanse, akcininkų nuosavybės dalyje. Nerealizuotas pelnas didina finansinio turto perkainojimo rezervą, nerealizuotas nuostolis - mažina.

Kai ilgalaikius vertybinius popierius ketinama parduoti, juos reikia perklasifikuoti į trumpalaikius vertybinius popierius. Susikaupusį nerealizuotą pelną arba nuostolį reikia pripažinti to laikotarpio pelno (nuostolio) ataskaitoje arba jei tie vertybiniai popieriai iš karto parduodami tai pripažįstamas realizuotas vertybinių popierių pardavimo pelnas arba nuostolis, pelno (nuostolio) ataskaitoje.

6. Vertybinių popierių pardavimas

6.1. Pardavus vertybinius popierius yra pripažįstamas realizuotas pelnas arba nuostolis, kuris gaunamas kaip skirtumas tarp vertybinių popierių įsigijimo kaštų ir jų pardavimo kainos. Šis rezultatas turi būti pateiktas to laikotarpio pelno (nuostolio) ataskaitoje.

6.2. Parduodant vertybinius popierius jie turi būti nurašomi specifinės indentifikacijos būdu, kai nurašomi konkretūs parduodami vertybiniai popieriai arba vidutinių įsigijimo kaštų būdu, kai sunku arba neįmanoma indentifikuoti konkrečių vertybinių popierių. Pavyzdžiui, jei įmonė pirko pakankamai daug vieno pavadinimo vertybinių popierių, tačiau skirtingomis kainomis, tai juos parduodant galima vadovautis vidutinių įsigijimo kaštų būdu.

7. Vertybinių popierių perklasifikavimas:

7.1. Perklasifikuojant vertybinius popierius iš trumpalaikių į ilgalaikius arba laikomus iki išpirkimo datos nerealizuotas pelnas arba nuostolis, kuris jau buvo pripažintas pelno (nuostolio) ataskaitoje nėra atstatomas. Tolesnio perkainojimo rezultatas turi atsispindėti balanse, akcininkų nuosavybės, finansinio turto perkainojimo rezerve.

7.2. Perklasifikuojant vertybinius popierius iš ilgalaikių arba laikomų iki išpirkimo datos į trumpalaikius, susikaupęs nerealizuotas pelnas arba nuostolis iš karto pripažįstamas pelno (nuostolio) ataskaitoje.

7.3. Perklasifikuojant vertybinius popierius iš laikomų iki išpirkimo datos į ilgalaikius, nerealizuotas pelnas (nuostolis) perklasifikavimo metu yra pripažįstamas balanse, akcininkų nuosavybės, finansinio turto perkainojimo rezerve.

7.4. Perklasifikuojant vertybinius popierius iš ilgalaikių į laikomus iki išpirkimo datos, susikaupęs nerealizuotas pelnas arba nuostolis, kuris atspindimas finansinio turto perkainojimo rezerve ir toliau ten paliekamas, per likusį laikotarpį iki vertybinių popierių išpirkimo datos amortizuojant premiją arba diskontą.

7.5. Įmonės bent vieną kartą per metus, o jei reikia ir dažniau, turi peržiūrėti visas investicijų į vertybinius popierius kategorijas ir nuspręsti, ar jas reikia pertvarkyti. Jei atsiranda neaiškumų dėl vertybinių popierių laikymo termino, rekomenduojama juos klasifikuoti kaip ilgalaikius vertybinius popierius. Vertybiniai popieriai perklasifikuojami gali būti tik įmonės vadovybės arba atitinkamo organo (investicinio komiteto) sprendimu. Draudžiama vertybinius popierius perklasifikuoti siekiant kitaip aptspindėti įmonės rezultatą ar finansinę padėtį.

8. Baigiamoji dalis

8.1. Investicijų į vertybinius popierius reali (teisinga) vertė turi būti nustatoma vadovaujantis Vertybinių popierių komisijos patvirtintomis rekomendacijomis (pripažintais vertybinių popierių kainos nustatymo būdais), jei tos kainos neįmanoma nustatyti pagal prekybos biržoje rezultatus.

8.2. Kitus investicijų į vertybinius popierius finansinės apskaitos ypatumus nustato Finansų ministerija [Vertybinių popierių komisija].

Vertybinių popierių skolinimo sandoriai (tik finansinės vP skolinimo apskaitos metodai)

Vertybinių popierių (finansinių instrumentų) skolinimas gali būti įvairių formų: skolinimas su užstatu arba be jo, pardavimas su įsipareigojimu atpirkti (repo), pasirinktinių sandorių (options) sudarymas arba įsigijimas, gauto užstato užstatymas arba pardavimas, palūkanų perdavimas ir t.t.

Vertybinių popierių skolinimo sandoriai atliekami perduodant vertybinius popierius. Skolinant vertybinius popierius su perdavimu, vertybiniai popieriai turi būti perrašomi kitam savininkui atliekant visus reikiamus įrašus Centriname vP depozitoriume (tačiau pardavimo faktas NVPB nefiksuojamas).

Vertybinių popierių perdavimu nelaikoma, kai finansinis turtas yra perduodamas valdyti (apskaityti) turto valdymo įmonei ar depozitoriumui, kai turtas yra padovanojamas ar įnešamas į įmonę ir pan.

Skolinant vertybinius popierius yra reikalaujamas atitinkamas užstatas, kuriuo paprastai būna pinigai. Užstatu gali būti ir kiti vertybiniai popieriai bei banko specialioje sąskaitoje depozituoti pinigai (standby letter of credit), kurių vertė turi būti truputį didesnė nei skolinamų vertybinių popierių. Kai užstatas yra vertybiniai popieriai arba finansiniai instrumentai, tai jo vertė turi būti kas dieną, o esant reikalui ir dažniau, peržiūrima kad netaptų žemesnė nei paskolintų vertybinių popierių vertė.

Skolinimas gali būti dviejų tipų: (a) vertybinių popierių skolinimas už užstatą, (b) vertybinių popierių skolinimas, kai skolinimas atitinka pardavimo kriterijus.

Skolinimo tipas pasirenkamas atsižvelgiant į skolinimosi sąlygas. Jei skolinant vertybinius popierius skolintojas išsaugo tam tikras teises į skolinamus vertybinius popierius, tai turi būti pasirinktas vP skolinimo už užstatą sandorio tipas. Jei skolinant vertybinius popierius skolintojas suteikia visas vertybinių popierių disponavimo teises skolininkui, tai skolintojas skolinamus vertybinius popierius turi "parduoti", t.y. apskaitoje turi būti parodytas vP pardavimas už gauto užstato vertės sumą.

Vertybinių popierių skolinimas (perdavimas) už užstatą.

Vertybinių popierių skolinimo sandoriai paprastai vyksta tarp finansų maklerio įmonių ar kitų finansinių institucijų, kai joms prireikia tam tikrų vertybinių popierių siekiant padengti jų trūkumą, vykdant klientų pavedimus ir panašiais atvejais.

Vertybinių popierių skolinimo už užstatą sutartyje turi būti numatyta, kad skolintojas turi teisę skolinamus vertybinius popierius (finansinius instrumentus) atpirkti ar išpirkti esant tokioms sąlygoms: (a) atperkami ar išperkami vertybiniai popieriai yra iš esmės tie patys kaip ir tie, kurie buvo paskolinti, (b) vertybinių popierių skolintojas juos gali susigrąžinti pakankamai geromis sąlygomis, netgi skolininko bankroto atveju, t.y. yra suteiktas pakankamas užstatas, kad skolintojas nepatirtų nuostolio, (c) atperkami ar išperkami vertybiniai popieriai prieš jų išpirkimo laiką gali būti atpirkti ar išpirkti už nesunkiai nustatomą kainą.

Skolinant vertybinius popierius už užstatą, gautas užstatas pripažįstamas skolintojo balansinėse turto sąskaitose, o paskolinti vertybiniai

popieriai išbraukiami iš balansinių turto sąskaitų, pripažįstant skolininko įsipareigojimą.

Priklausomai nuo skolinimo sąlygų, skolintojas tam tikrais atvejais gali parduoti, užstatyti arba kitaip perduoti gautą užstatą. Užstatą skolininkas ir skolintojas finansinėje apskaitoje atspindi priklausomai nuo kokias teises skolintojas įgyja į tą užstatą:

- a. Jei (1) skolintojas, sutarties pagrindu, gali parduoti arba užstatyti gautą užstatą, o (2) skolininkas neturi teisės nei galimybės anksčiau laiko atsiimti suteikto užstato, pavyzdžiui, pateikdamas kitą užstatą arba visai nutraukdamas sutartį, tai:
 - (i) Skolininkas privalo suteiktą užstatu turtą perklasifikuoti savo finansinėje apskaitoje ir atspindėti jį, pavyzdžiui, kaip gautinus vertybinius popierius.
 - (ii) Skolintojas privalo gautą užstatą pripažinti savo turtu, tikrąja verte (fair value) bei pripažinti įsipareigojimą tą turtą gražinti.
- b. Jei skolintojas parduoda arba įkeičia kitam gavėjui (t.y. pats tampa skolininku) gautą užstatą tokiomis sąlygomis, kad jis pats negali bei neturi teisės atsiimti arba anksčiau laiko atpirkti šį užstatą, tokiu būdu dar labiau sumažindamas savo skolininko galimybę atsiimti šį užstatą, tai jis privalo pripažinti šio užstato pardavimą (užstatymą) ir pardavimo (užstatymo) pajamas bei savo įsipareigojimą gražinti turtą (užstatą) tiek kiek jis dar buvo nepripažintas.
- c. Jei skolininkas nesilaiko skolinimosi sutarties sąlygų ir nebetenka teisės atsiimti (išpirkti) savo užstatyto užstato, tai jis privalo tą turtą išbraukti iš savo balansinių turto sąskaitų, o skolintojas (apdraustoji šalis) privalo šį turtą pripažinti savo turtu, tiek kiek jis dar nebuvo pripažintas balanse ir įvertinti jį tikrąja verte (fair value).
- d. Jei vertybinių popierių skolinimo sutartyje yra numatyta, kad skolintojas negalės disponuoti gautu užstatu, tai skolininkas, suteikęs užstatą savo turtu, jį ir toliau apskaito savo turto sąskaitose, o skolintojas nepripažįsta užstato savo turtu.

Vertybinių popierių skolinimas, kuris atitinka pardavimo kriterijus.

Skolinant vertybinius popierius, kai skolinimas atitinka pardavimo kriterijus, skolintojas neišsaugo jokių teisių į paskolintus vertybinius popierius. Užstato apskaita tvarkoma taip pat kaip ir vertybinių popierių skolinimo už užstatą atveju.

Skolinant vertybinius popierius, kai šis skolinimas atitinka pardavimo kriterijus, skolintojas juos turi apskaityti kaip vertybinių popierių pardavimą už tokią sumą, kiek vertas užstatas arba už užstatu gautų pinigų sumą, t.y. išbraukti vertybinius popierius iš balansinių turto sąskaitų, užpajamuojant gautus pinigus bei pripažįstant vertybinių popierių išpirkimo ateityje įsipareigojimą (forward repurchase commitment). Skolininkas pasiskolintus vertybinius popierius turi pripažinti turtu, nurašant užstatu suteiktus pinigus arba kitą finansinį turtą bei pripažįstant vertybinių popierių pardavimo ateityje įsipareigojimą (forward resale commitment). Toks "pardavimas" NVPB nefiksuoja.

Šis vertybinių popierių skolinimo tipas turi atitikti tokius pardavimo kriterijus: (a) perduotas turtas turi būti gerai izoliuotas nuo perdavėjo ir jo kreditorių, t.y. pastarieji negali netgi perdavėjo bankroto atveju pasinaudoti

perduotu finansiniu turtu, (b) perduoto turto gavėjas gali be jokių suvaržymu naudotis gautu turtu - jį užstatyti, parduoti, (c) turto perdavėjas negali realiai kontroliuoti perduoto turto netgi jei jis turi sudaręs finansinio turto atpirkimo ar išankstinio išpirkimo sutartį.

Perduodant finansinius instrumentus, jie gali būti perduoti nepilna suma o tik dalinai, arba gali būti perduodami jų pagrindu gaunami pinigų srautai ir pan.

Finansinės apskaitos įrašai

Vertybinių popierių skolinimas suteikiant užstatą:

Skolintojas

1. D Paskolinti vertybiniai popieriai
K Vertybiniai popieriai
Perklasifikuojami vertybiniai popieriai į paskolintus.
2. D Pinigai
K Mokėtina suma, pagal vp skolinimo sutartį
Užpajamuojamas užstatas, kai juo yra pinigai.
3. D Nebalansinė asmeninė vertybinių popierių sąskaita
K Nebalansinė bendroji vertybinių popierių sąskaita
Nurašomi vertybiniai popieriai iš nebalansinės apskaitos.
4. D Pateikti vertybiniai popieriai pagal skolinimo sutartį
K Įsipareigojimas atpirkti vertybinius popierius ateityje
Nebalansinėje apskaitoje pripažįstamas įsipareigojimas atsiimti (atpirkti) paskolintus vertybinius popierius ateityje.

Skolininkas

1. D Vertybiniai popieriai
K Gražintini vertybiniai popieriai (įsipareigojimas gražinti)
Užpajamuojami pasiskolinti vertybiniai popieriai.
2. D Gautina suma, pagal vp skolinimo sutartį
K Pinigai
Nurašoma pinigų suma, sumokėta kaip užstatas.
3. D Nebalansinė bendroji vertybinių popierių sąskaita
K Nebalansinė asmeninė vertybinių popierių sąskaita
Nebalansinėje apskaitoje užpajamuojami vertybiniai popieriai.
4. D Gauti (pirkti) vertybiniai popieriai pagal skolinimo sutartį
K Įsipareigojimas pateikti (parduoti) vertybinius popierius ateityje
Nebalansinėje apskaitoje pripažįstamas įsipareigojimas gražinti pasiskolintus vertybinius popierius ateityje.

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Vertybinių popierių skolinimas, kuris atitinka pardavimo kriterijus:

Skolintojas

1. D Pinigai

–
K Vertybiniai popieriai

K Pelnas, gautas pardavus vp brangiau nei įsigijimo savikaina
Pripažįstamas vertybinių popierių pardavimas bei uždirbtas pelnas.

2. D Nebalansinė asmeninė vertybinių popierių sąskaita

K Nebalansinė bendroji vertybinių popierių sąskaita
Nurašomi vertybiniai popieriai iš nebalansinės apskaitos.

Skolininkas

1. D Vertybiniai popieriai

K Pinigai

Užpajamuojami pasiskolinti vertybiniai popieriai.

2. D Nebalansinė bendroji vertybinių popierių sąskaita

K Nebalansinė asmeninė vertybinių popierių sąskaita
Nebalansinėje apskaitoje užpajamuojami vertybiniai popieriai.

Kiti sandoriai su vertybiniais popieriais

1. Jei yra skolinami pinigai, kai užstatu esantys vertybiniai popieriai yra neperduodami:

D Gautina suma, pagal paskolos sutartį

K Pinigai

Fiksuojama suteikta paskola. Jokie įrašai nei vertybinių popierių sąskaitose nei Centriniam depozitoriume nėra daromi, tačiau jų įkeitimas gali būti patvirtintas notarų biure.

2. Sudaromas vertybinių popierių atpirkimo sandoris, tačiau vertybiniai popieriai nėra perduodami pinigų skolintojui o laikinai saugomi Centriniam (arba kitame) depozitoriume:

2.1. D Pinigai

K Įsipareigojimas, pagal vp atpirkimo sandorį

Užpajamuojami pasiskolinti pinigai.

2.2. D Nebalansinė asmeninė nuosavų arba klientų vertybinių popierių sąskaita

K Nebalansinė asmeninė parduotų vertybinių popierių pagal atpirkimo sutartį sąskaita

Perklasifikuojami vertybiniai popieriai nebalansinėje apskaitoje iš nuosavų arba klientų vertybinių popierių į parduotus vp pagal atpirkimo sutartį.

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3. Sudaromas atvirkštinis vertybinių popierių atpirkimo sandoris, tačiau pinigų skolintojas negauna iš skolininko vertybinių popierių, kurie laikinai yra deponuojami Centriniam (arba kitame) depozitoriume.

D Gautina suma, pagal vp atvirkštinio atpirkimo sandorį
K Pinigai

Fiksuojamas pinigų skolinimas. Jokie įrašai nebalansinėse vertybinių popierių sąskaitose nėra daromi.

4.