

THE REPUBLIC OF LITHUANIA

LAW ON MARKETS IN FINANCIAL INSTRUMENTS

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CHAPTER I

GENERAL PROVISIONS

Article 1. Purpose of the Law

1. The purpose of the present Law is to govern public relations with a view to ensuring a fair, open and efficient functioning of markets in financial instruments, protection of investor interests and the prudential management of systemic risk.

2. The Law is intended to bring into line the regulation of markets in financial instruments with the regulations of the European Union listed in the Annex to this Law.

Article 2. Scope of the Law

1. The present Law shall establish the requirements to be adhered to by financial brokerage firms and regulated markets.

2. Certain requirements in cases provided for in this Law shall be *mutatis mutandis* applied to licensed credit institutions providing investment services and/or engaged in investment activities.

3. Chapter IV of this Law shall apply to all natural and legal persons.

4. Requirements of Chapters II and III of this Law shall not apply to:

1) insurance undertakings, also undertakings carrying on the insurance and retrocession activities;

2) persons which provide investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;

3) persons providing an investment service where that service is provided in an incidental manner in the course of a professional activity and that activity is regulated by legal or regulatory provisions or a code of ethics governing the profession which do not exclude the provision of that service;

4)) persons who do not provide any investment services or activities other than dealing on own account unless they are market makers or deal on own account outside a

regulated market or an MTF on an organised, frequent and systematic basis by providing a system accessible to third parties in order to engage in dealings with them;

5) persons which provide investment services consisting exclusively in the administration of employee-participation schemes;

6) persons which provide investment services which only involve both administration of employee-participation schemes and the provision of investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;

7) the members of the European System of Central Banks and other national bodies performing similar functions and other public bodies charged with or intervening in the management of the public debt;

8) collective investment undertakings and pension funds whether coordinated at Community level or not and the depositaries and managers of such undertakings;

9) persons dealing on own account in financial instruments, or providing investment services in commodity derivatives or derivative contracts included in Article 3(4)(10) of this Law, provided this is an ancillary activity to their main business, when considered on a group basis, and that main business is not the provision of investment services;

10) persons providing investment advice in the course of providing another professional activity not covered by this Directive provided that the provision of such advice is not specifically remunerated;

11) persons whose main business consists of dealing on own account in commodities and/or commodity derivatives. This exception shall not apply where the persons that deal on own account in commodities and/or commodity derivatives are part of a group the main business of which is the provision of other investment services within the meaning of this Directive or banking services;

12) firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, also firms which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets;

13) associations set up by Danish and Finnish pension funds with the sole aim of managing the assets of pension funds that are members of those associations;

14) "*agenti di cambio*" whose activities and functions are governed by Article 201 of Italian Legislative Decree No 58 of 24 February 1998.

5. The rights conferred by this Law shall not extend to the provision of services as counterparty in transactions carried out by public bodies dealing with public debt or by members of the European System of Central Banks performing their tasks as provided for by the Treaty and the Statute of the European System of Central Banks and of the European Central Bank or performing equivalent functions under national provisions

6. The provisions of par. 5 of this Article shall be applied to licensed credit institutions *mutatis mutandis*.

Article 3. Principal Concepts of the Law

1. Home Member State:

1) in the case of a financial brokerage firm – shall be the Member State in which its head office is registered. Where a financial brokerage firm incorporated in another Member State, under its national law, has no registered office or a natural person operates under the rights of the financial brokerage firm – the Member State in which the registered office of the firm or a registered residence of the natural person is situated;

2) in case of a regulated market – shall be the Member State in which the registered office of the regulated market is situated. Where the regulated market established in another Member State, under the law of that Member State has no registered office – the Member State in which the head office of the regulated market is situated.

2. **Multilateral trading facility** means a multilateral system operated by a financial brokerage firm or a market operator which, in accordance with non-discretionary rules, brings together third-party buying and selling interests in financial instruments in a way that results in a contract on financial instruments.

3. **Subsidiary** – as defined in the Law on Consolidated Accounts of Entities.

4. **Financial instrument** means any of the following instruments:

1) transferable securities;

2) money market instruments;

3) securities of collective investment undertakings;

4) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;

5) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);

6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF;

7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in item 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls. The definition

of the financial instruments under this item is provided for in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006;

8) Derivative instruments for the transfer of credit risk;

9) Financial contracts for differences;

10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, *inter alia*, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls. The definition of the financial instruments under this item is provided for in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

5. **Money market instruments** means those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and short-term corporate promissory notes and excluding instruments of payment.

6. **Financial instruments portfolio** means the portfolio of financial instruments held by the investor.

7. **Financial brokerage firm** means a legal person whose regular occupation or business is the provision of one or more investment services to third persons and /or the performance of one or more investment activities on a professional basis. Financial brokerage firms incorporated in other Member States may dispense with the status of a legal person.

8. **Qualifying holding of a financial brokerage firm** means any direct or indirect holding or share of the voting rights in a financial brokerage firm which represents not less than 1/10 of the capital or voting rights and which makes it possible to exercise a significant influence over the management of a financial brokerage firm.

9. **Branch of a financial brokerage firm** – means a division whose place of business is different from the head office and which has no legal personality and which provides investment services and/or activities and which may also perform ancillary services for which the financial brokerage firm has been authorised. All places of business set up by the financial brokerage firm in the same host Member State shall be considered a single branch.

10. **Head of a financial brokerage firm** – means the head of the financial institution as defined in the Law on Financial Institutions.

11. **Close links** means a situation in which two or more natural or legal persons are linked by:

1) participation which means the ownership, direct or by way of control, of 20 % or more of the voting rights or capital of an undertaking;

2) control which means the relationship between a parent undertaking and a subsidiary arising on control basis, also other similar relationship between any natural or legal person and the firm, any subsidiary undertaking of a subsidiary undertaking also being considered a subsidiary of the parent undertaking which is at the head of those undertakings;

3) control relationship with the same person means a situation in which two or more natural or legal persons are permanently linked to one and the same person shall be regarded as constituting a close link between all such persons.

12. **Investment advice** – means the provision of personal recommendations to a client, either upon its request or at the initiative of the financial brokerage firm, in respect of one or more transactions relating to financial instruments,

13. **Investment services and investment activities** (hereinafter – **investment services**) – means any of the services or activities relating to one or more financial instruments, such as:

- 1) reception and transmission of orders;
- 2) execution of orders on behalf of clients;
- 3) dealing on own account;
- 4) management of portfolio of financial instruments;
- 5) investment advice;
- 6) underwriting of financial instruments and (or) placing of financial instruments on a firm commitment basis ;
- 7) placing of financial instruments without a firm commitment basis;
- 8) operating of multilateral trading facilities.

14. **Investor** means a person who holds securities by the right of ownership or intends to acquire them.

15. **Client** means any natural or legal person to whom an investment firm provides investment and/or ancillary services

16. **Management company of a collective investment undertaking** (hereinafter – management company) – as defined in the Law on Collective Investment Undertakings.

17. **Control** – as defined in the Law on Consolidated Accounts of Entities.

18. **Credit institution** – as defined in the Law on Financial Instruments.

19. **Persons of sufficiently good repute** are persons:

1) having no criminal records for a major offence, or an offence or violation of the finance system, economic order, or business order, property, property rights or property interests;

2) having no criminal records for an offence or infringement not specified in item 1, or whose conviction has already expired or has been repealed;

3) not addicted to alcohol, drugs, toxic or psychotropic substances.

20. **Retail client** means a client that cannot be attributed neither to professional clients, nor to eligible counterparties.

21. **Central counterparty** as defined in the Law on Settlement Finality in Payment and the Securities Settlement Systems.

22. **Ancillary services:**

1) safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management;

2) Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;

3) Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;

4) Foreign exchange services where these are connected to the provision of investment services;

5) Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;

6) Services related to underwriting;

7) investment services, investment activities as well as ancillary services relating to financial instruments, assets or other instruments to which the derivative financial instruments referred to in items 5, 6, 7 and 10 of par. 4 of this Article relate on condition that these are connected to the provision of investment services or ancillary services or the investment activity.

23. **Parent undertaking** – as defined in the Law on Consolidated Accounts of Entities.

24. **Execution of orders on the account of the client** – means acting to conclude agreements to buy or sell one or more financial instruments on the account of the client.

25. **Transferable securities** shall mean the securities which are normally dealt in on the capital market (excluding instruments of payment), including but not limited to the following securities:

1) shares in companies and other securities equivalent to shares in companies, partnerships and other entities, also the depositary receipts in respect of shares;

2) bonds and other forms of non-equity securities, including depositary receipts in respect of non-equity securities;

3) securities conferring the right to acquire or transfer the transferable securities or underlying the cash-settlements determined having regard to the transferable securities or exchange rates, interest rates, yield of securities, stock exchange commodities, or other indices or instruments.

26. **Financial instrument portfolio management** means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.

27. **Supervisory authority** means the Lithuanian Securities Commission or the competent authorities of foreign States performing similar functions.

28. **Host Member State** – means the Member State, other than the home Member State, in which an investment firm has a branch or performs services and/or activities without establishing a branch, or the Member State in which a regulated market provides appropriate arrangements so as to facilitate access to trading on its system by remote members or participants established in that same Member State.

29. **Professional client** means a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs and complies with the criteria established for professional clients laid down in Section three of Chapter II.

30. **Regulated market** means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems.

31. **Market operator** means a person or persons who manage and/or operate the business of a regulated market. The market operator may be the regulated market itself.

32. **Limit order** means an order to buy or sell a financial instrument at its specified price limit or better and for a specified size.

33. **Market maker** means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him.

34. **Dealing on own account** means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments.

35. **Systemic internaliser** means a financial brokerage firm which, on a organised, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF.

36. **Systemic risk** means a possibility that insolvency of one intermediary of public trading in securities may negatively affect the interests of a great number of other public trading intermediaries, credit institutions and investors.

37. **Foreign supervisory authority** means a supervisory authority performing the financial instruments market functions outside a Member State.

38. **Member State** means a member state of the European Union or a state that belongs to the European Economic Area (EEA).

39. **Securities Commission** means an institution which regulates and supervises the markets in financial instruments of the Republic of Lithuania

40. **Inside information** shall mean information of a precise nature relating, directly or indirectly, to one or several issuers of securities or financial instruments on the material events that have already or are planned to take place, which, if it were made public, would be likely to have a significant effect on the price of those financial

instruments or related derivative instruments where such information has not yet been made public. In relation to derivatives on commodities “inside information” shall mean information of a precise nature which has not yet been made public, relating, directly or indirectly, to one or more such instruments and which the users of markets on which such instruments are traded would expect to receive in accordance with accepted market practices on those markets. For persons charged with the execution of orders concerning financial instruments, “inside information” shall also mean information of a precise nature conveyed by the client, related to the client’s orders, which relates directly or indirectly to one or more issuers or financial instruments, and which, if it were made public, would be likely to have a significant effect upon the price of the financial instruments concerned or the related derivative instruments.

CHAPTER II

LICENSING OF FINANCIAL BROKERAGE FIRMS AND THE REQUIREMENTS TO THE OPERATIONS OF THE FINANCIAL BROKERAGE FIRMS

SECTION ONE

LICENSING OF FINANCIAL BROKERAGE FIRMS REQUIREMENTS FOR OBTAINING THE LICENCE

Article 4. Provision of Investment Services – Licensed Activities

1. Investment services on a regular and professional basis in the Republic of Lithuania may be provided only by financial brokerage firms holding a license of a financial brokerage firm issued by the Securities Commission or a supervisory authority of another Member State, also credit institutions licensed in the Republic of Lithuania or another Member State provided the licence of a credit institution authorises the provision of investment services, and the financial advisor company holding a financial advisory company license issued by the Securities Commission.

2. An undertaking holding a license of a financial brokerage firm shall be called a financial brokerage firm. The words “financial brokerage firm” or similar combinations of these words may appear only in the names and advertisements of those undertakings, which have a right to provide investment services. Undertakings specializing in the management of securities portfolios of other persons may use in their titles the words “investment management firm” or similar combinations of these words.

3. Provisions of par. 1 of this Article shall not be applied to a market operator operating the MTF and not intending to provide other investment services. In such cases no license shall be issued to a market operator, however, the market operator shall be entitled to operate the multilateral trading facility only after the Securities Commission is satisfied that the market operator complies with the requirements established in this Section (except for those in Article 11 of the Law) and notifies the market operator thereof.

4. A financial brokerage firm or a financial advisor company established in the Republic of Lithuania shall have its registered office in the Republic of Lithuania.

5. The Securities Commission shall accumulate the data and the information about the entities referred to in par. 1 of this Article and the investment and ancillary services that they are licensed to provide in the Republic of Lithuania. This information is on a regular basis updated and publicly disclosed in the Internet website of the Securities Commission.

6. A company holding a financial advisor license shall be called the financial advisor company. The words “financial advisor company“ or the combinations or derivatives thereof in its name and advertising may be used only by those companies authorised to engage in a financial advisory activities.

7. A financial advisor company shall be authorised to provide in the Republic of Lithuania the investment services provided for in items 1 and 5 of Article 3(13) of this Law in respect of transferable securities and securities of collective investment undertakings without holding money or financial instruments of the clients and which for that reason may not at any time place themselves in debit with their clients and in the course of providing that service, are allowed to transmit orders only to:

1) financial brokerage firms licensed in a Member State;

2) credit institutions licensed in a Member State;

3) branches of financial brokerage firms and credit institutions which are authorised in a third country and which are subject to and comply with the prudential rules not less stringent than those established in the regulations of the European Union.

4) collective investment undertakings authorised under the law of their home Member State to market units to the public and to the managers of such undertakings

5) investment companies with fixed capital as defined in Article 15(4) of Second Council Directive 77/91/EEC, the securities of which are dealt in on a regulated market.

8. A financial advisor company shall be *mutatis mutandis* subject to the requirements established in Chapter II of this Law applicable to financial brokerage firms, save the exceptions stipulated in this Law and the regulations passed by the Securities Commission.

9. A financial advisor company shall be exempted from the capital requirements; however, it shall be required to acquire a professional indemnity insurance. The amount of the insurance shall be not less than LTL 100,000 per one insurable event and in aggregate LTL 500,000 per year for all insurable events. A financial advisor company shall hold the insurance coverage for the entire duration of its activity.

10. A financial advisor company shall be authorised to provide and advertise the investment services stipulated in the licence only in the Republic of Lithuania. A financial advisor company shall not be granted the rights stipulated in Section five of Chapter II of this Law.

Article 5. The Scope of the licence of a Financial Brokerage Firm

1. The licence of a financial brokerage firm shall specify the investment services that the financial brokerage firm is authorised to provide. The licence may also specify one or several ancillary services. The licence of a financial brokerage firm may not be issued for the provision of the ancillary services only.

2. The Securities Commission shall issue the licence of a financial brokerage firm to:

1) companies incorporated in the Republic of Lithuania intending to engage in the activities of a financial brokerage firm;

2) financial brokerage firms authorised in a non-Member State intending to provide investment services in the Republic of Lithuania.

3. Credit institutions established in the Republic of Lithuania shall be authorised to provide investment services by a credit institution license, where this license does not set a restriction to engage in such activity. The Securities Commission shall submit to the Bank of Lithuania its conclusion on the preparedness of a credit institution in question to provide investment services by establishing a special internal unit with that aim.

4. A financial brokerage firm or a credit institution intending to provide investment services and (or) ancillary services not provided for in the licence issued thereto shall apply to the supervisory authority issuing the licence with a request to supplement the effective license by the investment and (or) ancillary services the brokerage firm or the credit institution intends to provide.

5. The specific rights of the credit institutions operating in the Republic of Lithuania to provide investment and ancillary services shall also be regulated by the laws governing the activities of credit institutions.

Article 6. The Procedure for Issuing the Licence

1. A firm willing to provide investment services shall file an application with the Securities Commission. The submission shall contain the program of the intended activities (business plan), including a description of, *inter alia*, the areas of the intended activities and the organisational structure of the firm, also the information about the legal person, its participants, managers, operations, compliance with the capital requirements, and other information established by the Securities Commission upon the examination of which the Securities Commission could conclude that the firm complies with the requirements stipulated in this Section to obtain a financial brokerage firm license. Upon a request of the Securities Commission public and local authorities shall submit all information at their disposal about the shareholders of the applicant, their financial standing, operations, the established infringements of laws and other legal acts, findings of inspections performed and other information necessary for passing the decision concerning the issue of the licence.

2. The Securities Commission shall issue the licence of a financial brokerage firm only upon having fully satisfied itself that the firm complies with all requirements to obtain a license.

3. The Securities Commission must inform the applicant firm about its consent or refusal to issue the licence within 6 months from the filing of all relevant documents and data.

4. The Securities Commission shall have the right to request the applicant to present additional data or explanations. In this case the time limit for the consideration of the application shall be calculated from the date when the last data or documents were filed.

5. The Securities Commission shall communicate granting or revocation of licenses to a relevant registrar of the Register of Enterprises and make an appropriate announcement in the Internet website of the Securities Commission.

Article 7. The Basis for the Refusal to Issue the Licence

1. The Securities Commission shall have a right to refuse to issue the licence of the financial brokerage firm, where:

1) the data (documents) do not meet the requirements or if the data provided in it is incomplete or untrue;

2) managers of the firm are not of sufficiently good repute or do not have sufficient experience;

3) the intended changes of the managers of the firm pose a threat to a reliable and transparent management of the firm;

4) the firm fails to provide information about the firm's shareholders, the holdings of shares under their direct or indirect management and the amount of the holdings;

5) there is a reason to believe that the holders of the block of shares of the firm will fail to ensure the reliable and transparent management of the firm;

6) a close link exists between the firm with other legal or natural persons might hamper efficient supervision to be exercised by the Securities Commission;

7) at least one of the employees of the firm is an employee of a regulated market operating in the Republic of Lithuania or the Central Securities Depository of the Republic of Lithuania;

8) premises and equipment owned or rented are inadequate for the provision of investment services;

9) the head office of the firm established in the Republic of Lithuania is situated outside the territory of the Republic of Lithuania

10) the requirements of the laws or regulations governing the status of third party natural or legal persons with whom the firm is related by close links or the enforcement of such requirements might hamper efficient supervision to be exercised by the Securities Commission;

11) the firm fails to meet the capital requirements established by the Securities Commission;

12) the firm has not undertaken to become a member of the recognised investor insurance system;

13) the firm has not put in place the measures and procedures ensuring the compliance with the organisational requirements imposed upon the financial brokerage firm.

2. The Securities Commission may refuse to issue a license to a financial brokerage firm authorised in a non-Member State, if the Securities Commission has not concluded agreements with the foreign supervisory institution ensuring proper supervision of the activity and submission of information

3. The refusal to grant the licence must be reasoned in writing and may be appealed in court.

Article 8. The Basis for the Revocation of the Validity of the Licence

The Securities Commission shall have a right to revoke the validity of the licence of the financial brokerage firm where the financial brokerage firm:

- 1) has itself applied concerning the revocation of license;
- 2) within 12 months from the issuance of the licence has not started providing the services defined in the licence.
- 3) has not been providing any investment services or engaged in investment activities in the course of the previous 6 months
- 4) has obtained the licence upon submission of the untrue data or information or having referred to other illegal measures;
- 5) ceases to comply with the requirements for obtaining the licence of a financial brokerage firm;
- 6) has been severally and regularly infringing the requirements for the activities of a financial brokerage firm established in this Law;
- 7) the intermediary fails to meet its obligations under its liabilities or there is evidence that it will not be able to do that in the future;
- 8) in other cases provided for by laws.

Article 9. Managers of a Financial Brokerage Firm

1. Managers of a financial brokerage firm shall be persons of impeccable repute and hold sufficient experience in order to ensure a reliable and transparent management of the financial brokerage firm.

2. Where the market operator seeking to obtain a permission to operate a multilateral trading facility and the multilateral trading facility he intends to operate are managed by the persons managing the regulated market, such persons shall be deemed to comply with the requirements established in par. 1 of this Article.

3. The financial brokerage firm licensed in the Republic of Lithuania is obliged to file with the Securities Commission an advance notification of all changes of the managers of the firm, in this connection filing the information defined by the Securities Commission enabling the Securities Commission to assess the compliance of the newly elected or intended to be elected managers with the requirements of impeccable repute or sufficient experience. The newly elected managers of the financial brokerage firm shall

commence performing their duties only after the Securities Commission approve their candidatures.

4. The Securities Commission shall have a right to refuse to approve the candidatures of the newly elected managers if such managers are not of impeccable repute, do not hold sufficient experience or there are other objective reasons to believe that the intended changes in the management of the firm pose a threat to the reliable and transparent management of the firm. The Securities Commission shall pass a decision concerning the suitability of the newly elected managers not later than within one month from the date of receipt of all the required documents.

5. Financial brokerage firms shall establish a single-person body of management, - the manager of the firm and the collegial body of management – the Board.

Article 10. Shareholders of a Financial Brokerage Firm

1. Any natural or legal person willing to directly or indirectly acquire a block of shares in a financial brokerage firm or increase the holding he already has so as to increase the proportion of the votes or the authorised capital he holds to the threshold of 20, 33 or 50 percent in a ascending order, or so as to make the financial brokerage firm its subsidiary must obtain a prior approval of the Securities Commission.

2. The person shall in advance notify the Securities Commission of the intended acquisition of the block of shares of the firm and furnish the supporting documents and other information established by the Securities Commission. In the same procedure the Securities Commission shall be notified of a person's intention to transfer or reduce the block of shares held thereby so that the proportion of the voting rights or of the capital held by him would fall below the thresholds of 20, 33 or 50 percent in a descending order or so that the financial brokerage firm would cease to be its subsidiary.

3. Upon receipt of the notification of the intention to acquire or increase a block of shares of a financial brokerage firm the Securities Commission shall not later than within 3 months from the receipt of the notification, pass the decision regarding the issue of the permission to acquire or increase a block of shares in the financial brokerage firm. The Securities Commission shall refuse to issue the permission where there are reasoned doubts that the persons intending to acquire the block of shares or increase the block of shares already held thereby will be able to ensure the reliable and transparent management of the firm. The Securities Commission shall have the right to request the applicant to present additional document or information about the intention to acquire or to increase the block of shares in which case the 3 months' time limit shall be calculated from the date when the last data or documents were filed.

4. Where the Securities Commission grants permission to the person to acquire the block of shares or increase the block of shares already held thereby, it may establish a time limit for the implementation of the intention of the person to acquire or increase the block of shares in the financial brokerage firm.

5. The Securities Commission shall refuse to allow the acquisition or an increase of a block of shares if:

1) the person (where it is a legal person – managers and controlling persons) is not of a sufficiently good repute;

2) the person is an employee of the operator of the regulated market, the Securities Commission or the Central Depository;

3) the person has failed to provide information on its activities and financial position;

4) a legal person failed to produce information on its shareholders;

5) a person failed to produce documents providing evidence that the funds allocated for the payment for shares have been obtained in a legitimate manner;

6) the financial status of the person is not good or stable;

7) after the issuance of the licence, a close link would occur which would constitute the grounds for the refusal to issue the licence;

8) there are other grounds allowing a reasoned doubt that the persons intending to acquire or to increase the block of shares of the financial brokerage firm will be able to ensure the reliable and transparent management of the financial brokerage firm.

6. A refusal by the Securities Commission to approve the acquisition or an increase of a block of a financial brokerage firm's shares must be substantiated in writing and may be appealed to court.

7. Where the person intending to acquire a block of shares of the financial brokerage firm is a financial brokerage firm, credit institution, insurance company, or a management company of a collective investment undertaking licensed in another Member State, or a parent company or a controlling person of any of such companies, so that following the acquisition the financial brokerage firm would become a subsidiary or a controlled entity of the acquiring entity, prior to passing the decision concerning the authorisation to acquire or to increase the block of shares of a financial brokerage firm, the Securities Commission shall seek advice from the foreign supervisory authority in the manner defined in Article 17 of this Law.

8. On becoming aware of the acquisition or transfer of its capital whereby the holdings of the shareholders of the firm exceed or fall below the threshold referred to in par. 1 of this Article, the financial brokerage firm shall without delay notify the Securities Commission thereof.

9. A financial brokerage firm shall not less frequently than once a year furnish with the Securities Commission a notification specifying the shareholders of the firm holding its block of shares, and the amounts of the blocks of shares held thereby. The information shall be provided based on the data available at the date of the regular meeting of shareholders, and where the shares of the firm are admitted to trading on a regulated market – in compliance with the requirements of the legal acts applicable to companies whose securities are traded on a regulated market.

10. Where the impact produced by the persons specified in par. 1 of this Article poses a threat to the reliable and transparent management of the financial brokerage firm, the Securities Commission shall take measures to rectify the situation. In this case the Securities Commission shall issue the binding instructions and impose sanctions defined in this Law upon the managers and other persons responsible for the management of the firm.

11. All shares of the person who has acquired or increased the block of shares crossing the thresholds defined in this Article without having obtained the prior permission of the Securities Commission or in violation of the time limits established on the basis of par. 3 of this Article shall be devoid of the voting rights at the general meeting of shareholders. The voting rights shall be regained on the day of the receipt of the approval of the Securities Commission.

Article 11. Membership in the Recognised Investor Insurance System

1. An undertaking seeking to obtain a license of a financial brokerage firm shall insure the liabilities of the firm in respect of the investors in the procedure defined in the Law on Insurance of Deposits and Liabilities to Investors.

2. The provisions of par. 1 of this Article shall apply to the licenced credit institutions *mutatis mutandis*.

Article 12. Capital Requirements

An undertaking seeking to obtain a license of a financial brokerage firm shall comply with the capital requirements. The capital requirements shall be established by the Securities Commission.

Article 13. Organisational Requirements

1. A financial brokerage firm shall put in place an appropriate activity organisation policy and procedures able to ensure the compliance with the requirements stipulated in this Law of the financial brokerage firm, its managers, employees and agents, and the rules governing the conclusion of the deals at own account by the managers, employees and agents of the financial brokerage firm.

2. A financial brokerage firm shall maintain and operate the efficient organisational and administrative measures aimed at preventing the conflicts of interests adversely affecting the interests of its clients.

3. A financial brokerage firm shall enforce measures necessary to ensure a regular and continuous provision of investment services. For that purpose financial brokerage firm shall employ the appropriate and proportionate systems, resources and procedures.

4. When entrusting a third person to perform the functions of the financial brokerage firm which are critical for the provision of continuous and satisfactory service to clients, shall refer to all measures necessary to avoid any undue additional operational risk. Outsourcing of important operational functions may not be undertaken in such a way as to impair materially the quality of its internal control and the efficient supervision to be exercised by the Securities Commission.

5. A financial brokerage firm shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.

6. The financial brokerage firm shall ensure the safekeeping of the documents related to the provided investment services or the transactions concluded to enable the Securities Commission to ensure an efficient supervisions, and in particular to ascertain

that the financial brokerage firm has complied with all obligations with respect to clients or potential clients.

7. A financial brokerage firm shall, when holding financial instruments belonging to clients, make adequate arrangements so as to safeguard clients' ownership rights, especially in the event of the financial brokerage firm's insolvency. The financial brokerage firm shall hold segregated accounts of its own financial instruments and those of each client. A financial brokerage firm shall have no right to use a client's instruments on own account except with the client's express consent.

8. A financial brokerage firm shall, when holding funds belonging to clients, make adequate arrangements to safeguard the clients' rights and preventing the illegitimate use of the funds owned by the client. The prohibition to use the client's funds shall not apply to licensed credit institutions. A financial brokerage firm shall hold the funds of its clients on a trust basis in a credit institution segregated from its own funds. The funds of the clients transferred to a financial brokerage firm for the purpose of the acquisition of financial instruments, and the funds generated upon the sale of the financial instruments owned by the clients are the client's property upon which no enforcement may be levied in respect of the indebtedness of the financial brokerage firm.

9. Where the investment services are being provided by a branch of a financial brokerage firm established in another Member State, the Securities Commission shall supervise the compliance by the branch with the obligations established in par. 6 of this Article without prejudice to the supervisory authority of the home Member State of the firm to obtain the documents referred to in par. 6 of this Article.

10. The requirements laid down in par. 6 of this Article shall be implemented in the manner defined by the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

11. The requirements stipulated in this Article shall apply to the licenced credit institutions *mutatis mutandis*.

Article 14. Brokers

1. A natural person who holds a license issued by the Securities Commission entitling him to engage in one or more predefined brokerage activities shall be considered a broker.

2. A person who applies for a broker's license must pass examinations organised by the Securities Commission or present a qualifications certificate recognised by the latter. The Securities Commission shall have the right to set educational or professional requirements for brokers. A broker's license may not be issued to a person whose reputation is not impeccable.

3. The Securities Commission shall have the right to revoke a broker's license:

1) on a written request of the broker;

2) upon death of the broker;

3) if, within 12 months, the broker has not engaged in the professional activity related to the functioning of the financial instruments market referred to in the rules

approved by the Securities Commission regulating issuance of the licences for financial brokers or if he has not been engaged in it for more than 12 months;

4) if, after issuance of the licence, facts have been revealed which would have prevented the issuance of the licence;

5) if conditions form due to which the broker may no longer be considered having a sufficiently good repute;

6) if the broker is in breach of this Law the or the regulations passed by the Securities Commission.

4. The revocation of the broker's license shall result in the suspension of the licence of the brokerage firm at which the broker is employed only provided the firm no longer qualifies for the licence it has been issued.

5. The Securities Commission shall have the right to conduct, from time to time but no more frequently than once a year, re-evaluation of brokers' qualifications on the basis of grounded complaints of clients or data of inspections evidencing inadequate qualifications of a broker. On the basis of the results of the qualifications' re-evaluation, the number of functions which the broker is authorised to perform may be reduced and where it turns out that the broker's qualifications are completely inadequate or where he does not participate in the re-evaluation, his license shall be revoked

6. The Securities Commission shall announce of the issuance or revocation of a broker's license publicly not later than within 3 working days.

Article 15. Audit of Financial Brokerage Firms

The procedure for the auditing of a financial brokerage firm, requirements to the auditor or an audit firm, the duties and responsibilities of the auditor or an audit firm shall be stipulated by the Law on Audit and the Law on Financial Institutions and Article 83 of this Law.

Article 16. Additional Requirements to Financial Brokerage Firms and Market Operators of the Multilateral Trading Facility

1. Financial brokerage firms and market operators operating a multilateral trading system, in addition to the requirements laid down in Article 13 of this Law shall have transparent and non-discretionary rules and procedures that provide for fair and orderly trading, and establish objective criteria for the efficient execution of orders.

2. Financial brokerage firms and market operators operating a multilateral trading system shall put in place transparent rules for the establishment of criteria under which the financial instruments may be admitted to trading in the system.

3. Financial brokerage firms and market operators operating a multilateral trading system shall ensure the public disclosure of information enabling the members of the multilateral trading system to pass informed investment decisions having regard to the position in the market of the participants of the multilateral trading system and the types of financial instruments traded in the system.

4. The requirements defined in Articles 22, 24 and 25 of this Law shall not apply to transactions concluded under the rules governing the operations of the multilateral

trading facility where the transaction involves only the members or participants of the system, or only the system itself and its members or participants. Nevertheless, the members and the participants of the multilateral trading facility shall comply with the requirements in respect of the clients laid down in Articles 22, 24 and 25 of this Law when executing the orders in the multilateral trading system on the account of the client.

5. Financial brokerage firms and market operators operating a multilateral trading system shall approve and enforce the rules based on objective criteria establishing the requirements to market participants seeking the membership in the system. The rules shall comply with the requirements laid down in par. 3 of Article 56 of this Law.

6. Financial brokerage firms and market operators operating a multilateral trading system shall furnish the members of the system with all the necessary information about their duties related to the settlement of the transactions concluded thereby in the system. Financial brokerage firms and market operators operating a multilateral trading system shall enforce efficient measures or enter into appropriate arrangements facilitating the settlement for the transactions concluded in the system including the arrangements with the central counterparty and the clearing and settlement system.

7. Where the transferable securities admitted to trading on a regulated market are traded in the multilateral trading facility without the consent of the issuer, the issuer shall not be subject to any obligation of the initial, periodic or the on-going information disclosure applicable in the system.

8. Financial brokerage firms and market operators operating a multilateral trading system shall immediately comply with the instructions of the Securities Commission concerning the suspension or termination of trading in financial instruments.

9. The requirements laid down in this Law shall apply to licensed credit institutions *mutatis mutandis*.

Article 17. Consultations of the Supervisory Authorities Prior to Issuing the Licence of a Financial Brokerage Firm

1. Prior to issuing a license of a financial brokerage firm the Securities Commission shall seek the opinion of the supervisory authority of another Member State where the firm seeking the licence of a financial brokerage firm is:

1) a subsidiary of a financial brokerage firm or a credit institution licensed in another Member State;

2) a subsidiary of a parent company of a financial brokerage firm or a credit institution licensed in another Member State;

3) controlled by the natural or legal persons controlling a financial brokerage firm or a credit institution licensed in another Member State.

2. Prior to issuing the licence of a financial brokerage firm the Securities Commission shall request the opinion of the authority supervising the credit institutions or insurance companies where the financial brokerage firm applying for the licence is:

1) a subsidiary of a credit institution or an insurance company licensed in the European Community;

2) a subsidiary of a parent company of a credit institution or an insurance company licensed in the European Community;

3) controlled by the natural or legal persons controlling a credit institution or an insurance company licensed in the European Community.

3. The Securities Commission shall in particular seek the opinion of the supervisory authority referred to in pars. 1 and 2 of this Article when assessing the suitability of the holders of the block of shares of the firm seeking the licence and the reputation and experience of the managers of the entities of the same group. The Securities Commission shall exchange information necessary for the assessing the suitability of the holders of the block of shares of the firm seeking the licence and the reputation and experience of the managers of the entities of the same group both for the granting of a license as well as for the ongoing assessment of compliance with operating conditions.

Article 18. The Powers of the Securities Commission in Specifying the Procedures for the Licensing of Financial Brokerage Firms and the Financial Advisor Company and the Requirements for Obtaining the Licence

In specifying the provisions of this Section the Securities Commission shall establish:

1) the procedure for the issue and the revocation of licenses of financial brokerage firms;

2) the procedure for the issue and the revocation of licenses of brokers;

3) the procedure for the submission of notifications on the acquisition and the disposal of a block of shares of financial brokerage firms and the notifications on the crossing of the thresholds of voting rights granted by shares established by this Law;

4) capital requirements for financial brokerage firms;

5) rules for the organisation of the operations of financial brokerage firms specifying the organisational requirements set forth in Article 13 of this Law;

6) the rules for the issue and the revocation of the licences of financial advisory company and the rules for the organisation and performance of operations of a financial advisory company.

SECTION TWO

REQUIREMENTS FOR THE ACTIVITY OF FINANCIAL BROKERAGE FIRMS

Article 19. The Duty of a Financial Brokerage Firm to Ensure the Compliance with the Requirements for Obtaining the Licence

1. A financial brokerage firm licensed in the Republic of Lithuania shall ensure the continuous compliance with the requirements for obtaining a financial brokerage firm licence.

2. The fulfilment of the duty established in par. 1 of this Article shall be supervised by the Securities Commission. A financial brokerage firm shall notify the

Securities Commission of all changes in the circumstances effective at the moment of the issue of the licence.

3. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 20. The Duty to Ensure Continuous Compliance with the Requirements to the Activity of a Financial Brokerage Firm and Provide Periodic Information

1. A financial brokerage firm licensed in the Republic of Lithuania providing the investment services in the Republic of Lithuania, also branches of the financial brokerage firms licensed in another Member State providing investment services in the Republic of Lithuania shall at all times meet the requirements established for the activity of a financial brokerage firm laid down in this Section.

2. The compliance with the duty established in par. 1 of this Article shall be monitored by the Securities Commission. For the performance of the supervisory functions the Securities Commission shall exercise the rights granted thereto in accordance with Article 72 of this Law.

3. A financial brokerage firm shall, in the manner and in cases established by the Securities Commission submit the capital adequacy calculation statement, interim financial statements, annual report and other documents prescribed by the Securities Commission.

4. A financial brokerage firm shall in the cases and following the procedure established by the Securities Commission disclose publicly the information about its activities.

5. The duties prescribed in pars. 3 and 4 of this Article shall be specified by the Securities Commission.

6. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 21. The Duty to Avoid the Conflicts of Interests

1. A financial brokerage firm shall take all reasonable steps to identify conflicts of interest between the firm and other financial brokerage firms, including their managers, employees and tied agents, or any person directly or indirectly linked to them by control and their clients, or between one client and another that arise in the course of providing any investment and ancillary services, or combinations thereof.

2. Where the arrangements made by a financial brokerage firm in accordance with Article 13(2) of this Law to manage the conflicts of interest are not sufficient to ensure that risks of damage to client interests will be prevented, the financial brokerage firm shall clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking business on its behalf

3. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 22. Duties of a Financial Brokerage Firm when Providing Investment Services to Clients

1. When providing investment services and/or, where appropriate, ancillary services to clients, a financial brokerage firm shall act honestly, fairly and professionally in accordance with the best interests of its clients and comply, in particular, with the requirements set out in this Article.

2. All information, including marketing communications about the nature of the activity of the firm and the services offered addressed by the firm to clients or potential clients shall be fair, clear and not misleading. Marketing communications shall be clearly identifiable as such.

3. A financial brokerage firm shall, in a comprehensive and understandable form, provide to the clients and the potential clients all information so that the clients are reasonably able to understand the nature of financial service and the financial instruments and the risks related thereto, and, consequently, to take investment decisions on an informed basis. This information may be provided in a standardised format.

4. When fulfilling the requirements defined in par. 3 of this Article the financial brokerage firm shall provide the information about:

- 1) the firm and its services;
- 2) financial instruments and proposed investment strategies; this should include appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies;
- 3) the venues of the execution of the clients' orders;
- 4) costs of the execution of the order and other charges.

5. Prior to the provision of the investment services to the client including investment advice and/or the management of financial instruments portfolio the financial brokerage firm shall collect about the client or a potential client:

- 1) knowledge and experience in the investment field relevant to the specific type of product or service;
- 2) his financial situation;
- 3) objectives sought by using the investment services.

6. Having collected and properly assessed the information specified in par. 5 of this Article the financial brokerage firm shall recommend to the client or a potential client the investment services and financial instruments that suit their interests best.

7. Prior to providing the investment services other than those referred to in pars. 5 and 10 of this Article, the financial brokerage firm shall ask the client or a potential client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered by the financial brokerage firm or demanded by the potential client. Having regard to the information received the financial brokerage firm shall assess whether the specific investment services or financial instruments are appropriate for the client.

8. In case the financial brokerage firm considers, on the basis of the information indicated in par. 7 of this Article that that the product or service is not appropriate to the client or a potential client, the financial brokerage firm shall warn the client or a potential client. This warning may be provided in a standardised format.

9. In cases where the client or a potential client elects not to provide the information referred to in par. 7 of this Article, or where he provides insufficient information regarding his knowledge and experience, the financial brokerage firm shall warn the client or a potential client that such a decision will not allow the firm to determine whether the service or product envisaged is appropriate for him. This warning may be provided in a standardised format.

10. A financial brokerage firm when providing investment services that only consist of execution and/or the reception and transmission of client orders with or without ancillary services, may provide those investment services to their clients without the need to obtain the information about the client's knowledge and expertise in the area of investment or make the determination concerning the suitability of the investment services or the financial instruments to the client provided all the following conditions are met:

1) the above services relate to shares admitted to trading on a regulated market or in an equivalent third country market, money market instruments, bonds or other forms of securitised debt, excluding those bonds or securitised debt that embed a derivative, UCITS and other non-complex financial instruments;

2) the service is provided at the initiative of the client or potential client;

3) the client or potential client has been clearly informed that in the provision of this service the financial brokerage firm is not required to assess the suitability of the instrument or service provided or offered and that therefore he does not benefit from the corresponding protection of his interests; this warning may be provided in a standardised format

4) the financial brokerage firm complies with its obligation under Article 21 of this Law to avoid the conflicts of interests.

11. A financial brokerage firm shall retain the documents that set the contractual relations between the firm and the client, their mutual duties and obligations, other terms on which the firm will provide services to the client. The rights and duties of the parties to the contract may be incorporated by reference to other documents or legal texts.

12. The client must receive from the financial brokerage firm adequate reports on the service provided to its clients. These reports shall include, where applicable, the costs associated with the transactions and services undertaken on behalf of the client.

13. In cases where an investment service is offered as part of a financial product which is already subject to other provisions of Community legislation or common European standards related to credit institutions and consumer credits with respect to risk assessment of clients and/or information requirements, this service shall not be additionally subject to the obligations set out in this Article.

14. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 23. Provision of Services Through the Medium of another Financial Brokerage Firm

1. A financial brokerage firm, having received an instruction of another financial brokerage firm (a mediating firm) to perform investment or ancillary services on behalf of a client of the mediating firm, shall have a right to relay on the information about the client transmitted by the latter company (including the information about the client's knowledge, and experience in the field of investment, financial situation, objectives sought thereby through the use of the investment services). The mediating firm will remain responsible for the completeness and accuracy of the information transmitted.

2. A financial brokerage firm, having received an instruction of another financial brokerage firm (a mediating firm) to perform investment services on behalf of a client of the mediating firm, shall also be able to rely on any recommendations in respect of the service or transaction that have been provided to the client by the mediating firm. The mediating firm will remain responsible for the appropriateness for the client of the recommendations or advice provided.

3. The financial brokerage firm which receives client instructions from a mediating firm shall remain responsible for concluding the service or transaction, based on any such information or recommendations, in accordance with the relevant provisions of pars. 1 and 2 of this Section.

4. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 24. Obligation to Execute Orders on Terms Most Favourable to the Client

1. When executing the order of the client the financial brokerage firm shall take all reasonable steps to obtain the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, whenever there is a specific instruction from the client the investment firm shall execute the order following the specific instruction.

2. When performing the duty established in par. 1 of this Article the financial brokerage firm shall establish and implement an order execution policy, to allow them to obtain, for their client orders, the best possible result, also put in place and implement the effective arrangements for the implementation of the order execution policy.

3. The order execution policy shall include, in respect of each class of instruments, information on the different venues where the financial brokerage firm executes its client orders and the factors affecting the choice of execution venue. It shall at least include those venues that enable the financial brokerage firm to obtain on a consistent basis the best possible result for the execution of client orders.

4. The financial brokerage firm shall provide appropriate information to their clients on their order execution policy. Prior to starting to execute the orders of the client, the financial brokerage firm shall obtain the client's consent to the execution policy.

5. Where the order execution policy provides for the possibility that client orders may be executed outside a regulated market or an MTF, the financial brokerage firm shall, in particular, inform its clients about this possibility. The financial brokerage firm shall obtain the prior express consent of their clients before proceeding to execute their orders outside a regulated market or an MTF. Such consent may be either in the form of a general agreement or in respect of individual transactions.

6. The financial brokerage firm shall monitor the effectiveness of their order execution arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies. In particular, the firm shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the client or whether they need to make changes to their execution arrangements. The financial brokerage firm shall notify clients of any material changes to their order execution arrangements or execution policy.

7. The financial brokerage firm shall be able to demonstrate to their clients, at their request, that they have executed their orders in accordance with the firm's execution policy

8. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 25. Other Requirements Related to the Execution of the Client Orders

1. Prior to executing the orders of the clients on their behalf the financial brokerage firms shall put in place and implement the procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders or the trading interests of the investment firm. These procedures or arrangements shall allow for the execution of otherwise comparable client orders in accordance with the time of their reception by the financial brokerage firm.

2. In the case of a client limit order in respect of shares admitted to trading on a regulated market which are not immediately executed under prevailing market conditions, financial brokerage firms are, unless the client expressly instructs otherwise, to take measures to facilitate the earliest possible execution of that order by making public immediately that client limit order in a manner which is easily accessible to other market participants. This obligation is considered complied with where the limit order is transmitted for the execution to the regulated market and/or MTF.

3. The obligation stipulated in par. 2 of this Article is waived where the limit order of the client is large in scale compared with normal market size as determined under Article 58(3) of this Law.

4. The authorisation of a spouse to conclude the deals in respect of financial instruments that are the object of the joint common property of the spouses and that are publicly offered and /or traded on a regulated market and /or the MTF, may be issued in a regular written form.

5. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

6. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 26. Powers of the Securities Commission when Specifying the Requirements to the Operations of a Financial Brokerage Firm

For the purpose of the specifying the provisions of this Section the Securities Commission shall approve:

- 1) the rules on the avoidance and the management of the conflict of interests;
- 2) the procedure for the provision of investment services and of placement and execution of clients' orders.

SECTION THREE PROVISION OF INVESTMENT SERVICES TO PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES

Article 27. Professional Clients Without a Separate Acknowledgement

1. Professional clients without a separate acknowledgement shall be deemed to include:

1) licensed and /or otherwise regulated entities operating in the financial markets, – financial brokerage firms, other licensed and /or regulated financial institutions, insurance companies, collective investment undertakings and the management companies thereof, pension fund and the management companies thereof, commodity and commodity derivative dealers, own-account future dealers and other institutional investors. The professional clients specified in this item include the entities licensed and/or regulated in the Member States of the European Union or third countries;

2) large undertakings meeting at least two of the following criteria: the balance sheet total – not less than 20 m EUR; net sales revenues 2 not less than 40 m EUR, own funds – not less than 2 m EUR;

3) national and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations;

4) other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

2. Where the client of a financial brokerage firm is an undertaking referred to in par. 1 of this Article, the financial brokerage firm must inform it prior to any provision of services that, on the basis of the information available to the firm, the client is deemed to be a professional client, and it will be deprived of certain investor protection measures, unless the financial brokerage firm and the client agree differently.

3. Upon a choice of the professional clients referred to in par. 1 of this Article they may be deprived of all or certain investor protection measures, indicated in Articles 22 and 24 and Article 25 (2) and (3) of this Law.

4. The firm must also inform the customer that he can request a variation of the terms of the investment service agreement in order to secure a higher degree of protection.

5. The entities referred to in par. 1 of this Article shall have a right to apply to the financial brokerage firm and abdicate their status as a professional client. In this case the financial brokerage firm shall be under obligation to apply all the investor protection measures available to non-professional clients.

6. It is the responsibility of the client of the financial brokerage firm, considered to be a professional client, to choose a level of protection applicable to it if it deems it is unable to properly assess or manage the risks involved.

7. This higher level of protection will be provided when a professional client enters into a written agreement with the investment firm to the effect that it shall not be treated as a professional for the purposes of the applicable investor protection measures stipulated under this Law. Such agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

8. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 28. Persons Who May be Treated as Professional Clients on Request

1. Clients of the financial brokerage firm not indicated in Article 27 of this Law also other public legal and private persons and private investors in the manners stipulated in this Article shall be allowed to waive some of the protections stipulated in Articles 22 and 24 and Article 25 (2) and (3) if they are recognised to be professional clients provided the clients comply with the criteria indicated in par. 3 of this Article and the procedures stipulated in this Article are complied with.

2. Any such waiver of the protection afforded to a client recognised as a professional client shall be permitted only where the financial brokerage firm upon an assessment of the expertise, experience and knowledge of the client and having regard to the nature of the envisaged services and transactions is reasonably assured that the client is capable of independently and reasonably making own investment decisions and understanding the risks involved. These clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories of professional clients listed in Article 27 of this Law. The expertise and the knowledge may be assessed by means of a fitness test applied to managers and directors of financial institutions. In the case of small firms, the person subject to the above assessment should be the person authorised to carry out transactions on behalf of the firm.

3. In order to be recognised to be a professional the client shall comply with at least two of the following criteria:

1) over the previous four quarters the client in the relevant market has carried out, on average, 10 transactions of significant size;

2) the size of the client's financial instrument portfolio, defined as including monetary funds exceeds EUR 500 000;

3) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

4. The clients complying with the criteria defined above may be deprived of certain investor protection measures on the condition that:

1) the client must state in writing to the financial brokerage firm that he wishes to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product

2) the financial brokerage firm must give them a clear written warning of the protections (including the investment insurance) rights he may lose;

3) the client must state in writing, in a separate document, that he is aware of the consequences of losing the investor protection rights.

5. Prior to recognising the person to be a professional client and deciding to accept a request for waiver the financial brokerage firm shall ensure that the client meets the requirements stipulated in this Law.

6. A financial brokerage firm shall implement appropriate written internal policies and procedures to categorise clients. Professional clients are responsible for keeping the firm informed about any change, which could affect their current categorisation. Should the investment firm become aware, however, that the client no longer fulfils the initial conditions, which made him eligible for a professional treatment, the investment firm must take appropriate action.

7. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 29. Transactions Executed with Eligible Counterparties

1. A financial brokerage firms authorised to execute orders on behalf of clients and/or to deal on own account and/or to receive and transmit orders, shall have a right to enter into transactions with eligible counterparties without being obliged to comply with the obligations under Articles 22 and 24 and Article 25(2) and (3) of this Law in respect of those transactions or in respect of any ancillary service directly related to those transactions.

2. For the purpose of this Article the eligible counterparties shall include financial brokerage firms, investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorised or regulated under Community legislation or the national law of a Member State, undertakings referred to in items 11 and 12 of par. 4 of Article 2 of this Law exempted from the application of Chapters II and III of this Law, national governments and their corresponding offices including public bodies that deal with public debt, central banks and supranational organizations.

3. Classification of a person as an eligible counterparty shall be without prejudice to the right of such person to be applied all measures of investor protection including those stipulated in Articles 22, 24 and 25 of this Law. Such a request may be in a general form or on a trade-by-trade basis.

4. As eligible counterparties may be recognised other undertakings complying with the criteria established by the Securities Commission. In the event of a transaction where the prospective counterparties are located in different jurisdictions, the financial brokerage firm shall defer to the status of the other undertaking as determined by the law or measures of the Member State in which that undertaking is established.

5. Prior to the conclusion of a transaction with the eligible counterparty or mediating for the execution of such transaction the financial brokerage firm shall obtain an express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty. This confirmation may be submitted either in the form of a general agreement or in respect of each individual transaction.

6. As eligible counterparties may be recognised entities from third countries where they perform similar functions and / or is engaged in an activity referred to in par. 2 of this Article. As eligible counterparties may be recognised the entities of third countries provided they meet the requirements under par. 4 of this Article.

7. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 30. The Powers of the Securities Commission in Specifying the Procedure for the Provision of Investment Services to Individual Client Categories

For the purpose of specifying the provisions of this Section the Securities Commission shall establish the rules governing the specific features of the provision of investment services to professional clients and eligible counterparties.

SECTION FOUR

MARKET TRANSPARENCY REQUIREMENTS APPLICABLE TO FINANCIAL BROKERAGE FIRMS

Article 31. The Duty of a Financial Brokerage Firm to Uphold Integrity of Markets, Report Transactions and Maintain Records

1. A financial brokerage firm shall act honestly, fairly and professionally and in a manner which promotes the integrity of the market.

2. A financial brokerage firm shall keep for a period of at least 10 years the relevant data relating to all transactions in financial instruments which they have carried out, whether on own account or on behalf of a client. In the case of transactions carried out on behalf of clients so that where needed such documents could be immediately produced to the Securities Commission. In the case of transactions carried out on behalf of clients, the records shall contain all the information and details of the identity of the client, as well as the data and the information required by the Law on the Prevention of Money Laundering.

3. Having executed a transaction in any financial instruments admitted to trading on a regulated market a financial brokerage firm shall without delay, but in any case not later than the end of the next working day report on the transaction to the Securities Commission in the manner prescribed by the Securities Commission. This obligation shall apply whether or not such transactions were carried out on a regulated market. The Securities Commission shall make the necessary arrangements in order to ensure that the information on the executed transactions is communicated to the supervisory authority of the most relevant market in terms of liquidity for those financial instruments.

4. The report indicated in par. 3 of this Law shall contain the information about the financial instruments being the object of the transaction, the quantity, date and time of the transaction, transaction price and the data on the financial brokerage firm submitting the notification.

5. The report about the transaction executed may be made by the competent authority itself, a third party acting on its behalf, the trade-matching or reporting system approved by the Securities Commission or by a regulated market or MTF through whose systems the transaction was completed. In cases where transactions are reported directly to the competent authority by a regulated market, an MTF or a trade-matching or reporting system approved by the Securities Commission, the obligation stipulated in par. 3 of this Article shall be waived.

6. In cases a branch of a financial brokerage firm licensed in other Member State established in the Republic of Lithuania submits a report on the transaction concluded to the Securities Commission, the Securities Commission shall transmit this information to the competent authorities of the home Member State of the financial brokerage firm unless such authorities decide that they do not want to receive such communications.

7. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

8. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 32. Monitoring of Compliance with the Rules of the MTF and with Other Legal Obligations

1. Financial brokerage firms and market operators operating an MTF shall establish and maintain effective arrangements and procedures, relevant to the MTF, for the regular monitoring of the compliance by its users with its rules. Financial brokerage firms and market operators operating an MTF shall monitor the transactions undertaken by their users under their systems in order to identify the breaches of those rules, disorderly trading or conduct that may involve market abuse.

2. Financial brokerage firms and market operators operating an MTF shall report to the Securities Commission all the significant breaches of its rules, disorderly trading conditions or conduct that may involve market abuse. Financial brokerage firms and market operators operating an MTF shall supply to the supervisory authority all the information relevant for the investigation and prosecution of market abuse and

provide full assistance to the latter in investigating and prosecuting market abuse occurring on or through its system.

3. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 33. Obligation of Systematic Internalisers to Make Public the Quotes

1. Financial brokerage firms acting as systematic internalisers in respect of share admitted to trading on a regulated market and for which there is a liquid market shall make public a firm quote in those shares. In the case of shares for which there is not a liquid market systematic internalisers shall disclose quotes to their clients on request.

2. The provisions of this Article shall be applicable to systematic internalisers when dealing for sizes up to standard market size. Systematic internalisers that only deal in sizes above standard market size shall not be subject to the provisions of this Article.

3. Systematic internalisers may decide the size or sizes at which they will quote. The quote shall include a firm bid and/or an offer price or prices for a size or sizes which could be up to standard market size for the class of shares to which the share belongs. The price or prices shall also reflect the prevailing market conditions for that share.

4. Shares shall be grouped in classes on the basis of the arithmetic average value of the orders executed in the market for that share. The standard market size for each class of shares shall be a size representative of the arithmetic average value of the orders executed in the market for the shares included in each class of shares.

5. The market for each share shall be comprised of all orders executed in the European Union in respect of that share excluding those large in scale compared to normal market size for that share.

6. The Securities Commission, being the supervisory authority of the most relevant market in terms of liquidity (as set forth in Article 31 of the Law) and having regard to the arithmetic average value of the orders executed in the market in respect of that share shall not less frequently than once a year shall determine the class of shares to which it belongs. This information shall be made public to all market participants in the Internet website of the Securities Commission.

7. Systematic internalisers shall make public their quotes on a regular and continuous basis during normal trading hours. Such quotes may be at any times modified or updated. Under exceptional market conditions such quotes may be withdrawn.

8. The quote shall be made public in a manner which is easily accessible to other market participants on a reasonable commercial basis.

9. Systematic internalisers shall, while complying with the provisions set down in Article 24 of this Law execute the orders they receive from their retail clients in relation to the shares for which they are systematic internalisers at the quoted prices at the time of reception of the order

10. Systematic internalisers shall execute the orders they receive from their professional clients in relation to the shares for which they are systematic internalisers at the quoted price at the time of reception of the order. However, they may execute those orders at a better price in justified cases provided that this price falls within a public range close to market conditions and provided that the orders are of a size bigger than the size customarily undertaken by a retail investor.

11. Furthermore, systematic internalisers may execute orders they receive from their professional clients at prices different than their quoted ones without having to comply with the conditions established in par. 10 of this Article, in respect of transactions where execution in several securities is part of one transaction or in respect of orders that are subject to conditions other than the current market price.

12. Where a systematic internaliser who quotes only one quote or whose highest quote is lower than the standard market size receives an order from a client of a size bigger than its quotation size, but lower than the standard market size, the firm may decide to execute part of the order which exceeds its quotation only at the quoted price, except in cases provided for in pars. 10 and 11 of this Article where a deviation from the quoted price may be allowed. Where a systematic internaliser is quoting in different sizes and receives an order between those sizes, which it chooses to execute, it shall execute the order at one of the two quoted prices in compliance with the requirements of Article 25 of this Law, except in cases provided for in pars. 10 and 11 of this Law.

13. The Securities Commission shall check that the financial brokerage firms acting as systematic internaliser regularly update bid and/or offer prices published in the manner defined in par. 1 of this Article, maintain prices that reflect the prevailing market conditions and that the firm complies with the requirements under par. 10 of the Law on the terms of price improvement. When exercising its supervisory duties the Securities Commission shall have a right to issue binding instructions and other rights specified in this Law and in other regulations.

14. A systematic internaliser on the basis of its commercial policy and having regard to the objective criteria shall have a right to decide which investors shall be given access to their quotes. To that end the firm shall approve the rules for governing access to their quotes.

15. A systematic internaliser on the basis of commercial considerations such as the investor credit status, the counterparty risk and the final settlement of the transaction may refuse to enter into or discontinue the business relationships with investors.

16. In order to limit the risk of being exposed to multiple transactions from the same client systematic internalisers shall be allowed to limit in a non-discriminatory way the number of transactions from the same client which they undertake to enter at the published conditions. Furthermore, the firm shall have a right, in a non-discriminatory way and in accordance with the provisions of Article 25 to limit the total number of transactions from different clients at the same time provided that this is allowable only where the number and/or volume of orders sought by clients considerably exceeds the norm.

17. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

18. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 34. Post-Trade Disclosure by Financial Brokerage Firms

1. A financial brokerage firm having on own account or on behalf of the clients concluded transactions in shares admitted to trading on a regulated market outside the regulated market or MTF shall make public the volume and price of those transactions and the time at which they were concluded. This information shall be made public as close to real-time as possible, on a reasonable commercial basis, and in a manner which is easily accessible to other market participants.

2. The information which is made public in accordance with par. 1 and the time-limits within which it is published comply with the requirements adopted pursuant to Article 59. Provisions of Article 59 for deferred reporting for certain categories of transaction in shares shall apply *mutatis mutandis* to those transactions when undertaken outside regulated markets or MTFs.

3. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

4. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 35. Pre-trade Disclosure Requirements for Multilateral Trading Facilities

1. A financial brokerage firm and market operator operating an MTF shall make public current bid and offer prices in respect of shares admitted to trading on a regulated market. A financial brokerage firm and market operator operating an MTF shall provide for this information to be made available to the public on reasonable commercial terms and on a continuous basis during normal trading hours specifying the total number of orders and the number of related shares under each price level and the five best bid and ask offers.

2. Based on the market model and the type and size of orders the Securities Commission shall have a right to waive the obligation established in par. 1 of this Article. Such waiving of the obligation shall be in particular waived to orders that are large in scale compared with normal size for the share or type of share in question.

3. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

4. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 36. Post-Trade Disclosure Requirements for Multilateral Trading Facilities

1. A financial brokerage firm and market operator operating an MTF shall make public the information about the transactions executed under its system specifying the price and the quantity of the shares transferred under each transaction and the time of execution of such transaction. This information shall be without delay made public on a reasonable commercial basis, as close to real-time as possible.

2. The requirement established in par. 1 of the Article shall not apply to transactions concluded on an MTF that are made public under the systems of a regulated market.

3. Based on the type and size of the concluded transactions the Securities Commission may authorise the deferred publication of the information referred to in par. 1 of this Article. In particular, the Securities Commission may authorise the deferred publication in respect of transactions that are large in scale compared with the normal market size for that share or that class of shares. A market operator operating an MTF shall obtain the Securities Commission's prior approval to proposed arrangements for deferred trade-publication and the information about such transactions shall be clearly disclosed to market participants and investors.

4. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

5. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

SECTION FIVE RIGHTS OF FINANCIAL BROKERAGE FIRMS

Article 37. The Provision of Investment Services by Financial Brokerage Firms Established in the Republic of Lithuania in another Member State Without Establishing a Branch

1. A financial brokerage firm wishing to start providing the investment services in another Member State for the first time or which wishes to change the range of services or activities so provided, shall communicate to the Securities Commission the Member State in which it intends to operate or change the range of the investment services already provided, submit the programme of operations stating in particular the investment services as well as ancillary services which it intends to perform

2. Upon the receipt of the information specified in par.1 of this Article the Securities Commission shall communicate such information to the supervisory authority of the host Member State. The financial brokerage firm shall be authorised to start providing the investment services and the ancillary services in another Member State without establishing a branch within one month from the submission of all necessary documents and the information to the Securities Commission.

3. In the event of a change in any of the data or information referred to in par. 1 a financial brokerage firm shall give written notice of that change to the Securities Commission not later than one month before implementing the change. The Securities

Commission shall communicate this information to the supervisory authority of the host Member State.

4. A financial brokerage firm licensed in the Republic of Lithuania and a market operator operating a MTF intending to take measures in another Member State designed to facilitate the becoming by persons established in those Member State members of the multilateral trading facility or the remote use thereof shall inform the Securities Commission in which Member State it intends to take such measures, The Securities Commission shall communicate this information, within one month, to the supervisory authority of the host Member State. Upon a request of the supervisory authority of the host Member State the Securities Commission within a reasonable delay shall communicate the identity of the members of the multilateral trading facility.

5. The requirements provided for in par. 4 of this Article shall apply to licensed credit institutions *mutatis mutandis*

Article 38. The Right of the Financial Brokerage Firms Established in Other Member States to provide Investment Service in the Republic of Lithuania Without Establishing a Branch

1. A financial brokerage firm established in another Member State shall have a right to provide investment and the ancillary services in the Republic of Lithuania without establishing a branch provided the specific investment services and the ancillary services are covered by the licence of the firm issued by the supervisory authority. Ancillary services may be provided only where at least one investment service is provided.

2. A financial brokerage firm established in another Member State shall have a right to provide investment services or modify the range of the services already provided thereby in the Republic of Lithuania without establishing a branch after the Securities Commission receives a notification letter of the supervisory authority of the financial brokerage firm notifying that the firm intends to start providing the investment services or change the range thereof and containing the programme of operations stating in particular the investment services as well as ancillary services which it intends to perform. The Securities Commission shall make this information public not later than within 3 working days. |

3. In the event of a change in any of the data or information referred to in par. 2 of this Article a financial brokerage firm shall give written notice of that change to the supervisory authority of the home Member State. The Securities Commission shall have a right to receive the documents certifying the change in the information concerned.

4. A financial brokerage firm licensed in another Member State and a market operator operating a MTF shall have a right to take measures facilitating the becoming by the legal persons established in the Republic of Lithuania members of the multilateral trading facility or the remote use thereof.

5. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 39. The Right of Financial Brokerage Firms Established in the Republic of Lithuania to Provide Investment Services in Another Member State by Establishing a Branch

1. A financial brokerage firm intending to establish a branch in another member State shall submit to the Securities Commission a notification specifying:

- 1) the Member State in which the firm intends to establish a branch;
- 2) a programme of operations setting out inter alia the investment services and/or activities as well as the ancillary services to be offered and the organisational structure of the branch and indicating whether the branch intends to use tied agents;
- 3) the address in the host Member State from which documents may be obtained;
- 4) the names of those responsible for the management of the branch.

2. In cases where a financial brokerage firm established in the Republic of Lithuania appoints a tied agent established in a Member State, such tied agent shall be assimilated to the branch and shall be subject to the provisions of this Law relating to the activities of a branch of the financial brokerage firm.

3. The Securities Commission shall not later than within 3 months from the receipt of the information specified in par. 1 of this Article shall communicate such information to the competent authority of the host Member State and shall notify the financial brokerage firm that had filed the notification except the cases where the Securities Commission has reasons to doubt the adequacy of the administrative structure or the financial situation of the financial brokerage firm taking into account the activities envisaged. Furthermore, the Securities Commission shall communicate the information about the officially established investor insurance system to which the financial brokerage firm establishing a branch is a member.

4. In the event of any changes in the particulars as per par. 1 of this Article the financial brokerage firm shall inform the Securities Commission not later than within one month from the implementation of the planned changes. The Securities Commission shall communicate this information to the supervisory authority of the host Member State.

5. Where the Securities Commission establishes that the management structure of the financial brokerage firm or its financial situation taking into account the activities envisaged are inadequate, the Securities Commission shall refuse to communicate the information specified in par. 1 of this Article to the supervisory authority of the home Member State and notifies accordingly the financial brokerage firm that had submitted the notification within the time limits indicated in par. 3 of this Article specifying the reasons for the refusal to communicate the information concerned.

6. A branch of a financial brokerage firm shall be established and shall start its operations after the firm receives a notification from the supervisory authority of the host Member State certifying the receipt of the communicated information of within two months after the communication of the information by the Securities Commission without a receipt of any notification.

7. The provisions of par. 2 of this Article shall apply to the licensed credit institutions *mutatis mutandis*.

Article 40. The Right of Financial Brokerage Firms Established in Other Member States to Provide Investment Services in the Republic of Lithuania by Establishing a Branch

1. A financial brokerage firm established in another Member State shall have a right to provide investment and the ancillary services in the Republic of Lithuania by establishing a branch provided that the right to provide the services in question is are covered by the licence of the financial brokerage firm. Ancillary services may be provided only where at least one investment service is provided.

2. A branch of a financial brokerage firm shall be established and shall commence its operations in the Republic of Lithuania after the supervisory authority of the financial brokerage firm communicates to the Securities Commission the notification containing the information specified in Article 39(1) of this Law. Upon the receipt of this notification the Securities Commission shall take all the preparatory arrangements for the supervision of the financial brokerage firm and the operational requirements established in public interest that the financial brokerage firm shall have to comply with and shall notify the financial brokerage firm accordingly not later than within 2 months. The branch may be established after the financial brokerage firm receives such notification of the Securities Commission and in case it does not receive such notification – within two months after the supervisory authority has communicated to the Securities Commission the information specified in this paragraph.

3. The provisions of this Article shall apply to the licensed credit institutions *mutatis mutandis*.

Article 41. Access of a Financial Brokerage Firm to the Regulated Market Operating in Another Member State

1. A financial brokerage firm established in another Member State and authorised to execute client orders or to deal on own account shall have a right to become a member of the regulated market operating in the Republic of Lithuania – both directly, by setting up a branch in the Republic of Lithuania, and indirectly, by becoming a remote member of or having a remote access to the regulated market unless trading procedures and the systems of the regulated market are such that the conclusion of the transactions on the market require the physical presence therein.

2. The provisions of par.1 of this Article shall be *mutatis mutandis* applicable to any financial brokerage firm established in the Republic of Lithuania intending to become a member of a regulate market operating in another Member State.

Article 42. The Right of a Financial Brokerage Firm to Become a Member of the Central Counterparty, Clearing and Settlement System and Select a Settlement System

1. A financial brokerage firm established in another Member State, with a view to providing for or arranging the clearing and/or settlement in respect of transactions in financial instruments shall have a right to become a member of the central counterparty and the clearing and settlement system operating in the Republic of Lithuania. These rights shall be enforced on the basis of non-discriminatory, transparent and objective criteria applicable to financial brokerage firms established in the Republic of Lithuania.

The Membership in these systems may not be limited to transactions in financial instruments concluded on the regulated market or an MTF operating in the Republic of Lithuania.

2. A regulated market operating in the Republic of Lithuania shall ensure its members the right to select a settlement system for conducting settlement for the transactions in financial instruments concluded on the regulated market subject to:

1) such links and arrangements between the designated settlement system and any other system or facility ensure the efficient and economic settlement for the transactions in question, and

2) an approval of the Securities Commission has been received to the effect that the technical conditions for settlement of transactions concluded on the regulated market through a settlement system will allow the smooth and orderly functioning of the financial markets.

3. The approval by the Securities Commission as referred to in par. 2 of this Article is without prejudice to the competencies of the Bank of Lithuania and the central banks of other Member States and overseers of settlement systems and other supervisory authorities of such systems. In order to avoid undue duplication of control prior to expressing its approval in question the Securities Commission shall take into account the results of the oversight and other important aspects related to the supervision of the settlement system already exercised thereby.

4. The rights of financial brokerage firms stipulated under this Article shall be without prejudice to the right of operators of central counterparty, clearing or securities settlement systems to refuse a request of a financial brokerage firm to use the services provided thereby provided such refusal is based on legitimate commercial grounds.

Article 43. The Right of Financial Brokerage Firms and Market Operators Operating the Multilateral Trading Facility to Select the Central Counterparty and the Clearing or Settlement System

1. A financial brokerage firm established in the Republic of Lithuania or a market operator operating a multilateral trading facility shall have a right to enter into appropriate arrangements with a central counterparty or clearing house and a settlement system of another Member State with a view to providing for the clearing and (or) settlement of some or all trades concluded by market participants under their systems.

2. The Securities Commission may not oppose the use of the central counterparty, the clearing house and (or) the settlement systems of the other Member States by a financial brokerage firm or a market operator established in the Republic of Lithuania except where this is demonstrably necessary in order to maintain the orderly functioning of that multilateral trading facility taking into account the provisions of Article 42(2) of this Law.

3. In order to avoid undue duplication of control the Securities Commission shall take into account the oversight/supervision of the clearing and settlement system already exercised by the national central banks or by other supervisory authorities.

Article 44. Licensing and Applicable Law

1. The right to engage in the activities of an operator of a regulated market in the Republic of Lithuania shall be granted only to companies whose managed trading systems operate under the licence of a regulated market.

2. The licence of a regulated market shall be issued provided the Securities Commission is fully satisfied that both the market operator and the trading systems of regulated market and other systems comply with the requirements laid down in this Section of this Law.

3. A public company under incorporation or an operating public company intending to engage in the regulated market operator activity shall furnish with the Securities Commission:

1) an application specifying the purpose of the establishment of the regulated market operator, the name, registered office, the data about the incorporators (shareholders) and managers;

2) the memorandum of incorporation;

3) the operational programme, specifying, *inter alia*, the types of the activities intended and the organisational structure of the market operator;

4) Articles of Association;

5) rules of the regulated market.

4. Upon receipt of all required documents the Securities Commission shall within three months issue the licence or present in writing a reasoned refusal to issue the licence. The Securities Commission may require the company to issue additional information or present an explanation of the data already submitted. In this case the time limit for the consideration of the application shall be calculated from the date when the last data or documents were filed.

5. The licence of a regulated market shall be issued only provided the Securities Commission having considered all the documents required concludes that at the time of the issue of the licence all the initial requirements for the operations of a regulated market are being complied with.

6. The operator of a regulated market shall at all times comply with the organisational and performance requirements (including the initial requirements for obtaining the licence of the regulated market) and ensure that the regulated market regulated thereby meets other requirements laid down in this Chapter.

7. Without prejudice to the provisions of Articles 62 and 63 of this Law, trade on the regulated market operating in the Republic of Lithuania shall be performed in compliance with the requirements of the laws of the Republic of Lithuania.

Article 45. Grounds for the refusal of Issuing of a Licence of the Regulated Market

The Securities Commission shall have a right to refuse to issue the licence of a regulated market where:

1) Articles of Association of the operator of the regulated market, the Memorandum of Association, regulations or other documents of the regulated market contradict the laws of the Republic of Lithuania or other regulations;

2) the information contained in the submitted documents is not accurate;

3) the program of operations of the regulated market is not sufficient to ensure that the regulated market properly performs its functions;

4) the holders of the major shareholding of the applicant fail to meet the requirements under Article 50 of this Law;

5) the members of the Supervisory Board, the Board or the Head of the operator of the regulated market are not persons of impeccable repute, do not hold the qualification established by the Securities Commission or experience in financial or equivalent activities.

Article 46. Basis for the Withdrawal of the Licence of the Regulated Market

The Securities Commission shall have a right to withdraw the validity of the licence of the regulated market issued thereby where the operator of the regulated market:

1) does not make use of the licence within 12 months, expressly renounces the licence or has not exercised the rights granted by the licence;

2) has obtained the licence by making false statements or by any other irregular means;

3) no longer meets the conditions under which licence was granted;

4) has seriously and systematically infringed the provisions of this Law;

5) falls within any of the cases where law provides for withdrawal.

Article 47. Duties of the Operator of the Regulated Market

1. The operator of the regulated market shall:

1) organise trading in financial instruments, their admission and quoting in the regulated market, safe and efficient conclusion of the transactions and the settlement;

2) promote fair trade in financial instruments and seek to prevent market manipulation and other unfair actions;

3) make public the information ensuring the compliance with the pre-trade or post-trade transparency requirements;

4) ensure the safety of the confidential information and exercise internal control.

2. The operator of the regulated market shall have a right to engage only in such activities that is directly related to the activities specified in the licence of the regulated market and the duties related as stipulated in this Law.

3. The Code of Governance of a company admitted to trading on a regulated market shall be drafted and approved by the operator of the regulated market. Prior to the

approval of such Code of Governance the operator of the regulated market shall obtain the endorsement of the Securities Commission.

4. The operator of the regulated market shall notify the Securities Commission in the manner established thereby of:

1) the admission to and the removal of financial instruments from trading on a regulated market;

2) admission and removal of members of the regulated market.

5. In respect of the operator of the regulated market the Securities Commission shall establish the minimum own capital requirements and investment restrictions.

Article 48. Management of the Operator of the Regulated Market

1. The operator of the regulated market shall have a collegial body of management – the Board.

2. A representative of the Securities Commission shall have a right to participate in the meetings of the bodies of management of the operator of the regulated market and be provided with the materials submitted to the participants of the meetings.

Article 49. Managers of the Operator of the Regulated Market

1. Managers of the operator of the regulated market shall be persons of impeccable repute and sufficiently experienced as to ensure the sound and prudent management and operation of the regulated market. The operator of the regulated market shall provide to the Securities Commission the information about the managers of the operator of the regulated market and any subsequent changes in the information so provided.

2. The Securities Commission shall have a right to refuse the approval of the proposed managers of the operator of the regulated market where there are objective and demonstrable grounds for believing that they pose a material threat to the sound and prudent management and operation of the regulated market.

3. It shall be presumed unless proven differently that the managers of the operator of the regulated market comply with the requirements of par. 1 of this Article.

Article 50. Requirements to Persons Exercising Significant Influence Over the Management of the Regulated Market

1. The persons who are in a position to exercise, directly or indirectly, a significant influence over the management of the regulated market shall be suitable for the position and the exercise of the of the functions having regard to their reputation, education, knowledge, experience and other significant characteristics, as well as the potential influence upon the management of the regulated markets.

2. The operator of the regulated markets shall:

1) submit to the Securities Commission and make public the information about the shareholders of the regulated market and the operator of the regulated market, also the information about other persons exercising a significant influence upon the management

of the regulated market, including the identities of the persons and the disclosure of the interest to exercise the influence;

2) submit to the Securities Commission and make public the information on the changes in equity of shareholders of the regulated market which give rise to a change in the identity of the persons exercising significant influence over the operation of the regulated market.

3. The Securities Commission shall have a right to refuse the approval of the proposed managers of the operator of the regulated market and (or) the management of the operator of the regulated market where there are objective and demonstrable grounds for believing that they pose a material threat to the transparent and reliable management of the operations of the regulated market.

Article 51. Acquisition of a Block of Shares of a Market Operator

1. A block of shares of the operator of the regulated market shall be acquired following the same procedure as established for the acquisition of a block of shares of a financial brokerage firm.

2. The Securities Commission shall refuse to allow the acquisition or an increase of a block of shares if:

1) the person (where it is a legal person – managers and controlling persons) is not of a sufficiently good repute;

2) the person is an employee of the operator of the regulated market, the Securities Commission or the Central Depository;

3) the person has failed to provide information on its activities and financial position;

4) a legal person failed to produce information on its shareholders;

5) a person failed to produce documents providing evidence that the funds allocated for the payment for shares have been obtained in a legitimate manner;

6) the financial status of the person is not good or stable;

7) after the issuance of the licence, a close link would occur which would constitute the grounds for the refusal to issue the licence;

8) there are other grounds allowing a reasoned doubt that the persons intending to acquire or to increase the block of shares of the financial brokerage firm will be able to ensure the reliable and transparent management of the financial brokerage firm.

Article 52. Organisational Requirements Applicable to the Regulated Market

The operator of the regulated market shall put in place:

1) to have arrangements to identify clearly and manage the potential adverse consequences, for the operation of the regulated market or for its participants, of any conflict of interest between the interest of the regulated market, its owners or its operator and the sound functioning of the regulated market, and in particular where such conflicts

of interest might prove prejudicial to the accomplishment of any functions of the regulated market;

2) to be adequately equipped to manage the risks to which it is exposed, to implement appropriate arrangements and systems to identify and measures to mitigate all significant risks to its operation;

3) to have arrangements for the sound management of the technical operations of the system, including the establishment of effective contingency arrangements to cope with risks of systems disruptions;

4) to have transparent and non-discretionary rules and procedures that provide for fair and orderly trading and establish objective criteria for the efficient execution of orders;

5) to have effective arrangements to facilitate the efficient and timely finalisation of the transactions executed under the systems of regulated markets;

6) to have available sufficient financial resources to facilitate its orderly functioning, having regard to the nature and extent of the transactions concluded on the market and the range and degree of the risks to which it is exposed.

SECTION TWO

TRADING ON THE REGULATED MARKET. TRANSPARENCY REQUIREMENTS

Article 53. Rules of the Regulated Market and the Fulfilment of the Obligations Provided Therein and Other Legal Acts

1. Regulated market shall establish and maintain transparent and non-discriminatory rules, based on objective criteria and drafted and approved by the operator of the regulated market. Prior to the approval of such rules the operator shall obtain the endorsement thereof by the Securities Commission. The Rules of the regulated market may consist of a single document or several individual documents.

2. The regulated market shall establish and maintain effective arrangements and procedures for the regular monitoring of the compliance by their members or participants with their rules. Regulated markets shall monitor the transactions undertaken by their members or participants under their systems in order to identify breaches of those rules, disorderly trading conditions or conduct that may involve market abuse.

3. The operators of the regulated markets to report significant breaches of their rules or disorderly trading conditions or conduct that may involve market abuse to the Securities Commission of the regulated market. Furthermore, the market operator of the regulated market to supply the relevant information without delay to the Securities Commission related to possible infringements of the rules of the regulated market, also to provide full assistance to the latter in investigating and prosecuting market abuse.

Article 54. Admission of Financial Instruments to Trading on the Regulated Markets

1. Financial instruments may be admitted to trading on the regulated market according to the rules governing the admission of financial instruments to trading on a regulated market.

2. The Rules shall ensure that the transferable securities admitted to trading on a regulated market are admitted without any restriction on transfer and establish:

1) the terms, procedures and the time limits for the admission and the removal of financial instruments into trading on the regulated market;

2) the amounts of the fees for the admission of financial instruments into the trading on regulated market and the annual listing fee.

3. The issuer whose financial instruments are admitted to trading on a regulated market shall in the manner and within the time limits prescribed by the operator of the regulated market furnish the information set forth in this and other laws.

4. The regulated market shall establish and maintain effective arrangements and procedures allowing the verification of the compliance of the issuers of the transferable securities with the requirements of initial, periodic and the on-going disclosure established in the Law on Securities.

5. The regulated market shall operate the measures facilitating the members of the regulated market to access the information made public in accordance with the requirements of the regulations of the European Union.

6. The regulated market shall operate the measures enabling a regular monitoring of the compliance of the financial instruments admitted to trading on a regulated market to the admission requirements set forth to the specific type of financial instrument.

7. Transferable securities admitted to trading on a regulated market may be additionally admitted to trading on other regulated markets irrespective of the presence of the consent of the issuer of such transferable securities to the admission provided the requirements concerning the admission of transferable securities to trading on a regulated market stipulated in other legal acts are complied with. The regulated market shall notify the issuer of such securities that the securities issued thereby are traded on the regulated market concerned. The issuer is not obligated to submit to the regulated market the information stipulated in pars. 3 and 4 of this Article in case its securities have been admitted to trading in this regulated market without its consent.

8. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

Article 55. Suspension and Removal of Financial Instruments from Trading

1. Without prejudice to the right of the Securities Commission under Article 72(1)(11) to demand suspension or removal of an instrument from trading, the operator of the regulated market may suspend or remove from trading a financial instrument which no longer complies with the rules of the regulated market unless such a step would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.

2. An operator of a regulated market that suspends or removes from trading a financial instrument shall make public this decision and communicate the relevant information to the Securities Commission which shall notify the competent authorities of the other Member States thereof.

3. Par. 2 of this Article shall not preclude the operator of the regulated market from directly notifying operators of other regulated market of the suspension or removal of financial instruments from trading.

4. Where the Securities Commission demands the suspension or removal of a financial instrument from trading on one or more regulated markets such decision of the Securities Commission shall immediately be made public and the appropriate information shall be furnished to the supervisory authorities of the other Member States.

5. Upon receipt of the notification from a supervisory authority of another Member State on the suspension or removal of a financial instrument from trade on the regulated market of that Member State, the Securities Commission shall pass a decision to suspend or remove the financial instrument concerned from trade on the regulated market operating in the Republic of Lithuania and multilateral trading facility regulated by the Securities Commission unless where it could cause significant damage to the investors' interests or the orderly functioning of the market.

Article 56. Membership in the Regulated Market

1. The membership in the regulated market and the access thereto shall be regulated by the appropriate rules.

2. The rules in question shall establish:

1) the requirements to the members of the regulated market;

2) the procedure and the terms for the granting or suspension of the authorisation to trade on the regulated market, and the removal from the members of the regulated market;

3) the duties of the members of the regulated market arising from the establishment and management of the regulated market and the transactions concluded on such market; professional standards applicable to the personnel of the financial brokerage firms and credit institutions operating in that market; requirements imposed upon other market participants indicated in par. 3 of this Article; clearing and settlement for the transactions concluded on the regulated market concerned;

4) liability to fulfil the duties;

5) rights of the members of the regulated market;

6) annual membership fee.

3. Regulated markets may admit as members financial brokerage firms, credit institutions and other persons who:

1) are fit and proper;

2) have a sufficient level of trading ability and competence;

3) have adequate organisational arrangements;

4) have sufficient resources for the role they are to perform, taking into account the different financial arrangements that the regulated market may have established in order to guarantee the adequate settlement of transactions.

5) are authorised to provide in the Republic of Lithuania the investment services stipulated in Article 3(13)(2) or (3).

4. Members of the regulated market are not obliged to apply to each other the obligations laid down in Articles 22, 24 and 25 of this Law in respect of the transactions concluded therein. However, the members of the regulated market shall apply the obligations provided for in Articles 22, 24 and 25 with respect to their clients when they, acting on behalf of their clients, execute their orders on a regulated market.

5. The rules on access to or membership in the regulated market provide for the direct or remote participation of financial brokerage firms and credit institutions.

6. Regulated market from other Member States shall have a right in the Republic of Lithuania take measures so as to facilitate access to and trading on those markets by remote members or participants established in their territory.

7. The right established in par. 6 of this Article may be implemented after the supervisory authority of another Member State communicates to the Securities Commission the information on the intention of a regulated market operating in another Member State to take appropriate measures in the Republic of Lithuania.

8. The regulated market operating in the Republic of Lithuania, without infringing the requirements of the other Member State, shall have a right to take measures facilitating the becoming of the entities established in those Member States the members of the regulated market and (or) trading on such regulated market.

9. In order to be able to exercise the right referred to in par. 8 of this Article the regulated market shall submit to the Securities Commission a notification and indicate the Member State in which it intends to take the appropriate measures. The Securities Commission shall communicate, within one month, this information to the Member State in which the regulated market intends to provide take make such arrangements. On the request of the competent authority of the host Member State the Securities Commission shall communicate to it the information about the members of the regulated market.

10. The operator of the regulated market shall have a right to receive the information on the financial and economic activities of the members of the regulated market, and verify the compliance of the members of the regulated market with the requirements established by the operator of the regulated market and impose sanctions set forth in the rules of the regulated market for the failure to comply with the established requirements.

11. The operator of the regulated market operating in the Republic of Lithuania shall provide in the manner established by the Securities Commission the information about the members of the regulated market operated thereby.

Article 57. Trade in Financial Instruments in the Regulated Market

1. Trading on the regulated market shall be conducted in accordance with the established rules.

2. These rules shall ensure that trading in financial instruments on the regulated market is conducted in a fair, orderly and efficient manner and also establish:

- 1) the procedure for trading in financial instruments on the regulated market;
- 2) the time for the organisation of trading on a regulated market;
- 3) the procedure for the establishment of the price of financial instruments and (or) derivative financial instruments;
- 4) terms for transaction settlement ;
- 5) types of transactions concluded on the regulated market;
- 6) the procedure for the announcement of the prices and the volume of trading;
- 7) the ways for resolving of disputes arising in relation to the transactions concluded on the regulated market;
- 8) amounts of fees for the transactions on the regulated market.

Article 58. Pre-Trade Transparency Requirements for Regulated Markets

1. The regulated market shall make public the offers for trades in shares admitted to trading on that regulated market. The regulated market shall on a continuous basis during normal trading hours and on reasonable commercial terms the total number of orders and the related shares under each price level specifying the five best bid and offer prices.

2. Regulated markets may give access, on reasonable commercial terms and on a non-discriminatory basis, to the arrangements they employ for making public the information under the par. 1 of this Article to financial brokerage firms which are obliged to publish their quotes in shares pursuant to Article 33.

3. The Securities Commission shall have a right to waive the obligation for regulated markets to make public the information referred to in paragraph 1 based on the market model or the type and size of orders. In particular, the Securities Commission shall be able to waive the obligation in respect of transactions that are large in scale compared with normal market size for the share or type of share in question.

4. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

Article 59. Post-Trade Transparency Requirements for Regulated Markets

1. The regulated market shall make public the price, volume and time of the transactions executed in respect of shares admitted to trading. Details of all such transactions are to be made public, on a reasonable commercial basis and as close to real-time as possible.

2. The regulated market may give access, on reasonable commercial terms and on a non-discriminatory basis, to the arrangements it employs for making public the

information under par. 1 of this Article to financial brokerage firms which are obliged to publish the details of quotes causing the obligation to conclude a transaction in shares pursuant to Article 33 of this Law.

3. The Securities Commission may authorise regulated markets to provide for deferred publication of the details of transactions indicated in par. 1 of this Article based on their type or size. In particular, the Securities Commission may authorise the deferred publication in respect of transactions that are large in scale compared with the normal market size for that share or that class of shares. The regulated markets shall obtain the Securities Commission's prior approval of proposed arrangements for deferred trade-publication, and the arrangements shall be clearly disclosed in advance to market participants and the investing public.

4. The requirements stipulated under this Article shall be implemented pursuant to the rules defined in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.

Article 60. The Agreements of the Regulated Market with the Central Counterparty and the Clearing and Settlement Systems

1. The regulated market shall have a right to enter into appropriate arrangements with a central counterparty or clearing house and a settlement system of another Member State with a view to providing for the clearing and/or settlement of some or all trades concluded by market participants under the system of the regulated market.

2. The Securities Commission may not oppose the use by the regulated market operating in the Republic of Lithuania of central counterparty, clearing houses and/or settlement systems in another Member State except where this is demonstrably necessary in order to maintain the orderly functioning of that regulated market and taking into account the provisions of Article 42(2) of this Law.

3. In order to avoid undue duplication of control, the Securities Commission shall take into account the oversight/supervision of the clearing and settlement system already exercised by the national central banks as overseers of clearing and settlement systems or by other authorities exercising the supervision of such systems.

Article 61. List of Regulated Markets

The Securities Commission shall draw up a list of the regulated markets for which it is the home Member State and shall forward that list to the other Member States and the European Commission. A similar communication shall be effected in respect of each change to that list. The Commission shall publish a list of all regulated markets in the Official Journal of the European Union and update it at least once a year. The Commission shall also publish and update the list at its website, each time the Member States communicate changes to their lists.

CHAPTER IV

PROHIBITION TO ABUSE THE MARKET IN FINANCIAL INSTRUMENTS

Article 62. Prohibition of Insider Dealing in Trading in Financial Instruments

1. Persons who are in possession of the inside information by virtue of being the issuer's employees, members of supervisory or management bodies, or they have access to such information by virtue of their profession or by virtue of being shareholders of the issuer, or because they have obtained such information by virtue of their criminal activities, shall be prohibited from attempting to conclude or conclude deals in financial instruments to which the information relates on their own account or the account of a third party until the information is publicly disclosed. Where the person referred to above is a legal person, such prohibition shall also apply to the natural person who takes part in the decision to carry out the transaction for the account or in the name of the legal person concerned.

2. Persons referred to in par. 1 of this Article shall be prohibited from:

1) disclosing directly or indirectly inside information to other persons, except when information is disclosed by virtue of their position or in the course of executing their professional duties;

2) on the basis of the inside information recommending or soliciting other parties to enter into transactions in respect of financial instruments to which the information concerned is related.

3. Prohibitions specified in this Article shall also be imposed on any person possessing the inside information, who is aware or should be aware that such information is not publicly disclosed. Prohibitions specified in par. 1 of this Article shall not apply to the transactions executed before the person came into possession of the information concerned.

4. Managers of the issuer and persons closely related to such managers the list whereof shall be established by the Securities Commission, in accordance with the procedure and within the time limits established thereby, shall notify of the transactions concluded on their own account thereby in respect of the securities of the issuer managed thereby, as well as derivative financial instruments and other financial instruments related to such securities. Such notifications shall specify the types of transactions, the number and the dates of the transactions, type and number of transferred or acquired financial instruments, amount of transactions, form of settlement and other data required by the Securities Commission. The information specified in this paragraph shall be made public in the manner specified by the Securities Commission

5. The issuer or the person acting on the account and in the name of the issuer, while disclosing the inside information to any third person in normal exercise of his employment, profession or duties, shall at the same time (or in case of non-intentional disclosure – promptly after such disclosure), make complete and effective public disclosure of such information. This requirements shall not apply where the person who has come into possession of such information owes a duty of confidentiality, arising from legal acts, Articles of Association or a contract. Issuers and persons acting in the name of or on the account of the issuers, shall in the manner prescribed by the Securities Commission furnish to the Securities Commission the data (including personal codes) on persons entitled to have access to inside information by virtue of the employment contract or on other basis, and on persons related to the issuer.

6. An intermediary, while performing his intermediation duties who reasonably suspects that the transaction would be effected in violation of prohibitions provided for in pars. 1, 2 or 3 of this Article or Article 63 shall forthwith notify the Securities Commission thereof.

7. The prohibitions stipulated in this Article and Article 63 shall not apply to transactions carried out in pursuit of monetary policy, exchange-rate policy, public debt and reserves management policy by the Republic of Lithuania, other Member State, the Bank of Lithuania, the European system of Central banks or other body officially designated to carry similar functions or a person acting under the mandate of the above authorities. .

8. The prohibitions laid down in this Article and Article 63 shall not apply to the buy-back of own shares or to the price stabilization provided such operations are executed in the manner prescribed by legal acts.

9. The prohibitions laid down in this Article and Article 63 and the requirements in respect of financial instruments traded on the regulated markets established or operating in the Republic of Lithuania (or for which a request for admission to trading on such a market has been made) shall apply irrespective of whether the action has been performed inside or outside the territory of the Republic of Lithuania. The prohibitions laid down in this Article and Article 63 and the requirements in respect of securities traded on the regulated markets of the European Union (or for which a request for admission to trading on such a market has been made) shall apply to actions performed in the territory of the Republic of Lithuania, even though the transaction has been executed outside such a market.

10. The prohibitions specified in this Article shall also apply to financial instruments which are not traded on the markets specified in par. 9 of this Article, where their value is related to the financial instruments stipulated in par.9 of this Article.

Article 63. Prohibition to Manipulate the Market

1. All persons shall be prohibited from:

1) concluding purchase/sale transactions or place buy/sell orders where these transactions or orders form a misleading impression about the demand, supply or price of financial instruments and the person or person acting in concert thus maintain unusual or artificial price of one or several financial instruments. The prohibition provided for in this item shall not apply where the person who entered into the transaction or issued the orders to trade establishes that his reasons for so doing are legitimate and that these transactions or orders to trade conform to accepted market practices on the regulated market concerned approved by a supervisory authority;

2) concluding transactions or placing orders to trade which employ fictitious devices or any other form of deception or contrivance;

3) dissemination of information through the media (including the Internet), or by any other means (including the dissemination of gossip or misleading news), which gives or is likely to give, false or misleading signals as to the financial instruments, where the person who made the dissemination knew or ought to have known that the information was false or misleading. In respect of journalists where they act in their professional

capacity, such dissemination of information is to be assessed taking into account the rules governing their profession, unless those persons derive, directly or indirectly, an advantage or profits from the dissemination of the information in question.

2. The actions prohibited under par. 1 of this Article may be effected in the following forms:

1) 1) conduct by a person, or persons acting in collaboration to secure a dominant position over the supply or demand of financial instruments which has the effect of fixing, directly or indirectly, purchase or sale price or creating other unfair trading conditions

2) the buying or selling of financial instruments at the close of the market with the effect of misleading investors acting on the basis of closing prices of the financial instruments.

3) taking advantage of occasional or regular access to the mass media by voicing an opinion about financial instruments (or directly about their issuer) while having previously taken positions on those financial instruments and profiting subsequently from the impact of the opinions voiced on the price of the financial instruments, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way;

4) in other forms the model list whereof shall be compiled by the Securities Commission;

3. Persons who produce or disseminate research concerning financial instruments or issuers of such financial instruments and other information, designed to develop or propose an investment strategy shall ensure that such information is fairly presented and disclose their interests or indicate conflicts of interest concerning the financial instruments to which the information is related.

4. With a view to ensuring the compliance with the requirements indicated in this Article and Article 62 of this Law, the Securities Commission may take all necessary measures to ensure that the public is correctly informed (including the disclosure of any known information).

5. Vendors of public information disseminating the information possibly having a significant effect on markets in financial instruments shall disseminate such information being guided by the principles of integrity and transparency.

CHAPTER V

ACCOUNTING OF FINANCIAL INSTRUMENTS

Article 64. Principles of Accounting of Financial Instruments

1. Financial instruments shall be registered by making entries in personal financial instruments accounts managed in accordance with the Rules on accounting of financial instruments and their Circulation. These rules shall be drawn up by the Central Depository and shall be approved by the Securities Commission. Personal financial instruments accounts shall be opened in the name of the owner of financial instruments, except cases specified under pars. 2, 3, 4 and 5 of this Article.

2. Accounts of collateralised financial instruments may be opened in the name of the holder of the collateral, indicating the owner of the financial instruments. Entering of collateralised financial instruments into an account opened in the name of the collateral holder shall be considered a transfer of these financial instruments to the disposal of the collateral holder.

3. Accounts of clients of account managers registered abroad may be opened in the name of the account managers, indicating that they act as account managers and the account has been opened on behalf of the client. Foreign account managers, upon a request of the Securities Commission or the Central Securities Depository of Lithuania shall disclose the clients on whose behalf the financial instruments have been acquired.

4. Financial instruments pledged with the European Central Bank or the central bank of another Member State of the European Union may be recorded by entries in the accounts opened in the name of the Bank of Lithuania in the Central Depository by indicating the pledge holder and the owner of the financial instruments. Entries in these accounts shall be made in accordance with the instructions of the Bank of Lithuania.

5. Financial instruments transferred to the ownership of the European Central Bank or the central bank of another Member State of the European Union by way of a repurchase or other transaction may be recorded in the accounts opened in the name of the Bank of Lithuania in the Central Depository indicating the Central European Bank or the central bank of the Member State of the European Union as the holder of financial instruments. Entries in such accounts shall be made in accordance with the instructions of the Bank Lithuania.

Article 65. Management of Accounts of Financial Instruments

1. The right to open and manage personal financial instruments accounts shall be conferred to intermediaries, licensed credit institutions and the Central Depository.

2. An issuer must submit documents for opening of the account of financial instruments issued

by it or for making changes in entries in the accounts pursuant to the procedure and within the terms

stipulated in the Rules on accounting of financial instruments and their circulation.

3. Before launching the primary trading in financial instrument an issuer must conclude with an account manager an agreement stipulating the procedures of opening and managing personal accounts of financial instruments. The Central Depository shall inform the Securities Commission, following the procedure specified by the latter, about the authorised account managers. An account manager authorised by the issuer must open personal accounts of financial instruments issued by the issuer to each owner who has not delegated by a written statement the management of the account to another account manager.

4. The issuer shall have the right to request at any time that the account managers present a list of owners of its registered financial instruments and the names of the persons on behalf of which the accounts have been opened. This right shall be exercised by submitting an inquiry to the Central Depository which on the discretion of the issuer

shall furnish the list of account managers or the list of owners of financial instruments. The account managers shall present to the Central Depository the lists of owners of financial instruments and the persons on behalf of whom the financial instrument accounts have been opened in the procedure defined by the Central Securities Depository.

5. Financial instrument accounts may be managed on behalf of the account manager as well as the contents of the account may be changed only by employees holding a written authorisation issued by the account manager. Each manager of accounts must present a list of such employees to the Central Depository. The account manager must, on a continuous basis, guarantee that owner enjoy the right to dispose of his financial instruments.

6. Executives and employees of account managers must ensure confidentiality of the information of which they have become aware in the course of account management, with the exception of cases when the law obliges them to disclose such information.

Article 66. Notification on Account Status

An account manager must, in the manner, and the periodicity established in the agreement with the owner of the financial instruments notify the owner of financial instruments in writing of any change in the latter's account. Upon the end of the calendar year the account managers must, pursuant to the procedure and within the terms stipulated in the agreement, present statements of financial instruments accounts as of the close of the last day of the past year.

Article 67. The Central Depository

1. The Central Securities Depository of Lithuania is a public company acting in accordance with this Law and its own Statutes.

2. Only the Republic of Lithuania, the Bank of Lithuania, or credit institutions, financial brokerage firms, insurance firms, investment companies with variable capital, and the management companies of such investment companies, the management companies of pension funds, operators of regulated markets, central depositories and central counterparties licensed in the Republic of Lithuania, a Member State of the European Union or a State which has opened official negotiations concerning its membership of the European Union may be shareholders of the Central Depository. The Central Depository may issue only registered ordinary shares.

3. Members of the Board, Supervisory Board and the Manager of the Central Securities Depository shall be persons of sufficiently good repute, their qualifications shall meet the requirements set out by the Securities Commission or they shall have work experience in financial or other analogous institutions.

Article 68. Rights and Duties of the Central Depository

1. The Central Depository shall:

1) prepare and present to the Securities Commission for its approval Rules on accounting of financial instruments and their circulation;

2) prepare and approve instructions of financial instrument accounting, also other documents governing the accounting of financial instruments and their circulation;

3) open and manage financial instrument accounts of account managers and personal financial instrument accounts;

4) ensure that during execution of transactions with regard to financial instruments the said financial instruments are timely transferred from the financial instrument account of one account manager to the financial instrument account of another account manager;

5) ensure that the number of financial instruments of each issue placed for circulation corresponds to the number of financial instruments actually outstanding;

6) develop and implement measures ensuring the integrity and security of the financial instrument accounting system

7) monitor the compliance of the account managers with the rules on the accounting of financial instruments and other documents governing the accounting of financial instruments and their circulation;

8) accumulate, process, and disseminate information concerning accounting of financial instruments, train and consult specialists in financial instrument accounting;

9) issue to the account managers statements of their financial instrument accounts;

10) ensure protection of confidential information and implement internal controls;

11) submit to the Securities Commission proposals concerning financial instrument accounting issues and provide reports on the development of the accounting system and the main problems related thereof;

12) provide free of charge to the Bank of Lithuania and the Securities Commission information necessary for the performance of their functions.

2. The Central Depository shall have the right to:

1) handle clearing and cash settlements for transactions with regard to financial instruments;

2) take from account managers against which bankruptcy has been instituted management of financial instrument accounting;

3) provide to issuers and intermediaries other services related to accounting of financial instruments and their circulation and settlement in relation thereto;

3. A representative of the Securities Commission shall have a right to attend meetings of the managing bodies of the Central Depository with the deliberative vote and shall have a right to receive material provided to other participants of meetings.

4. The documents issued by the Central Depository on the issues of financial instrument accounting and its safety requirements shall be binding to all account managers.

5. The amounts of entrance and annual fees, quarterly account management fees and the operation fees established by the Central Depository and generally and in a standard manner applicable to account managers shall be approved by the Securities Commission.

CHAPTER VI
SUPERVISION OF MARKETS IN FINANCIAL INSTRUMENTS
SECTION ONE

THE LEGAL STATUS OF THE SECURITIES COMMISSION

Article 69. The Securities Commission as the Supervisory Authority of Markets in Financial Instruments

1. Markets in financial instruments shall be regulated and supervised by the Securities Commission of the Republic of Lithuania (hereinafter – the Securities Commission).

2. The Securities Commission is a legal entity with its official stamp depicting the coat of arms of the State of Lithuania and having a bank account.

3. The Securities Commission shall be formed and liquidated by the Seimas of the Republic of Lithuania on the proposal of the Government of the Republic of Lithuania.

Article 70. The Composition of the Securities Commission and the Procedure of its Formation

1. The Securities Commission shall consist of a chairman and four Commissioners. They shall be appointed for a five-year term by the Seimas on the proposal of the President.

2. The same person shall not be elected a Commissioner of the Securities Commission for more than two consecutive terms of office. The Chairman of the Securities Commission shall designate his deputies from members of the Commission. The Chairman and the commissioners of the Securities Commission must be citizens of the Republic of Lithuania.

3. Upon the expiry of the term of their powers, commissioners of the Securities Commission shall remain in their office until the appointment of new commissioners.

4. Commissioners of the Securities Commission shall be dismissed from their posts prior to the expiry of the term of their powers only in the following cases:

- 1) on their own request;
- 2) if their citizenship of the Republic of Lithuania is revoked;
- 3) due to a worsened state of health (if they remain unable to work for more than three consecutive months);
- 4) upon the enactment of the court sentence convicting them of committing an intentional crime, criminal actions in respect of civil service and public interests, disclosure of State secret, loss of State secret or the commission of crime of corruption, as defined in the Law on Prevention of Corruption;
- 5) if they grossly violate the provisions of this Law setting forth limitations of trading in financial instruments applied to the commissioners and administration staff of the Securities Commission.

5. President of the Republic of Lithuania may propose the Seimas to dismiss a commissioner of the Securities Commission from his post prior to the expiry of the term of office. The Seimas on the proposal of the President the Republic of Lithuania shall appoint other persons to take the vacant posts of the commissioners of the Securities Commission dismissed prior to the expiration of their term of office for a term of 5 years.

6. A commissioner of the Securities Commission may not engage in any other activity that is incompatible with the requirements of civil service.

7. The remuneration of the commissioners of the Securities Commission shall be governed by the Law on the Remuneration of State Politicians, Judges and Civil Servants. The Labour Code shall be applicable to the commissioners of the Securities Commission to the extent the status of the commissioners is not governed by other laws. The Chairman of the Commission and the commissioners may be promoted by one-off benefits without exceeding the overall allocation for the remuneration of work. The Chairman and the commissioners of the Securities Commission may be promoted in the following cases:

- 1) for an outstanding performance during the calendar year;
- 2) upon completion of one-off specifically important assignments;
- 3) at the statutory occasions;
- 4) upon personal anniversaries and the anniversaries of professional record.

8. The decision concerning the promotion of a commissioner of the Securities Commission shall be passed by the Chairman of the Securities Commission. The decision concerning the promotion of the Chairman of the Securities Commission shall be passed on a collegial basis by the commissioners of the Securities Commission. In each individual case specified in par. 7 of this Article the one-off benefit shall be paid not more frequently than once a year and shall not exceed a 100 percent amount of the established official salary.

Article 71. The Objectives and Functions of the Securities Commission

1. The objectives of the Securities Commission shall be as follows:

- 1) to monitor the compliance with the rules of fair trading in financial instruments;
- 2) to take measures assuring effective functioning of the market in financial instruments and protect the interests of investors;
- 3) submit proposals with regard to shaping of the State economic policy which would promote the development of the market in financial instruments;
- 4) disseminate information about the principles of functioning of markets in financial instruments;
- 5) to take other measures aimed at implementing this Law and other legal acts concerning the markets in financial instruments.

2. When implementing the objectives provided for in par. 1 hereof, the Securities Commission shall perform the following functions:

1) draft, approve, amend or repeal the rules regulating the licensing, establishment, reorganisation, liquidation and activities of regulated markets and intermediaries, licensing and operations of financial advisor companies and intermediaries, and the trading in financial instruments;

2) provide explanations and guidance on issues related to trading in financial instruments;

3) issue, suspend or revoke licenses for regulated markets, brokerage firms, and brokers;

4) monitor, analyse, inspect and in other way supervise the activities of financial brokerage firms, regulated markets and their members, the Central Depository, and account managers;

5) impose sanctions provided for in this Law and other laws of the Republic of Lithuania on persons who violate this Law and the rules and instructions approved by the Securities Commission;

6) publish or take part in publishing of publications concerning the functioning and regulation of the markets in financial instruments;

7) organise examinations and qualifications tests with the purpose of evaluating the knowledge and competence of financial brokers;

8) cooperate with associations of financial brokers;

9) conclude agreements with counterpart foreign authorities on cooperation and exchange of information;

10) cooperate and exchange information with counterpart foreign authorities;

11) cooperate and exchange information with the institutions performing the supervision of credit institutions, insurance undertakings and intermediaries of insurance companies, also other financial institutions;

12) appoint its representative to the Commission for coordination of regulation and supervision of the activities of financial institutions and insurance undertakings;

13) perform other functions provided for in this Law and other laws of the Republic of Lithuania.

3. The Securities Commission must prepare and present to the public and the Seimas its annual activity reports. The report must overview the development of the securities market and principal events which took place during the accounting period.

4. The Securities Commission's acts or failure to act may be appealed in accordance with the procedure laid down in the Law on Administrative Procedure.

Article 72. Powers of the Securities Commission for the Purpose of the Execution of Functions Assigned to It

1. When implementing the functions assigned to it the Securities Commission shall have right to:

1) obtain, free of charge, documents, copies thereof, other data and documents and the copies thereof related to a specific persons being inspected from other undertakings, public authorities, registers and other institutions performing similar functions;

2) require the persons to submit any information at their disposal of relevance and, where necessary, call up such persons and require them to present explanations;

3) perform inspections and on-site checks with the assistance of auditors and experts;

4) employ specialists and experts of appropriate areas (auditors, accountants, lawyers, specialists of information technologies, etc.) requesting them to provide their opinions, conclusions, assessment or perform other actions requiring specific qualification, knowledge or expertise;

5) obtain existing telephone and existing data traffic record;

6) require the cessation of any practice infringing the provisions of this Law and the secondary legislation;

7) apply to court with a request to impose prohibition on the performance of operations with the property or the placement of the attachment upon a property;

8) require the persons to suspend the engagement in professional activities;

9) require the auditors of financial brokerage firms and operators of regulated markets submit the information related to the audit of such entities;

10) take measures ensuring the continuous compliance of the financial brokerage firms and regulated markets with the requirements defined in this Law and other regulations;

11) require to suspend or terminate trading in a specific financial instrument on a regulated market or other trading venues;

12) communicate the materials and other information obtained during the inspection to the law enforcement authorities;

13) appeal to court concerning the protection of public interest while representing the interests of investors;

14) publish the information necessary for the protection of the market or the interests of the market participants.

2. The Securities Commission shall exercise the rights vested to in under par. 1 of this Article:

1) directly;

2) in collaboration with other supervisory authorities;

3) invoking other persons for the performance of certain actions;

4) by application to the competent judicial authorities.

3. The provisions of this Article shall be applied to licensed credit institutions *mutatis mutandis*.

Article 73. Organisation of the Work of the Securities Commission

1. The work of the Securities Commission shall be managed by the Chairman and in his absence - by the Deputy Chairperson.

2. The Chairman of the Securities Commission shall:

1) ensure that meetings of the Securities Commission be called regularly, determine issues to be considered at every meeting, submit reports on the activities of the Securities Commission, in the period between meetings give instructions to the commissioners of the Securities Commission and control their implementation;

2) sign the decisions (resolutions) of the Securities Commission;

3) approve the administrative structure of regular employees, not exceeding the maximum number of positions of civil servants and the number of positions of the employees, as well as the annual payroll fund approved by the Seimas;

4) head the administration, unless he has delegated this function to an employee of the administration.

3. Each Commissioner of the Securities Commission shall be in charge of a sphere of the Securities Commission's activities assigned to him and shall participate in the consideration and adoption of decisions on all issues falling within the Securities Commission's competence. If the agenda of a meeting of the Securities Commission includes an issue related to private interests of a Commissioner which create a conflict of private and public interests, the Commissioner shall indicate presence of such a situation prior to the meeting and shall be precluded from taking part in the consideration of the issue and adoption of a decision (resolution).

4. The Securities Commission shall organize open and closed meetings. Issues concerning the violations of this Law and other legal acts, as well as issues concerning the confidential information shall be considered at closed meetings. Other issues shall be discussed at open meetings.

5. A meeting of the Securities Commission may take place if attended by at least 3 commissioners of the Commission.

6. Decisions shall be taken by a simple majority vote of those attending the meeting. In cases when legal acts are adopted, amended or recognized invalid decisions shall be deemed passed if at least 3 members of the Securities Commission voted for it.

7. The Commissioners of the Securities Commission shall have equal rights of the casting vote. They shall not have the right to refuse to vote or to abstain. In the event of a tie vote, the chairman of the meeting shall have the casting vote. The decisions (resolutions) of the meetings shall be adopted by open ballot voting if requested at least by one member of the Securities Commission. Decisions (resolutions) and their motives shall be announced publicly. The fines or sanctions imposed by the Securities

Commission shall be made known publicly except where such publicity would incur damage to the market or a disproportionate harm to interested persons.

Article 74. Delegation of Powers

The Securities Commission may adopt a decision to authorize a Commissioner of the Securities Commission or an employee of the administration to perform any of its functions, except adoption, amending or declaring void of legal acts, issuance or revocation of licenses, and imposition of sanctions referred to in this Law.

Article 75. Restrictions Applicable to the Commissioners and the Employees of the Administration of the Securities Commission Concerning Trading in Financial Instruments

1. Seeking to avoid conflicts of interests, the Commissioners and administration employees of the Securities Commission as well as their spouses shall be banned from transferring acquired financial instruments, which are traded on regulated markets of the Republic of Lithuania, earlier than six months after their acquisition.

2. The ban referred to in par. 1 of this Article shall not be applied to:

- 1) inherited financial instruments;
- 2) financial instruments in respect of which a takeover bid has been placed;
- 3) financial instruments the manage whereof has been transferred to the portfolio manager;
- 4) financial instruments of the Government of the Republic of Lithuania and the Bank of Lithuania.

Article 76. The Duty of the Commissioners and the Employees of the Administration of the Securities Commission not to Disclose Confidential Information

1. Current and former Commissioners and administration employees of the Securities Commission shall have no right to use for their own benefit or to disclose to other persons confidential information of which they have become aware in the course of executing their professional duties at the Securities Commission. This prohibition shall also be imposed on persons who have carried out instructions of the Securities Commission, and persons who, in cases provided for by the law, have the right to receive confidential information from the Securities Commission.

2. The following shall also not be considered divulging of confidential information prohibited under par. 1 of this Article:

- 1) provision of information on financial brokerage firms and the licensed credit institutions in such a generalized form that it is not possible to determine the identity of any specific person;

2) forwarding of information for the investigation or hearing of a criminal case in the manner prescribed by criminal laws;

3) disclosure of information in civil cases concerning bankruptcy or forced winding up of a financial brokerage firm or a credit institution;

4) transfer of information following the procedure stipulated under Article 82 of this Law.

Article 77. Financing of the Securities Commission

The Securities Commission shall be financed from the State budget.

SECTION TWO

COOPERATION OF THE SECURITIES COMMISSION WITH OTHER SUPERVISORY AUTHORITIES

Article 78. Cooperation of the Securities Commission with the Supervisory Authorities of Other Member States

1. For the purpose of the performance of the functions assigned to it under the present Law and other laws the Securities Commission shall cooperate with the supervisory authorities of other Member States. Such cooperation shall include the information exchange, participation in conducting investigations, performance of other supervisory functions at the initiative of any of the supervisory authorities.

2. Where a regulated market operating in another Member State provides appropriate arrangements in the Republic of Lithuania so as to facilitate access to and use of the system of remote members established in the Republic of Lithuania system whereby the operation of the regulated market becomes important in ensuring the orderly functioning of the markets in financial instruments and the investor protection, the Securities Commission shall enter into an agreement with the supervisory authority of that regulated market concerning cooperation and the exchange of information.

3. Where a regulated market operating in the Republic of Lithuania provides appropriate arrangements so as to facilitate access to and use of their systems by remote users or participants established in the territory of that Member State, the provisions of par. 2 of this Article shall apply *mutandis mutandis*.

4. The Securities Commission shall cooperate and provide all possible assistance to supervisory authorities of other Member States even in cases where the conduct being investigated does not constitute an infringement of any regulation in force in the Republic of Lithuania.

5. Where there is a good reason to suspect that acts or omissions in other Member States of entities not subject to supervision of the Securities Commission contradict the requirements of the regulations of another Member State, the Securities Commission shall notify this to the supervisory authority of the other Member State.

6. Where a supervisory authority of another Member State notifies the Securities Commission of possible infringements by entities subject to the supervision of the Securities Commission committed in another Member State the Securities Commission shall immediately take appropriate actions and shall accordingly notify the supervisory authority that had communicated such information.

7. The requirements provided for in this Article shall apply to licensed credit institutions *mutandis mutandis*.

Article 79. Cooperation in Supervisory Activities, Investigations and On-the-Spot Verifications

1. In conducting its supervisory activity and investigations and the on-the-spot verifications the Securities Commission shall cooperate with the supervisory authorities of other Member States. For that purpose the Securities Commission may request cooperation of the supervisory authority of another Member State by provision of information or another assistance.

2. Where a financial brokerage firm established in another Member State is a remote member of a regulated market operating in the Republic of Lithuania the Securities Commission shall have a right to exercise the functions of the supervisory authority of a regulated market by addressing the financial brokerage firm directly. In this case the supervisory authority shall be informed of the actions taken in respect of the remote member of the regulated market.

3. A supervisory authority of another Member State shall be entitled to appeal to the Securities Commission concerning cooperation and, upon the authorisation of the Securities Commission conduct an investigation or an on-the-spot verification independently, also request such inspection or on-the-spot verification to be conducted by the Securities Commission or be delegated to auditors or experts. The on-the-spot verifications and inspections shall be conducted in the procedure established by this Law.

4. The requirements provided for in this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 80. Exchange of Information

1. When performing the functions assigned to it under this Law the Securities Commission shall exchange the information with the supervisory authorities of other Member States.

2. When communicating the information to the supervisory authority of another Member State the Securities Commission shall have a right to require that such information shall not be disclosed to third persons without an express prior agreement of the Securities Commission. Such limitation shall be established at the time of communication of such information. When giving an agreement to the disclosure of the information to third persons the Securities Commission shall specify the purposes for which the information concerned may be used.

3. The Securities Commission shall have a right to forward the information received from other Member States or the third party supervisory authorities to institutions of the Republic of Lithuania in charge of the supervision of credit institutions, insurance undertakings and other financial institutions. Upon receipt of the information the institutions of the Republic of Lithuania may forward this information to other natural or legal persons only upon an advance consent of another Member State or the supervisory authority of another Member State to communicate the provided information only for the purposes expressly indicated in the consent, unless the communication without such consent or for purposes other than indicated in the consent would be justifiable in view of the circumstances prevailing – in the latter case an appropriate notification shall be given to the Securities Commission which shall immediately notify the supervisory authority of another Member State or a third country.

4. The Securities Commission and other authorities of the Republic of Lithuania exercising the supervision of credit institutions, insurance undertakings and other financial institutions shall have a right to use the confidential information divulged to them solely for the execution of their supervisory functions, i.e.,

1) verify whether the entities subject to its supervision comply with the terms for issuing the license and monitor the compliance thereof with the organisational and operating requirements placing a special focus upon the oversight of the capital adequacy requirements, management and accounting procedures and the exercise of internal controls;

2) monitor the proper functioning of trading venues;

3) impose sanctions;

4) examine complaints in the manner defined in the Law on Public Administration concerning the decisions passed by supervisory authorities;

5) participation in litigation proceedings in respect of complaints regarding the resolutions passed by supervisory authorities;

6) by addressing the investor disputes in the out-of-court (alternative) dispute resolution institutions.

5. The provisions of Article 76 and 82 of this Law do not preclude the Securities Commission from communicating the confidential information to the Bank of Lithuania, the European System of Central Banks and the European Central Bank in their capacity as monetary authorities, and, where appropriate, other public authorities responsible for overseeing payment and settlement systems where the confidential information is intended for the performance of their supervisory functions.

6. The authorities referred to in par. 5 of this Article shall not be prevented from communicating the confidential information to the Securities Commission where such information is necessary for the performance of its functions defined in this Law.

7. Where the Securities Commission becomes in a possession of the data that the actions prohibited as defined in Articles 62 or 63 are being performed or have been performed in the territory of another Member State of the European Union, or they are related to financial instruments traded on a regulated market of such Member State, the

Securities Commission shall file an appropriate notification to the foreign supervisory authority.

Article 81. Refusal to Cooperate

1. The Securities Commission may refuse to act on a request for cooperation in carrying out an investigation, on-the-spot verification or supervisory activity as provided for in Article 79 or to exchange information as provided for in Article 80 only where:

1) such an investigation, on-the-spot verification, supervisory activity or exchange of information might adversely affect the sovereignty, security or public policy of the Republic of Lithuania;

2) judicial proceedings have already been initiated in respect of the same actions and the same persons before the authorities of the Republic of Lithuania;

3) final judgment has already been delivered in the Republic of Lithuania in respect of the same persons and the same actions.

2. Where the Securities Commission exercises the right provided for in par. 1 of this Article, it shall notify the supervisory authority of another Member State requesting the provision of information or any other assistance providing the reasons for the refusal to cooperate.

Article 82. Exchange of Information with the Third Country Supervisory Authorities

1. While exercising the supervisory functions assigned to it the Securities Commission shall have a right to enter into cooperation agreements concerning the exchange of information with the supervisory authorities of third countries provided the information being communicated to third countries is subjected therein to the requirements concerning the security of confidential information not less stringent than those defined in Article 76 of this Law. Any personal data may be communicated to the supervisory authority of a third country only in compliance with the requirements of the Law on the Legal Protection of Personal Data.

2. The Securities Commission shall also be entitled for the purposes of the exercise of the supervisory functions to enter into cooperation agreements concerning the exchange of information with the entities from third countries, provided the information being communicated is subjected therein to the requirements concerning the security of confidential information not less stringent than those defined in Article 76 of this Law. Such agreements may be entered into with the supervisory authorities, also natural and legal persons responsible for:

1) supervision of credit institutions, other financial institutions, insurance undertakings and the oversight of financial markets;

2) execution of winding-up and bankruptcy as well as similar proceedings in respect of financial brokerage firms;

3) performance of statutory audit of financial statements of financial brokerage firms, credit institutions, other financial institutions and insurance undertakings in the course of the exercise of the oversight functions or the administration of the investment insurance systems the course of the exercise of the oversight functions ;

4) supervision of persons participating in the execution of winding-up and bankruptcy as well as similar proceedings in respect of financial brokerage firms;

5) supervision of persons performing the statutory audit of financial statements of insurance undertakings, credit institutions, financial brokerage firms and other financial institutions.

3. Where the information requested by a supervisory authority of a third country has been received from another Member State, such information may be forwarded only upon obtaining of a prior consent of the authority that had provided the information and only for the purposes expressly indicated in the consent.

4. The provisions of par. 3 of this Article shall be *mutatis mutandis* applicable to the information obtained from supervisory authorities of third countries.

Article 83. Relations with Auditors

1. When performing the audit of a financial brokerage firm the auditor shall without delay notify the Securities Commission of the facts and circumstances that are liable to:

1) constitute a material breach of the laws, regulations or administrative provisions which lay down the conditions governing licensing or which specifically govern pursuit of the activities of financial brokerage firms, or

2) affect the continuous functioning of a financial brokerage firm, or

3) lead to refusal to certify the accounts or to the expression of a qualified opinion.

2. The auditor shall also be under obligation to notify the Securities Commission of the facts and circumstances specified in items 1-3 of par. 1 of this Article of which he becomes aware of in the course of carrying out the audit of an undertaking having close links with the financial brokerage firm being audited.

3. The notification in good faith of the Securities Commission as indicated in pars. 1 and 2 of this Law shall not be deemed to constitute an infringement of the prohibition to disclose confidential information as stipulated in legal acts or a contract and shall not involve the disclosing person in liability of any kind.

Article 84. Extra-Judicial Mechanism for Investor Disputes

1. The Securities Commission shall encourage the setting-up and operations of efficient procedures for the out-of-court (alternative) settlement of disputes of investors and undertakings providing investment services.

2. The bodies indicated in par. 1 of this Article shall not be prevented from the exchange of information and the data including cases where the resolution of a dispute is attributable to the jurisdictions of more than one Member State.

Article 85. The Rights of the Securities Commission in Investigating Violations of Legal Acts Regulating Functioning of Markets in Financial Instruments

1. The Securities Commission shall have the right to organize and carry out investigations in order to monitor observance of this Law and subordinate legislation enacted on the basis thereof.

2. When carrying out investigations, officers of the Securities Commission shall have the right to:

1) obtain explanations in a written or oral form from persons connected to violations under investigation, require these persons to arrive to the office of the officer carrying out the inspection in order to give evidence

2) upon producing official certificates and a reasoned decision of the Securities Commission or its authorized employee to conduct an inspection (check up), have an unimpeded access to the premises of intermediaries, operators of regulated markets, the Central Depository, issuers and other business entities related to potential violations, to check the documents, accounting books and other sources of information which might be of use for the inspection conducted, and receive conclusions about the inspection material from the expertise institutions

3) insist on being provided copies of accounting documents, contracts, orders, memoranda and other documents considered by the Securities Commission to be of relevance for the investigation;

4) take away temporarily documents of the inspected financial brokerage firms, regulated markets, the Central Depository, and issuers, which may be used as proof of committed or intended violations, leaving behind a description of the taken away documents

5) upon producing a reasoned decision of the Securities Commission, receive from the banking institutions data, certificates and copies of documents concerning financial transactions related to the entity under inspection.;

6) receive documents or copies of such documents related to the person placed under investigation from other undertakings, also public and municipal authorities.

3. For the implementation of the rights provided for in par. 2 of this Article the Securities Commission may request an assistance of police officers.

4. The Securities Commission, having reasonable grounds for suspecting a violation of the provisions of this Law or other regulations passed on the basis of this Law has a right to suspend or prohibit the trading on a regulated market of the financial instruments or admission to trading on a regulated market for a period not longer than 10 business days. Upon the decision of the Securities Commission a public announcement may be made to the effect that the issuer defaults on its obligations, persons may be temporarily prohibited from engaging in their professional activities related to the

provision of investment services, or, upon the request of the Securities Commission, property may be placed under temporary attachment by the ruling of the court (judge). The requests of the Securities Commission concerning placing the property under attachment shall be examined by the Vilnius Regional Administrative Court.

5. The Securities Commission may request foreign supervisory authorities to carry out the necessary inspections in the territory of those States and its own personnel be allowed to accompany the personnel of the supervisory authority during such inspections. Where a supervisory authority of a Member State fails to act on time concerning the request for the submission of the information or refuses to provide such information, the Securities Commission may bring that non-compliance to the attention of the Committee of European Securities Regulators.

Article 86. Sanctions Imposed Upon Financial Brokerage Firms and Credit Institutions

1. The Securities Commission shall have a right to impose on financial brokerage firms the following sanctions:

1) to warn the financial brokerage firms for the shortcomings and violations of their activities and set the term for the elimination of such shortcomings and violations;

2) to impose upon the employees of the financial brokerage firms administrative fines and other fines stipulated in this Law;

3) to revoke the licence authorizing them to provide one, several or all of the operations;

4) to appoint an interim representative of the Securities Commission for the supervision of the activity.

2. The Securities Commission shall have the right to apply to licensed credit institutions the sanctions referred to in items 1 and 2 of this paragraph.

Article 87. Grounds and Procedure of Imposition of Sanctions

1. The sanctions set forth in this Law shall be imposed on at least one of the following grounds:

1) the financial brokerage firm has furnished the Securities Commission with incorrect information;

2) the Securities Commission has not been provided with requested information or documents necessary for the supervision;

3) conditions under which the licence was issued are no longer satisfied;

4) the laws or other legal acts of the Republic of Lithuania have been violated;

5) the financial brokerage firm fails to meet its obligations under its liabilities or there is evidence that it will not be able to do that in the future.

2. The choice of a sanction shall depend on the type of the violation and the impact of the violation and the sanction on the firm and the safety of the financial system. The question concerning application of a sanction shall be considered provided the financial brokerage firm has been informed thereof and given a possibility to present

explanations. The failure of the representative of the financial brokerage firm to attend the meeting or to present explanations shall not preclude the passing of the decision concerning the application of sanctions.

3. A decision to apply a sanction may be taken provided not more than 2 years have elapsed since the day the violation was made, while in cases of continuous violations - since the day the last acts were committed.

4. The provisions of this Article shall *mutandis mutandis* apply to the licensed credit institutions.

Article 88. Temporary Representative for the Supervision of Activities

1. In urgent cases, upon receiving information on violations of legislation and seeking to protect financial instruments and funds transferred to financial brokerage firms by clients, the Securities Commission shall have the right to delegate a temporary representative for the supervision of the activities of the financial brokerage firm in question

2. After the appointment of a temporary representative, the managers of the financial brokerage firm will be obliged to obtain his approval for the decisions relative to the activities of the firm.

3. The temporary representative shall be revoked where:

1) the financial brokerage firm is considered able to function in a trustworthy and stable manner;

2) bankruptcy proceedings have been instituted against the firm.

Article 89. Reorganization of the Financial Brokerage Firm

Financial brokerage firms may be reorganized only upon obtaining a prior consent of the Securities Commission. The Securities Commission may refuse to give its consent only if the reorganization would impede the safety of the cash funds and financial instruments entrusted by the clients to the financial brokerage firm.

Article 90. Bankruptcy of a Financial Brokerage Firm

1. A financial brokerage firm's bankruptcy case shall be considered in the court proceedings only.

2. The Securities Commission shall have the right to file with the court a petition for initiating a bankruptcy against a financial brokerage firm.

3. Upon receipt of an application to initiate a bankruptcy proceedings, the court shall on the same day ban the financial brokerage firm from disposing of bank accounts and securities.

4. Not later than within 15 days after the petition was filed, the court shall pass a decision either to initiate or to refuse to initiate a bankruptcy proceedings against the financial brokerage firm.

5. The administrator of the financial brokerage firm shall return to the firm's clients their cash funds either held at the firm or deposited in commercial bank accounts

opened by the firm in the clients' name and shall transfer the management of the personal accounts of financial instruments to another account manager designated by the client.

Article 91. Authorizations of the Securities Commission in Respect of the Branches of Financial Brokerage Firms Licensed in Another Member State and Established in the Republic of Lithuania

1. The Securities Commission shall have a right to require that a financial brokerage firm that had established a branch in the Republic of Lithuania provide the statistical data about the performance of the branch in the Republic of Lithuania.

2. When performing the supervisory functions established in this Law the Securities Commission shall have a right to obligate the branch of the financial brokerage firm to furnish the complete information necessary to assess whether the branch complies with the requirements for the operations of branches laid down on the basis of Article 40 of this Law.

3. The instructions and obligations of the Securities Commission stipulated in par.2 of this Article shall not be more stringent than those applicable for the purpose of supervision of the ones applicable for the financial brokerage firms established in the Republic of Lithuania.

4. The Securities Commission shall monitor the compliance of the branches of financial brokerage firms established in the Republic of Lithuania with the requirements established on the basis of Articles 22, 24, 25, 31, 33 and 34 of this Article and other regulations passed on the basis thereof. To that end the Securities Commission shall have a right to conduct the inspections with a view to establishing the compliance with the established requirements and require the elimination of the established violations.

5. The supervisory authority of the financial brokerage firm licensed in another Member State and operating a branch in the Republic of Lithuania, having (in writing) notified the Securities Commission, shall have a right to carry out the inspections of the branch established in the Republic of Lithuania.

6. The provisions of this Article shall *mutandis mutandis* apply to the licensed credit institutions.

Article 92. Precautionary Measures Available to the Securities Commission in Respect of Financial Brokerage firms licensed in Other Member States

1. Where the Securities Commission has clear grounds for suspecting that a financial brokerage firm licensed in another Member State and providing investment services in the Republic of Lithuania fails to comply with the requirements provided for in this Law, the Securities Commission shall notify the supervisory authority of the financial brokerage firm thereof.

2. The notifications provided for in par. 1 of this Article shall be filed where:

1) investment services are being provided in the Republic of Lithuania without establishing a branch;

2) investment services are being provided in the Republic of Lithuania having established a branch and the financial brokerage firm having established a branch is suspected to be in breach of the requirements established in this Law the enforcement whereof is not attributed to the competence of the Securities Commission.

3. Where disregarding the sanctions imposed by the supervisory authority of the financial brokerage firm or because the measures prove inadequate the financial brokerage firm persists in acting in non-compliance with the requirements established in this Law, and in prejudice to the interests of the investors of the Republic of Lithuania or poses threat to an orderly functioning of the markets in financial instruments, the Securities Commission, after informing the supervisory authority of the financial brokerage firm shall be entitled to take all the appropriate measures needed in order to protect investors and the proper functioning of the markets. The Securities Commission shall be entitled to take measures preventing the offending financial brokerage firm from initiating any transactions in financial instruments in the Republic of Lithuania. The Securities Commission shall without delay notify the European Commission of the measures taken in this respect.

4. Where the Securities Commission determines that a financial brokerage firm licensed in another Member State, while acting through its branch is in breach of the requirements of this Law, the enforcement whereof is executed by the Securities Commission, it shall require the financial brokerage firm to put an end to the infringing actions. Where the financial brokerage firm continues to infringe the requirements of the relevant regulations the Securities Commission shall have a right to take all appropriate measures to cease the irregularities. The Securities Commission shall notify the financial brokerage firm of the actions that has been taken.

5. Where, despite the measures taken by the Securities Commission the financial brokerage firm persists in breaching the regulatory requirements of the legal acts of the Republic of Lithuania, the Securities Commission shall have a right to, after notifying the supervisory authority of the financial brokerage firm, to take measures to prevent the infringements or impose the liability established in the legal acts, and, in so far as necessary, to prevent the financial brokerage firm from concluding any transactions in financial instruments in the Republic of Lithuania. The Securities Commission shall without delay notify the European Commission of the measures taken in this respect.

6. Where the Securities Commission has clear grounds for suspecting that the requirements established in this Law are being infringed by a regulated market operating in another Member State or an operator of a multilateral trading facility or a financial brokerage firm that had made appropriate arrangements with a view to facilitating the becoming of the entities established in the Republic of Lithuania members of the regulated market managed thereby or members of the multilateral trading facility or facilitating trading therein, the Securities Commission shall without delay notify the supervisory authority of the operator of the regulated market or the operator of the multilateral trading facility thereof. Where disregarding the sanctions imposed by the home supervisory authority or because the measures prove inadequate the operator of the regulated market or the multilateral trading facility persists in acting in non-compliance with the requirements established in this Law, and in prejudice to the interests of the investors of the Republic of Lithuania or poses threat to an orderly functioning of the

markets in financial instruments, the Securities Commission, after informing the home supervisory authority shall be entitled to take all the appropriate measures needed in order to protect investors and the proper functioning of the markets. The Securities Commission shall be entitled to prevent the operator of the regulated market or the multilateral trading facility from making arrangements with a view to facilitating the becoming of the entities established in the Republic of Lithuania members of the regulated market managed thereby or members of the multilateral trading facility or facilitating trading therein. The Securities Commission shall without delay notify the European Commission of the measures taken in this respect.

7. Any measures available to the Securities Commission in cases specified in this Article shall be properly justified and reasoned, and the measures taken shall be immediately communicated to the financial brokerage firm or the operator of the regulated market.

8. The provisions of this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 93. Supervision of the Operations of Financial Brokerage Firms in Third Countries

1. The Securities Commission shall supervise the compliance with the prudential requirements by the financial brokerage firms providing the investment services in third countries. Where the supervisory authority of a third country notifies of any infringements committed by a financial brokerage firm, the Securities Commission shall impose sanctions and notify the supervisory authority of a third country thereof.

2. The Securities Commission shall have a right to request the supervisory authority of a third country to conduct an inspection of the activities of the branch of the financial brokerage firm or initiate an inspection itself after having in advance notified the supervisory authority of the third country thereof.

3. Having revoked the validity of a financial brokerage firm providing investment services in a third country the Securities Commission shall immediately notify thereof the supervisory authority of the third country.

SECTION FOUR

LIABILITY FOR VIOLATIONS OF THIS LAW

Article 94. Effects of Violation of the Law

Persons who violate this Law must:

- 1) act in line with the instructions of the Securities Commission to terminate their actions, restore the situation to its original condition and comply with other orders;
- 2) indemnify the damage inflicted;
- 3) fulfil sanctions imposed by the Securities Commission as provided under this Law.

Article 95. Pecuniary Penalties for Violations of the Law

1. The Securities Commission shall have a right to impose pecuniary penalties on:

1) legal persons providing investment services without having a licence provided for in this Law where such licence is required – up to LTL 100,000, where the income illegally generated is not in excess of LTL 100,000, and up to a double amount of the income illegally generated where such income exceeds LTL 100,000;

2) legal persons failing to comply with the requirements established in Chapter II of this Law – up to LTL 100,00;

3) legal persons engaged in the activities of an operator of the regulated market without having a licence provided for in this Law – up to LTL 100,000, where the income illegally generated is not in excess of LTL 100,000, and up to a double amount of the income illegally generated where such income exceeds LTL 100,000;

4) operator of the regulated market failing to comply with the requirements established in Chapter III of this Law – up to LTL 100,00;

5) legal persons failing to comply with the requirements established in Chapter IV of this Law, up to LTL 100,000, where the income illegally generated is not in excess of LTL 100,000, and up to a triple amount of the income illegally generated where such income exceeds LTL 100,000;

6) legal persons failing to comply with the pre-trade and post-trade transparency requirements – up to LTL 100,000.

7) legal persons not fulfilling the instructions of the Securities Commission, not providing to the Securities Commission the information provided for in this and other Laws and obstructing the Securities Commission or the persons authorised thereby to carry out investigations or inspections – up to LTL 100,000.

2. The imposition of sanctions referred to in par. 1 of this Article upon legal persons does not exempt the managers thereof from the civil, administrative and criminal liability provided for by laws, also does not preclude the Securities Commission from considering the issue of suspension or revocation of licences issued thereby.

Article 96. Procedure of Imposing Pecuniary Penalties

1. Prior to passing a decision to impose a pecuniary penalty specified in this Law, the Securities Commission shall allow at least a 5-day term for the submission of explanations and shall inform thereof the legal person subject to the investigation. If explanations are not submitted within the set term, it shall be deemed that the person has refused to provide them.

2. The Securities Commission shall inform the person whose actions are subject to investigation about the date and the venue of the meeting at which the issue of penalty imposition will be discussed by sending to him a notification by registered mail. The person's representatives and lawyers shall have the right to attend the meeting. The issue of imposing a penalty shall be considered at the meeting even if the representative of the person whose actions are being investigated fails to attend the meeting, provided the person has been informed of the pending meeting.

3. The representatives of the person shall have the right to familiarize himself with the material proving the violation, provide explanations, present evidence, and hire a lawyer.

4. Having analyzed the material concerning the suspected violation, the Securities Commission shall be have the right to:

- 1) impose a pecuniary penalty specified under this Law;
- 2) discontinue the investigation due to the absence of a violation or a statutory basis to impose a penalty;
- 3) continue the investigation.

5. The Securities Commission shall differentiate the amount of the penalty taking into consideration the following:

- 1) the amount of the loss suffered due to the violation;
- 2) the duration of the violation;
- 3) the amount of illegal proceeds the person gained from the violation;
- 4) aggravating and attenuating circumstances.

6. Actions of the suspect taken of his own free will in order to prevent the detrimental effects of the violation, to assist the Securities Commission in carrying out the investigation, to compensate for the losses or to undo the damage shall be considered attenuating circumstances. The Securities Commission may decide to deem other circumstances not specified therein as attenuating as well.

7. Actions by which the suspect impedes the investigation, conceals the violation, continues illegal acts in spite of an order to discontinue them and repeats a violation for which a penalty prescribed in this Law has been imposed shall be considered aggravating circumstances.

8. A decision of the Securities Commission shall be sent within three working days by registered mail to the person whose actions are subject to an investigation or shall be delivered to his representatives, who shall acknowledge the receipt by signing.

Article 97. Collection of Pecuniary Penalties

Pecuniary penalties shall be paid into the State Budget not later than within one month from the day when the person received the decision of the Securities Commission concerning the imposition of a penalty. If a person fails to pay the penalty of his own free will the decision of the Securities Commission to impose a penalty shall be enforced in the manner prescribed by the Code of Civil Procedure.

CHAPTER VII

FINAL PROVISIONS

Article 98. Final Provisions

1. A financial brokerage firm in possession of a licence of a financial brokerage firm issued by the Securities Commission prior to the coming into effect of this Law and complying with the requirements established in Articles 9–13 and Article 16 of this Law,

shall have a right to provide investment services and enjoy other rights prescribed by this Law.

2. A financial brokerage firm in possession of a licence of a financial brokerage firm issued by the Securities Commission prior to the coming into effect of this Law but not complying with the requirements established in Articles 9–13 and Article 16 of this Law shall have its licence of the financial brokerage firm revoked in the manner stipulated by this Law.

3. An operator of the regulated market the system operated whereby is in possession of a license of an operator of the regulated market issued by the Securities Commission prior to the coming into effect of this Law and complying with the requirements established in Chapter III of this Law, shall have a right to engage in the activities of the operator of the regulated market and enjoy other rights prescribed by this Law.

4. An operator of the regulated market the system operated whereby is in possession of a license of an operator of the regulated market issued by the Securities Commission prior to the coming into effect of this Law but not complying with the requirements established in Chapter III of this Law shall have its licence of the regulated market revoked in the manner provided for in this Law.

5. Where a financial brokerage firm on the basis of the procedures and criteria similar to those specified in Article 28 of this Law has recognised a person to be a professional client prior to the coming into effect of this Law the financial brokerage firm shall not need to repeatedly perform the procedure for the recognition of the person a professional client.

6. Financial brokerage firm that had prior to the coming into effect of this Law entered into agreements with the clients concerning the provision of investment and /or ancillary services shall by 31 December 2007 modify such agreements to bring them into compliance with the requirements of this Law. Investment and/or ancillary services after 31 December 2007 may be provided only to the clients with whom the agreements on the provision of investment and /or ancillary services complying with the requirements of this Law have been concluded.

7. Provisions of pars. 1, 2, 5 and 6 of this Article shall apply to licensed credit institutions *mutatis mutandis*.

Article 99. Application of the Provisions of the Law

1. The provisions of this Law setting forth new requirements upon persons providing investment services and/or regulated markets and their operators that had not been provided for in the previously effective Law on Securities Market of the Republic of Lithuania shall be effective starting from 1 November 2007. Since the enactment of this Law the references to the Law on Securities Market of the Republic of Lithuania, depending on the area of regulation of this Law shall be considered as references to this Law, and the references to the definitions presented in the Law on Securities Market of the Republic of Lithuania shall be considered as references to the definitions presented in this Law, except the references to the Law on Securities Market of the Republic of Lithuania that, depending on the are governed by the Law on Securities shall be

considered as references to the Law on Securities of the Republic of Lithuania, also the references to the definitions presented in the Law on Securities Market of the Republic of Lithuania that having regard to the area governed by the Law on Securities of the Republic of Lithuania should be considered as references to the Law on Securities of the Republic of Lithuania.

2. Upon the enactment of this Law the following shall be declared void:

1) The Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 1996, No. [16-412](#));

2) The Law Supplementing Article 3 of the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 1996, No. [41-992](#));

3) The provisional Law Supplementing Article 41 of the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 1996, No. [71-1713](#));

4) The Law amending the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 1998, No. [33-873](#));

5) The Law amending Articles 3 and 7 of the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 2000, No. [61-1824](#));

6) The Law amending Articles 28 and 38 and supplementing Article 41 of the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 2000, Nr. [61-1837](#));

7) The Law amending Article 41 of the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 2001, No. [39-1347](#));

8) The Law amending and supplementing Articles 3, 10 of the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 2001, No. [43-1497](#));

9) The Law amending and supplementing Article 28 of the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 2001, Nr. [85-2971](#));

10) The Law amending the Law on Public Trading in Securities of the Republic of Lithuania (Official Gazette, 2001, Nr. [112-4074](#));

11) The Law amending Article 51 of the Law on Securities Market of the Republic of Lithuania (Official Gazette, 2003, Nr. [38-1687](#));

12) The Law amending and supplementing Articles 2, 3, 48, and 57 of the Law on Securities Market of the Republic of Lithuania (Official Gazette, 2003, Nr. [74-3434](#));

13) The Law amending and supplementing Articles 1, 2, 3, 8, 9, 10, 11, 15, 16, 17, 19, 20, 22, 23, 26, 27, 29, 36, 40, 41, 48, 51, 52, 53, 57, 59, 61, 65 of the

Law on Securities Market and supplementing the Law by Article 19⁽¹⁾ and the Annex (Official Gazette, 2004, No. [73-2514](#));

14) The Law amending and supplementing the Law on Securities of the Republic of Lithuania as (Official Gazette, 2005, No. [84-3108](#));

15) The Law amending and supplementing Articles 2, 6, 7, 13, 14, 17, 18, 19, 19⁽¹⁾, 40, 45, 52, 61 of the Law on Securities Market and supplementing the Law by Section Three⁽¹⁾ and supplementing the Annex of the Law on Securities Market (Official Gazette, 2006, No. [77-2963](#)).

Article 100. Proposal to the Government

To propose to the Government to draft and by 1 September 2007 submit to the Seimas the draft Laws amending and supplementing the Laws containing references to the Law n Securities Market of the Republic of Lithuania.

I promulgate this Law passed by the Seimas of the Republic of Lithuania.

PRESIDENT OF THE REPUBLIC
ADAMKUS

VALDAS

**REGULATIONS OF THE EUROPEAN UNION IMPLEMENTED
BY THE PRESENT LAW**

1. Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities (OJ 2004, Special edition, Chapter 6, Volume 4, p. 24).

2. Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) (OJ 2004, Special edition, Chapter 6, Volume 4, p. 367).

3. Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (OJ 2004, Special edition, Chapter 6, Volume 7, p. 263).