Lithuania

RISK & COMPLIANCE REPORT

DATE: February 2019

Executive Summary - Lithuania	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Corruption Index (Transparency International & W.G.I.) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

grain, potatoes, sugar beets, flax, vegetables; beef, milk, eggs; fish

Industries:

metal-cutting machine tools, electric motors, television sets, refrigerators and freezers, petroleum refining, shipbuilding (small ships), furniture making, textiles, food processing, fertilizers, agricultural machinery, optical equipment, electronic components, computers, amber jewelry

Exports - commodities:

mineral products, machinery and equipment, chemicals, textiles , foodstuffs, plastics

Exports - partners:

Russia 19%, Latvia 11%, Estonia 7.9%, Germany 7.9%, UK 6.4%, Poland 6.1%, Netherlands 5.9%, Belarus 4.5% (2012)

Imports - commodities:

mineral products, machinery and equipment, transport equipment, chemicals, textiles and clothing, metals

Imports - partners:

Russia 32.5%, Germany 9.8%, Poland 9.8%, Latvia 6.1%, Netherlands 5.5% (2012)

Investment Restrictions:

The government affords foreign investors protection equal to that provided to domestic investors, and sets few limitations on their activities.

Foreign investors have free access to all sectors of the economy with some limited exceptions:

- The Law on Investment prohibits investment of foreign capital in sectors related to the security and defense of the State.
- The Law on Investment also requires government permission and licensing for commercial activities that may pose risks to human life, health, or the environment, including the manufacturing of, or trade in, weapons.
- Non-Lithuanians are generally not able to buy agricultural or forest land. As part of its EU accession agreement, however, Lithuania must eliminate this restriction by 2014. The restriction does not apply to most non-Lithuanian individuals and organizations that have engaged in agriculture in Lithuania for at least three years. This restriction also does not apply to organizations that have established representative or branch offices in Lithuania.

The Law on Investment specifically permits the following forms of investment in Lithuania:

- Establishment of an enterprise or acquisition of a part or whole of the authorized capital of an operating enterprise registered in Lithuania;
- Acquisition of securities of any type;
- Creation, acquisition, and increase in the value of long-term assets;
- Lending of funds or other assets to business entities in which the investor owns a stake, allowing control or considerable influence over the company; and
- Performance of concession or leasing agreements.

Foreign entities are allowed to establish branches or representative offices. There are no limits on foreign ownership or control. Foreign investors can contribute capital in the form of money, assets, or intellectual or industrial property.

Contents

Section 1 - Background

Lithuanian lands were united under MINDAUGAS in 1236; over the next century, through alliances and conquest, Lithuania extended its territory to include most of present-day Belarus and Ukraine. By the end of the 14th century Lithuania was the largest state in Europe. An alliance with Poland in 1386 led the two countries into a union through the person of a common ruler. In 1569, Lithuania and Poland formally united into a single dual state, the Polish-Lithuanian Commonwealth. This entity survived until 1795 when its remnants were partitioned by surrounding countries. Lithuania regained its independence following World War I but was annexed by the USSR in 1940 - an action never recognized by the US and many other countries. On 11 March 1990, Lithuania became the first of the Soviet republics to declare its independence, but Moscow did not recognize this proclamation until September of 1991 (following the abortive coup in Moscow). The last Russian troops withdrew in 1993. Lithuania subsequently restructured its economy for integration into Western European institutions; it joined both NATO and the EU in the spring of 2004.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Lithuania is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Lithuania was undertaken in 2019. According to that Evaluation, Lithuania was deemed Compliant for 9 and Largely Compliant for 23 of the FATF 40 Recommendations. It was deemed Highly Effective for 0 and Substantially Effective for 1 of the Effectiveness & Technical Compliance ratings.

Key Findings from latest Mutual Evaluation Report (2019)

Lithuania's overall understanding of money laundering (ML) and financing of terrorism (FT) risks is limited as it largely depends on a national risk assessment (NRA) completed in 2015, which was found by the assessment team not to be comprehensive enough. Despite the various shortcomings identified in relation to the NRA, the understanding of certain risks at institutional level is more developed, particularly in relation to the use of cash, non-resident business, organised criminality, fictitious companies and FT. Lithuania has taken steps to address some identified threats and vulnerabilities, with concrete results e.g. reduction in tax evasion and the shadow economy. Lithuania has strong national co-ordination mechanisms in place in relation to ML and FT but not proliferation financing (PF).

In recent years, as a result of greater enforcement of prosecutorial policies, major efforts have been made to target ML as an offence worth pursuing in its own right, in relation to criminal activity posing the highest ML threat. While the number of ML investigations has declined, there has been marked improvement in the ability of law enforcement authorities (LEAs) to investigate complex ML cases. In 2017 and 2018, some major ML convictions were achieved, involving substantial sums and complex laundering schemes. However, most ML convictions are for self-laundering. While a conviction for a predicate offence is not necessary to achieve a ML conviction, there is still some uncertainty as to the level of evidence that would be needed to convince the judiciary that funds derive from criminal activity in the absence of a criminal conviction. It is therefore not surprising that the number of third party/stand-alone ML convictions is limited. Sanctions have the potential to be dissuasive but have not been used effectively. There have only been few ML convictions involving legal persons.

Depriving criminals of proceeds of crime is a policy objective endorsed at the highest levels. LEAs and prosecutors are aware of and implement the binding recommendations on financial investigations issued by the Prosecutor General (PG). The level of sophistication of financial investigations to trace proceeds of crime has improved and the amount of provisionally seized assets has increased considerably. The volume of confiscated assets remains somewhat modest. The absence of a sound mechanism at the border to identify suspicious transportation of cash at the borders and confiscate such cash raises significant concern, in view of the risks that Lithuania faces.

The Financial Intelligence Unit (FIU) has a reasonably thorough analysis procedure. LEAs have used the analytical products of the FIU to pursue ML and associated predicate offences to some extent. However, they do not exploit the full potential of the FIU. There are factors which may limit the effectiveness of the FIU's analysis process, particularly the lack of advanced IT analytical tools, limited human resources and absence of a prioritisation mechanism for suspicious transaction reports (STRs). While the number of STRs has increased, the overall quality is still not up to a satisfactory level. It is positive that LEAs have used financial intelligence generated through financial investigations carried out at the intelligence stage to pursue unlawful enrichment and tax evasion, although to a lesser extent ML.

Financial institutions (FIs) have a good understanding of ML/FT risks and are aware of their anti-money laundering/countering financing of terrorism (AML/CFT) obligations, although major weaknesses have been observed in some money and value transfer services (MVTS) and currency exchange offices, especially in relation to TFS obligations and FT risks. Understanding of ML/FT risks among designated non-financial businesses and professions (DNFBPs) is insufficient, especially in the real estate sector and traders over EUR 10,000 in cash. The application of CDD measures in the financial sector (especially banks) is good, except for difficulties in verifying BOs of foreign legal persons. CDD by DNFBPs is of a lower quality. Training is deemed insufficient by the private sector, especially non-bank FIs and DNFPBs.

Licensing controls undertaken by the BoL in relation to FIs are very good. This is less so the case with respect to DNFBP supervisors, also as a result of the absence of registration requirements for company service providers (CSPs), real estate agents and accountants. While the BoL and the FIU have a good understanding of ML risks, DNFBP supervisors have a limited understanding. The BoL has increased the level of supervision significantly during the last two years with some strong elements of risk-based supervision. Risk-based approaches and the levels of supervision undertaken require improvement by most of the DNFBP supervisors.

The level of sanctions applied by the BoL has generally been commensurate with its supervisory findings.

There are very good elements of effectiveness and dissuasiveness of sanctions although the regime is not yet fully effective and dissuasive. In relation to DNFBPs, the application of the sanctions framework is at a relatively early stage of development.

ML/FT risks posed by Lithuanian legal entities have not been assessed. However, there is universal agreement among the authorities that fictitious private limited liability companies pose the highest risk. The mechanism which ensures that beneficial ownership (BO) information of legal entities is maintained and made available to competent authorities relies on customer due diligence (CDD) measures applied by the private sector, mainly banks. The mechanism is broadly adequate. Basic information is available on all types of legal persons.

Shareholder information is not available on certain types of legal persons. There is no system to ensure that the information kept by the registry is kept accurate and current.

Authorities have an uneven but broadly adequate understanding of FT risks, consistent with Lithuania's risk profile. There have only been two FT cases in Lithuania. One resulted in a FT conviction. The other is still on-going. While there have been seven terrorism related investigations, no financial investigations were carried out alongside these investigations. There appear to be mechanisms in place for the identification, investigation and prosecution of FT. However, the skills required to deal with such cases need to be developed further. The Customs Service does not have the specific power to stop and restrain currency at the borders in order to ascertain whether evidence of ML/FT may be found. In addition, MVTS providers may not be submitting relevant FT suspicions. Both of these circumstances may result in the non-detection of FT.

Although no funds have been frozen and the legal framework for targeted financial sanctions (TFS), both for FT and PF, is not fully in line with the Standards (in particular, EU procedures create delays in transposing designations), Lithuania displays elements of an effective TFS system. FIs are aware of UN and EU designations and have customer and transaction screening systems. However, DNFBPs demonstrated limited understanding of TFS obligations. There is no formal procedure to identify targets for designations and no designation has been made or proposed. The operational framework for the implementation of TFS by the authorities lacks clarity. Although there is no dedicated interagency mechanism, a weekly coordination meeting takes place at the ministerial level on PF-related policy issues. Outreach is provided to the private sector but remains insufficient. Supervisors exhibited limited proactivity in relation to PF-related TFS obligations and evasion challenges.

Based on a sound legal and procedural framework, Lithuania exchanges information with foreign partners in a comprehensive, proactive and timely manner, both upon request and spontaneously, and in line with its risk profile. The mutual legal assistance (MLA) provided is of good quality as evidenced by the feedback provided by the global network. Lithuania actively seeks international co-operation from other states. This has resulted in convictions and the seizure and confiscation of proceeds of crime, as evidence by various case studies provided to the assessment team. Informal co-operation is conducted effectively.

MoneyVal Plenary - 1st June 2017: Fourth round follow-up: application by Lithuania to be removed from regular follow-up

Lithuania's 4th round mutual evaluation report was adopted in 2012. The country was placed under regular follow-up and compliance enhancing procedures were applied. Since then Lithuania has submitted three compliance reports (in April and September 2014 and in April 2015 when step 1 of the compliance enhancing procedures was lifted) and three follow-up reports (in April 2015 and in April and December 2016 when the country's request to exit regular follow-up was examined but not granted). Lithuania was therefore invited to submit a further progress report and to seek exit from the regular follow-up process at the 53rd Plenary.

The Secretariat analysis of the regular follow-up report concluded that the country had made some progress since the previous follow-up report presented in December 2016, including through an update of the list of indicators to assess possible money laundering or terrorist financing in the NPO sector and by passing amendments to the Criminal Code to explicitly criminalise the financing of a terrorist organisation (in the absence of a link to a specific terrorist act). However, it noted that limited progress had been achieved in relation to R.5 and R.13/SR.IV, given that the new AML/CFT law which should address the deficiencies related to these recommendations has not yet been adopted. It also found that further progress also needed to be achieved in respect of other non-core or key recommendations rated PC in the 4th round MER of Lithuania. The Lithuanian delegation emphasised that the AML/CFT law has been adopted by the Government; it has been submitted to the Parliament for urgent consideration and is foreseen to be adopted in June 2017.

Decision taken:

The Plenary took the view that Lithuania did not fulfill all the conditions under Rule 13, paragraph 4 for removal from the follow-up process. Although the 5th round on-site visit to Lithuania is envisaged for 2018 and a further application for removal from the 4th round procedure would not be strictly required (as per Rule 13, paragraph 8), the Plenary invited Lithuania to adopt the draft AML/CFT Law as quickly as possible and to subsequently seek removal from the 4th round of mutual evaluations at the 54th Plenary in September 2017.

Key Findings from latest Mutual Evaluation Report (2012):

Since 1999, an interagency working group, which also includes representatives from the business sector, has been respo nsible for anti - money laundering and countering terrorist financing (AML/CFT) policies. The working group is responsible for, among other things, the analysis of trends, the elaboration of legislative and other proposals and the coordination of activities related to international organisations such as the EU and MONEYVAL .

The authorities consider the risk of terrorist financing to be low, even though no formal risk assessment was conducted to shore up this conclusion. A report issued by Europol in 2011on terrorism seems to corroborate the authorities' view since it indicates that there is no evidence of terrorist activity in or from Lithuania. With respect to the risk of ML, no description of the general situation of money laundering and profit - generating c rimes was made available. Although the interagency working group is responsible for the analysis of trends, it appears that no such analysis was ever undertaken. Information obtained by the evaluators from open sources indicates that criminal activities ha ve increased in recent years, possibly as a result of the financial crisis. The crisis brought about an expansion of the underground economy, although official figures appear to downplay the significance of this phenomenon. According to publicly - available information, the major proceeds - generating crimes, especially with respect to criminal organisations, are drug and human trafficking, smuggling and fraud schemes committed both domestically and on a cross - border level. Corruption also appears to be widely entrenched within the system. Proceeds are generally laundered through the integration of funds into financial and construction businesses and the acquisition of economic entities made insolvent by the financial crisis. According to information fr o m open s ources, flows of dirty money generated in foreign jurisdictions are introduced into the Lithuanian financial system through the use of shell companies and other entities, including non - profit organisations.

Since the Third Round Evaluation, Lithuania has i ntroduced new provisions criminalising unlawful enrichment and allowing for extended confiscation. These provisions usefully complement the existing regime on confiscation and temporary measures. Nevertheless, certain key elements relating to the criminali sation of ML, as provided for under the Vienna and Palermo Report on 4th assessment visit of Lithuania Conventions, are still missing. There has been no real progress in terms of ML convictions. Certain initiatives were undertaken in 2011 to encourage a broader use of financial investigations with a view to targeting proceeds of crime. However, results in this area remain modest both in terms of ML convictions and confiscation of proceeds, especially when considering the high incidence of proceeds - generating crime in Lithuania.

The criminalisation of TF has remained virtually unchanged since the last evaluation, with all the attendant deficiencies identified by the evaluators in the Third Round. A draft law, which is intended to address those deficiencies, was sent to parliament at the end of 2010. However, no developments have occurred since then. The only notable improvement was the amendment to the definition of TF which is now aligned to EU standards in this area. A TF conviction concerning support to the Irish Republican Army was obtained in 2011 on the basis of the present legislation. An appeal from the judgement of the court of first instance is currently pending before the court of appeal.

The legislative framework dealing with the freezing of terrorist funds appears to be largely in place. Nevertheless, further clarification is required regarding the mechanism which is to be resorted to when challenging domestic and EU freezing orders. Further awareness and guidance on the implementation of the relevant UNSCRs would also be a welcome develop ment. Additionally, the supervisory process to enforce the application of resolutions needs to be strengthened.

Notwithstanding the fact that the Financial Crime Investigation Service (FCIS) is the entity designated as the financial intelligence unit (FIU) of Lithuania, the Money Laundering Prevention Department , which is situated within the FCIS , is effectively responsible for the all the core functions of a FIU . The situation could present legal difficulties, which may potentially impair the effectivenes s of the FIU. In addition to various other legal deficiencies within the legal framework regulating the FIU, it was noted that the analytical work undertaken by the FIU has not had a major tangible impact on the overall effectiveness of the AML/CFT regime in Lithuania. The same applies to the law enforcement authorities responsible for the investigation of ML/FT, although an improvement was registered since the last evaluation. The number of ML investigations initiated by law enforcement authorities is stil l considered to be low by the evaluators. Additionally, the approach to money laundering investigations in a significant number of investigations of predicate offences is not sufficiently proactive. The preventive AML/CFT measures are not being implemente d effectively by the financial sector and DNFBPs . Although to some extent the required CDD measures are in place, some financial institutions and most DNFBPs do not appear to be sufficiently familiar with the full extent of their obligations . In particular , awareness of the requirements dealing with the identification of beneficial ownership and PEPs appears to be rather scant . With the notable exception of the banking sector, a large majority of financial institutions and DNFBPs have never submitted a STR to the FIU. Although supervision is exercised on all sectors, except for company service providers, it appears to be weak in practice and insufficiently focused on AML/CFT - related issues.

In principle, a number of measures guarantee the transparency of le gal persons and arrangements. For instance, the existence of a central register of legal persons ensures that information on such entities is easily accessible. Nevertheless, certain information is still not available in electronic format. Additionally, it is debatable whether information on all the beneficial owners of legal persons is contained within the central register. The evaluators also noted that the authorities have still not reviewed the suitability of the legal and supervisory framework regulati ng non - profit organisations as recommended in the Third Round.

Lithuania has ratified all the relevant international conventions and it can provide a broad range of assistance to foreign countries, provided that cooperation is not technically hindered by the Report on 4th assessment visit of Lithuania shortcomings identified, for instance, with respect to the criminalisation of ML, FT and temporary measures.

Overall, the many deficiencies identified with respect to the implementation of the AML/CFT regime puts into question the effectiveness of the existing coordination mechanisms between the various competent authorities involved in the prevention of ML/FT

US Department of State Money Laundering assessment (INCSR)

Lithuania was deemed a 'Monitored' Jurisdiction of xyxy by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Lithuania is not a regional financial center. It has adequate legal safeguards against money laundering; however, its geographic location bordering Belarus and Russia makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial crimes, including VAT embezzlement, cigarette smuggling, illegal production and sale of alcohol, illegal capital flight, and profit concealment, are tied to tax evasion. There are no reports of public corruption contributing to money laundering or terrorism financing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and

management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 397: January 1 – November 1, 2015

Number of CTRs received and time frame: 504,420: January 1 - November 1, 2015
STR covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 57: January 1 - November 1, 2015
Convictions: 12: January 1 - November 1, 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

Lithuania is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF- style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The law amending the Law on Prevention of Money Laundering and Terrorist Financing was adopted in May 2014 and went into effect on January 1, 2015. The most notable changes relate to the suspicious transaction reporting (STR) system, customer due diligence obligations, and record-keeping. The Bank of Lithuania and the Financial Crimes Investigation Service (FCIS), the financial intelligence unit, organized a meeting with financial institutions in order to discuss the implementation of the new requirements. Following the amendments, the FCIS prepared regulations adopting new procedures for more efficient and sophisticated data processing and analysis. The FCIS now requires electronic submission of information from obligated reporting bodies.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Lithuania does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

Lithuania is on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Lithuania is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report

No report available

US State Dept Trafficking in Persons Report 2016 (introduction):

Lithuania Is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

Lithuania is a source, transit, and destination country for women and girls subjected to sex trafficking, as well as a source and destination country for men subjected to labor trafficking. Observers estimate 40 percent of identified Lithuanian trafficking victims are women and girls subjected to sex trafficking within the country. Lithuanian women are also trafficking victims in Western Europe and Scandinavia. Lithuanian children and adults are increasingly forced to engage in criminal activities, such as shoplifting, theft, and drug selling, in Nordic countries and Western Europe. Some Lithuanian men are subjected to forced labor in Ireland, the United Kingdom, and the United States, including in agriculture. Men from neighboring countries, as well as China, may be subjected to labor trafficking in Lithuania. Vietnamese adults and children transiting through Lithuania may be trafficking victims. The approximately 4,000 boys and girls institutionalized in more than 90 orphanages are especially vulnerable to trafficking. In early 2015, the government initiated investigations into official complicity and negligence related to allegations of sex trafficking of girls and boys at state-run orphanages.

The Government of Lithuania fully meets the minimum standards for the elimination of trafficking. During the reporting period, the government greatly increased the available training for police, prosecutors, and judges. Officials identified more victims, particularly among exploited children. A working group established by the General Prosecutor's Office completed recommendations for best practices for law enforcement and public officials on victim identification, investigations, and interagency coordination; the relevant government agencies endorsed those recommendations and began implementation in December 2015. The interior ministry drafted a government resolution in December 2015 to create an inter-ministerial body with NGO representation to coordinate national efforts. The national audit office published a self-critical review of its efforts as a means to guide future progress. The government began to phase out state-run orphanages, where children are vulnerable to exploitation, in favor of the foster care system; however, some police officers failed to recognize sex trafficking among women coerced into prostitution and children exploited for commercial sex. Additionally, public funding for care providers did not sufficiently cover victim assistance costs, and the government lacked a system to deliver specialized care to child victims.

US State Dept Terrorism Report 2009

The Lithuanian military was an active participant in multinational operations against terrorist and insurgent elements. In Iraq, Lithuania maintained four trainers serving in the NATO Training Mission-Iraq. In Afghanistan, Lithuania led a Provincial Reconstruction Team in Ghor Province that is responsible for maintaining a stable environment throughout the province and coordinating reconstruction efforts. Lithuania contributed approximately 215 personnel to NATO's International Security Assistance Force.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	59
World Governance Indicator – Control of Corruption	73

Corruption is not a major impediment to business in Lithuania, but small and medium enterprises (SMEs) can be vulnerable to bribery and extortion, largely due to the pervasiveness of red tape and inefficient government bureaucracy. Public procurement and public services are the sectors most affected by corruption, and the country's shadow economy undermines fair competition. The Criminal Code criminalises corruption in the public and private sectors, covering abuse of office, money laundering, active and passive bribery and the bribery of international civil servants and foreign government officials, but anti-corruption laws are not effectively enforced. High-level corruption is a problem as officials act with impunity. Companies indicate that facilitation payments and bribes are sometimes requested when in contact with some public officials or to obtain favourable judicial decisions. Gifts are regulated under Lithuanian law. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

More than 50 governmental institutions regulate commerce in one way or another, creating numerous opportunities for corrupt practices. Large foreign investors report few problems with corruption. On the contrary, most large investors report that high-level officials are often very helpful in solving problems fairly. In general, foreign investors say that corruption is not a significant obstacle to doing business in Lithuania and describe most of the bureaucrats they deal with in Lithuania as reasonable and fair. Small and medium enterprises (SMEs) perceive themselves as more vulnerable to petty bureaucrats and commonly complain that excessive red tape virtually requires the payment of "grease money" to obtain permits promptly. Business owners maintain that some government officials, on the other hand, view SMEs as likely tax-cheats and smugglers, and treat the owners and managers accordingly.

Paying or accepting a bribe is a criminal act. Lithuania established in 1997 the Special Investigation Service (Specialiuju Tyrimu Tarnyba) specifically to fight public sector corruption. The agency investigates approximately 100 cases of alleged corruption every year, but has yet to bring charges against high-level officials for corrupt practices. Lithuania ratified the UN Convention Against Corruption in December 2006. Lithuania also hosts a representative office of Transparency International (TI). TI ranked Lithuania 43rd out of 177 in its 2013 Perceptions of Corruption Index with a score of 57 (TI considers countries with a score below 50 to have serious problems with corruption.) Police, medical personnel and local government, among others, were cited by TI as prone to corruption. Lithuania has not signed the OECD Anti-Bribery Convention.

According to an EU report on corruption released in February 2014, Lithuania has demonstrated a commitment to prevent and combat corruption through an extensive legal framework. In this report, the European Commission recommends that Lithuania prioritize the prosecution of larger cases and develop prevention tools to detect corruption in procurement on the local government level and in the healthcare sector. The EC also recommends that Lithuania develop a strategy against informal payments in healthcare, and improve the control of declarations of conflicts of interest made by elected and appointed officials. The transparency of political party financing is another area identified for improvement.

Lithuania is highlighted as a positive example of good practices in the implementation of e-procurement as it has made significant progress in providing online access to centralized data on public procurement. Since 2009, at least 50 percent of the total value of public bids must be conducted electronically. As a result, the share of e-procurement rose from 7.7 % to 63 % in 2010, approaching the target of 70 % by 2013. The range of information published exceeds the requirements of EU law including draft technical specifications, concluded and performed public contracts, and suppliers' subcontractors.

At the same time, a 2013 Eurobarometer survey on corruption showed that Lithuania lags behind other EU countries in the scores concerning both perceptions and actual experience of corruption. Among the survey results: 95 percent of the Lithuanian respondents believe corruption is widespread in Lithuania; 29 percent indicated they had been asked or expected to pay a bribe in the past 12 months; and 25 percent have experienced or witnessed corruption in Lithuania.

Section 3 - Economy

Lithuania gained membership in the WTO in May 2001 and joined the EU in May 2004. Lithuania's trade with the EU and CIS countries accounts for approximately 87.3% of total trade. Foreign investment and EU funding have aided in the transition from the former planned economy to a market economy. The three former Soviet Baltic republics were severely hit by the 2008-09 financial crisis, but Lithuania has rebounded and become one of the fastest growing economies in the EU. Lithuania's ongoing recovery hinges on export growth, which is being hampered by economic slowdowns in the EU and Russia. Lithuania joined the euro zone on 1 January 2015 and is under review for membership in the OECD.

Agriculture - products:

grain, potatoes, sugar beets, flax, vegetables; beef, milk, eggs, pork, cheese; fish

Industries:

metal-cutting machine tools, electric motors, television sets, refrigerators and freezers, petroleum refining, shipbuilding (small ships), furniture, textiles, food processing, fertilizers, agricultural machinery, optical equipment, lasers, electronic com

Exports - commodities:

refined fuel, machinery and equipment, chemicals, textiles, foodstuffs, plastics

Exports - partners:

Russia 13.7%, Latvia 9.8%, Poland 9.7%, Germany 7.8%, Estonia 5.3%, Belarus 4.6%, UK 4.5%, US 4.4%, Netherlands 4% (2015)

Imports - commodities:

oil, natural gas, machinery and equipment, transport equipment, chemicals, textiles and clothing, metals

Imports - partners:

Russia 16.9%, Germany 11.5%, Poland 10.3%, Latvia 7.6%, Netherlands 5.1%, Italy 4.5% (2015)

Banking

Lithuania has a strong and well-developed banking system, under the supervision of the Bank of Lithuania. The IMF and international risk-rating agencies closely monitor Lithuania's banking sector. The country has adopted a universal banking model that allows banks to participate in other financial activities including operating, leasing, insurance, and brokerage firms.

There have been no bank failures in Lithuania over the past decade. Currently, nine commercial banks, seven foreign bank branches, five foreign bank representative offices, and sixty-seven credit unions operate in the country. Money laundering, tax evasion, and other financial crimes are prevalent in the region. Lithuania has implemented appropriate laws, bank monitoring regimes (internal and external), and law enforcement tools to deter and detect such crimes. Nonetheless, investors should exercise due diligence when selecting a bank.

Major Lithuanian commercial banks service the entire country through their branch networks. They also manage individual subsidiaries that engage in mortgage banking, finance company activities, credit card business, and investment operations. Commercial banks have extensive foreign networks of branch offices, subsidiaries, consortium banks, and representative offices, through which foreign trade payments are made.

Stock Exchange

There is no restriction on portfolio investment. The right of ownership to shares acquired through automatically matched trades is transferred on the third working day following the conclusion of the transaction. The Vilnius Stock Exchange is part of the NASDAQOMX Baltic Group of exchanges and offers access to 80 percent of all securities trading in the Nordic and Baltic marketplace. OMX is owned by the U.S. firm NASDAQ and the Dubai Bourse.

Section 4 - Investment Climate

Executive Summary

Lithuania is strategically situated at the crossroads of Europe and Eurasia. It offers investors a diversified economy, EU rules and norms, a well-educated multilingual workforce, advanced IT infrastructure, low inflation, and a stable democratic government. The Lithuanian economy is one of the fastest growing in the EU. The country joined the Eurozone in January 2015, and has started the accession process to join the Organization for Economic Cooperation and Development (OECD). Lithuania's income levels still lag behind the rest of the EU, with per capita GDP (at purchasing power parity) of approximately 75 percent of the EU average; this translates to a comparative advantage in terms of labor costs. According to preliminary data from the Lithuanian Statistics Department, at the end of 2014, the United States was Lithuania's 17th largest investor, with cumulative investments totaling USD 180 million (1.2 percent of total FDI).

- Following its election at the end of 2012, the current Lithuanian government started to focus on lowering barriers to investment, partnering with the private sector, and offering financial incentives for investors. In 2013, the government passed legislation which streamlined land-use planning, saving investors both time and money. "Invest Lithuania" is the government's principal institution dedicated to attracting foreign investment. In addition to its offices in Vilnius and major Lithuanian cities, Invest Lithuania has representative offices in Belgium, Kazakhstan, and the United States (Chicago).

- The government provides equal treatment to foreign and domestic investors, and sets few limitations on their activities. Foreign investors have the right to repatriate or reinvest profits without restriction, and the government enforces awards decided by international arbitration tribunals such as the International Center for the Settlement of Investment Disputes (ICSID). Lithuania offers special incentives, such as tax concessions, to both small companies and strategic investors. Incentives are also available in seven Special Economic Zones located throughout the country.

- The business community in Lithuania advocates for greater flexibility in the labor code, including access to foreign labor. U.S. executives report burdensome procedures to obtain business and residence permits, as well as some instances of low-level corruption in government. Transportation barriers, especially insufficient air links with European cities, remain a hindrance to investment, as does the lack of access to open, transparent information on tax collections and government procurement. Energy costs in Lithuania are declining as a result of diversification projects and lower global oil prices.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	39 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	20 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	38 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2015	180	BEA/Host government
World Bank GNI per capita	2014	USD 15,410	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Lithuania's laws assure equal protection for both foreign and domestic investors. No special permit is required from government authorities to invest foreign capital in Lithuania. State institutions have no right to interfere with the legal possession of foreign investors' property. In the event of expropriation, investors are entitled to compensation equivalent to the market value of the property expropriated. The law obligates state institutions and officials to keep commercial secrets confidential and requires compensation for any loss or damage caused by illegal disclosure.

As a member of European Union (EU), Lithuania has ratified WTO investment requirements [General Agreement on Tariffs and Trade (GATT), General Agreement on Trade in Services

(GATS), Agreement on Trade-Related Investment Measures (TRIMs), and Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)].

As of May 2014, non-Lithuanians are allowed to buy agricultural or forest land.

Foreign investors have free access to all sectors of the economy with some limited exceptions:

-- Lithuania reserves the right to adopt or maintain any measure with regard to the provision of executive search services; the establishment of executive search and placement services of office support personnel and other workers; the supply of investigation and security services; of construction or engineering services, including prior approval of foreign suppliers; of tourist guide services; of entertainment services; of news and press agencies cross-border services; of space transportation services; inland waterways passenger and freight transportation; rental of vessels with crew for inland waterways transport; rental of commercial road vehicles with operators; and the maintenance and repair of vessels or aircraft.
-- In the case of auditing services, no less than 75% of shares must belong to auditors or auditing companies of the EU; an auditor's report must be prepared in conjunction with an accredited practice in Lithuania.
-- In the case of medical, psychological, pharmacy and dental services, market access is subject to authorization which is based on a health services plan established as a function of needs, taking into account population and existing services.
--The government additionally maintains the right to adopt or maintain any measure with respect to granting internet addresses ending "gov.lt" and the certification of electronic cash registration.
-- The Law on Investment prohibits investment of foreign capital in sectors related to the security and defense of the State.
-- The Law on Investment also requires government permission and licensing for commercial activities that may pose risks to human life, health, or the environment, including the manufacturing of, or trade in, weapons.

The Law on Investment specifically permits the following forms of investment in Lithuania:

- establishment of an enterprise or acquisition of a part or whole of the authorized capital of an operating enterprise registered in Lithuania;
- acquisition of securities of any type;
- creation, acquisition, and increase in the value of long-term assets;
- lending of funds or other assets to business entities in which the investor owns a stake, allowing control or considerable influence over the company;
- performance of concession or leasing agreements.

Foreign entities are allowed to establish branches or representative offices, except in the case of printing and publishing. Foreign investors can contribute capital in the form of money, assets, or intellectual or industrial property.

Business Registration

The process of company registration in Lithuania in general is quite straight forward and involves the following steps that can be accomplished online - http://www.registrucentras.lt/en/:

1. Check and reserve the name of the company (limited liability company). It takes about one day and costs approximately EUR 16.
2. Register at the Company Register, including registration with State Tax Inspectorate (the Lithuanian Revenue Authority) for corporate tax, VAT, and State Social Insurance Fund Board (SODRA). It takes one day and costs approximately EUR 57.
3. Complete VAT registration. It takes three days to complete at no charge.

The World Bank's Doing Business Report ranks 189 economies by evaluating them in ten categories related to the Ease of Doing Business. Lithuania ranked 20th out of 189 in 2016. Lithuania scored especially high in the categories of Registering Property (2nd) and Starting a Business (8th). It did less well in the categories of Getting Electricity (54th) and Protecting Minority Investors (47th).

Other Investment Policy Reviews

Lithuania underwent an OECD Investment Policy Review in 2001; this will be updated in coming months, in light of ongoing efforts by Lithuania to accede to the OECD.

Industrial Promotion

The government promotes investment in all industries; no programs are targeted to a specific industry.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign investors have the right to repatriate profits, income, or dividends, in cash or otherwise, or to reinvest the income without any limitation, after paying taxes. The law establishes no limits on foreign ownership or control.

Privatization Program

Foreign investors are treated equitably in privatization programs. The government has privatized most state enterprises and property, and the State Property Fund is responsible for managing and privatizing state assets. Major assets still under government control include the railway company (Lietuvos Gelezinkeliai), Lithuania's three international airports (Vilnius, Kaunas, and Klaipeda) and the Lithuanian postal service (Lietuvos Pastas). Foreign investors purchased the majority of state assets privatized since 1990. These included companies in the banking, transportation, and energy sectors. Some foreign companies have expressed concerns about a lack of transparency or perceived discrimination in certain privatization transactions.

Screening of FDI

The State Property Bank screens the performance record and size of companies bidding on state or municipal property and has halted privatizations when it determined that the bidders were not suitable, i.e., for criminal or other reasons. The last time the State Property Bank (at that time known as the State Property Fund) halted privatization was in 2003, when Italian wine producing

company Bosca sought to purchase Lithuanian wine and spirits producer Alita.

Competition Law

Lithuania has a domestic Competition Council, which is responsible for the prevention of competition law violations. For more information: http://kt.gov.lt/en/index.php

2. Conversion and Transfer Policies

Foreign Exchange

Lithuania joined the Eurozone in January 2015. Prior to the Euro adoption, the national currency Litas was first pegged to USD at the rate LTL 4 to USD 1, then to EUR at the rate LTL 3.4528 to EUR 1.

Remittance Policies

Lithuanian remittance policies allow free and unrestricted transfers.

3. Expropriation and Compensation

Lithuanian law permits expropriation on the basis of public need, but requires compensation at fair market value in a convertible currency. The law requires payment of compensation within three months of the date of expropriation in the currency the foreign investor requests. The compensation must include interest calculated from the date of publication of the notice of expropriation until the payment of compensation. The recipient may transfer this compensation abroad without any restrictions. There have been no cases of expropriation of private property by the Lithuanian government since 1991. However, there is an ongoing process to restitute property expropriated in the World War II and Soviet periods. While the Lithuanian government has restituted most of this property, including Jewish communal property in 2011, the process of private property restitution remains incomplete. A commission on Jewish culture and heritage created in 2015 is considering further how best to resolve the issue of private property restitution.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Lithuanian legal system stems from the legal traditions of continental Europe and is in accordance with the EU's acquis communautaire. New laws enter into force upon promulgation by the President (or in some cases the Chairman of the Parliament [Seimas] and publication in the official gazette, Valstybes Zinios (State News). Several possibilities exist for commercial dispute resolution. Parties can settle disputes in local courts or in the increasingly popular independent, i.e., non-governmental, Commercial Court of Arbitration. Lithuania also recognizes arbitration judgments by foreign courts. Domestic courts generally operate independently of government influence. Lithuania's EU membership has given foreign firms the additional right to appeal adverse court rulings to the European Court of Justice.

The Lithuanian court system consists of general jurisdiction courts dealing with civil and criminal matters, and includes the Supreme Court, the Court of Appeals, district courts, and local courts. In 1999, Lithuania established a system of administrative courts to adjudicate administrative cases, which generally involve disputes between government regulatory agencies and individuals or organizations. The administrative court system consists of the Highest Administrative Court and District Administrative Courts.

The Constitutional Court of Lithuania is a separate, independent judicial body that determines whether laws and legal acts adopted by the Seimas, President, and the Government conform to the Constitution.

Bankruptcy

Lithuania passed the current Enterprise Bankruptcy Law in 2001. This law applies to all enterprises, public establishments, commercial banks, and other credit institutions registered in Lithuania. The law provides a mechanism to override the provisions of other laws regulating enterprise activities, assuring protection of creditors' rights, recovery of debts, and payment of taxes and other mandatory contributions to the State. This law establishes the following order of creditors' claims: claims by creditors that are secured by a mortgage/pledge of debtor; claims related to employment; tax, social insurance, and state medical insurance claims; claims arising from loans guaranteed or issued on behalf of the Republic of Lithuania or its Government; and other claims.

Investment Disputes

In the event of an investment dispute, the foreign investor has a right to seek resolution by mutual agreement in Lithuanian courts or other international arbitration institutions. An international investor also has a right to appeal directly to the World Bank-based International Center for Settlement of Investment Disputes (ICSID). There have been no major disputes between U.S. investors and the government since 1991. The French company Veolia raised the most recent dispute against Lithuania in 2015; most disputes are settled, with only a few reaching the Arbitration Court.

ICSID Convention and New York Convention

Lithuania is a signatory to the International Centre for the Settlement of Investment Disputes (ICSID Convention) and to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution – Local Courts

According to the Lithuanian Arbitration Court, the trial process takes up to six months, but depending on a complexity of a case and with agreement of both parties, it can be extended. Also, before the legal proceedings start, the Arbitration Court has 30 days to decide if it will accept the case and three months to prepare all the needed materials for the trial process. If parties are not satisfied with the decision of Lithuanian Arbitration Court, they can appeal to international institutions.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Lithuanian investment policies are consistent with TRIMS.

Investment Incentives

The Lithuanian government taxes corporate income, personal income, and capital gains at 15 percent. The value added tax is 21 percent and the annual real estate tax ranges from 0.3 to three percent depending on the market value of a property. For more details, please visit http://www.investlithuania.com/en/doing-business/taxes.

Lithuanian municipalities provide special incentives to investors, who create jobs or invest in infrastructure. Municipalities may tie designation criteria to additional factors, such as the number of jobs created or environmental benefits. Strategic investors' benefits include special business conditions such as favorable tax incentives for up to ten years. Municipalities may grant special incentives to induce investments in municipal infrastructure, manufacturing, and services.

Lithuania has seven Free Economic Zones (FEZs) located near the cities of Kaunas, Klaipeda, Siauliai, Kedainiai, Panevezys, Akmene, and Marijampole. The FEZs in Kaunas and Klaipeda have attracted the most business: there are 15 businesses operating in the Klaipeda FEZ, and 20 in the Kaunas FEZ. Companies operating in FEZs must follow the same accounting and reporting rules as companies operating in the rest of the country.

Companies that invest or are operating within the zones enjoy:

- six years' exemption from corporate income tax and a 50 percent reduction during the following 10 years, if the company invests more than USD 1.2 million;
- exemption from real estate tax;
- no tax on dividends (if the company is foreign).

Research and Development

Foreign investors have the same rights as local firms to participate in government-financed and subsidized research and development programs. There are no local content requirements for public procurement. Municipalities may ask investors to develop roadways or other infrastructure adjoining their project, but such proposals are subject to negotiation. Lithuania's EU membership has given foreign firms the additional right to appeal adverse governmental rulings to the European Court of Justice. Lithuania's "Law on Public Procurement," which took effect on March 1, 2003, is in accordance with the EU's acquis communautaire.

Performance Requirements

Some foreign investors, including U.S. citizens, report difficulties in obtaining and renewing residency permits. U.S. citizens can stay in Lithuania no more than 90 days without a visa (and no more than 90 days in any six-month period). Those who stay longer face fines and deportation. However, foreigners may only submit residency permit applications after they arrive in Lithuania. Therefore, the Embassy recommends applicants work with Lithuanian embassies and consulates to review documentation required for a permit.

Once the permit application is submitted in Lithuania, by law, Lithuanian authorities are allowed up to six months to issue residence permits to U.S. citizens. In recent years the process has taken less than three months on average. Residence permit processing does not include the time required to process work permits or other documentation, which must be started before applying for a residence permit. Documentary requirements are extensive and change frequently. For an exhaustive list of required documents, visit: http://www.migracija.lt/index.php?-746934303. In addition, dependents of those who hold residency permits for less than two years are barred from receiving a residency permit, unless the permit holder earns more than three times the monthly average, works as a teacher at a post-secondary educational institution, participates in an officially recognized exchange program, or invests in Lithuania.

The Embassy recommends that those applying for residency permits who intend to reside with dependents in Lithuania investigate the possibility of their dependents obtaining derivative residency permits. The Embassy is aware of cases where U.S. citizens were asked to leave Lithuania solely because their applications for residence permits were not processed within the 90 days for which they were initially admitted.

Data Storage

The Law on Cyber Security, which was passed by the Seimas in December 2014, gives the Cyber Division of the National Criminal Police (Cyber Police) the authority to order internet service providers (ISPs) and hosting services to temporarily restrict – for not more than 48 hours without court approval – services to users if the users or technologies used are suspected of criminal activities. The law also gives the Cyber Police right to collect, analyze, and evaluate information about potential violations in cyber space, and order ISPs and hosting services to temporarily store and save information related to service subscribers.

This information would allow authorities to specify the technical aspects of the type of communication used in the violation, and identify the user, IP address, and telephone or other access number. The Cyber Police also has the right to instruct providers to save and store information about the user accounts, payments, and electronic data, including contents of the information flow. With a court order, the Cyber Police have the right to receive data on users' information flow and control the contents of information transferred.

6. Protection of Property Rights

Real Property

Lithuanian law protects foreign investments and the rights of investors in several ways:

- The Constitution and the Law on Foreign Capital Investment protect all forms of private property against nationalization or requisition.
- International agreements, such as the 1958 New York Convention on the recognition and enforcement of foreign arbitral awards, offer protection.
- Bilateral investment agreements with the United States and other western countries on the mutual protection and encouragement of investments reinforce these protections.
- The Law on Capital Investment in Lithuania and other acts regulate customs duties, taxes, and relationships with financial and inspection authorities. This law also establishes the procedures of dispute settlements.
- In the event of justified expropriation, applicable law entitles investors to compensation equivalent to the fair market value of the expropriated property.

- Foreign investors may defend their rights under the Washington Convention of 1965 by applying to either Lithuanian courts or directly to the International Center for the Settlement of Investment Disputes. To date, Lithuania has not been involved in any major investment disputes with American or other foreign investors.
- State institutions and officials are obligated to keep commercial secrets confidential and must pay compensation for any loss or damage caused by illegal disclosure. Lithuania legalized the possibility of hiring private bailiffs to enforce court judgments in 2003.

Lithuania's commercial laws conform to EU requirements, and include the principles of the free establishment of companies, protection of shareholders' and creditors' rights, free access to information, and registration procedures. Relevant laws include: the Company Law and Law on Partnerships (2004), the "Law on Personal Enterprises" (2004), the "Law on Investments" (1999), the "Law on Bankruptcy of Enterprises" (2001), and the Law on Restructuring of Enterprises (2001). The Civil Code of 2000 governs commercial guarantees and security instruments. It provides for the following types of guarantee and security instruments to secure fulfillment of contractual obligations: forfeiture, surety, guarantee, earnest money, pledge, and mortgage.

Intellectual Property Rights

Lithuania has significantly improved IPR protection in recent years, to the point that its legal structures are stronger, enforcement is better, and infringements and theft are not common as they once were. Lithuania joined the World Intellectual Property Organization (WIPO) in 2002 and the World Trade Organization (WTO) in 2001. Lithuania, as a member of the EU, has ratified WIPO's Internet treaties (Copyright Treaty and the Performances and Phonograms Treaty) as listed below. It is also a signatory to the following IPR-related treaties and conventions:

- The Paris Convention for the Protection of Industrial Property in 1990 (effective May 22, 1994)
- The Berne Convention for the Protection of Literary and Artistic Works of 1886 (effective December 14, 1994)
- The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 1961 (effective July 22, 1999)
- The Nice Agreement Concerning International Classification of Goods and Services of 1957 (effective February 22, 1997)
- The Madrid Protocol of 1989 (effective November 15, 1997)
- The Patent Cooperation Treaty of 1970 under the auspices of WIPO (effective July 5, 1994)
- The Conventions on the Grant of European Patents (December 1 2004)
- The WIPO Copyright Treaty of 1996 (effective March 6, 2002)
- The WIPO Performances and Phonograms Treaty of 1996 (effective May 20, 2002)
- The Trademark Law Treaty of 1994 (effective April 27, 1998)

Lithuania enacted regulations in 2002 to protect confidential test data submitted by pharmaceutical firms for patent and trademark registration. Following EU accession, Lithuania extended protection to member states' trademarks, designs, and applications. Lithuania brought its national law protecting biological inventions into compliance with EU Directive 98/44 in June 2005. In 2008 it was removed from the Special 301 Watch List. In 2014, 16 new IP-related criminal investigations were launched. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Contact at Mission:

Jonas Vasilevicius, Commercial Specialist
Tel: 370-5 2665671
VasileviciusJ@state.gov
Website for list of lawyers: http://vilnius.usembassy.gov/attorneys.html

American Chamber of Commerce in Lithuania:
Phone: + 370 5 261 1181
E-mail: info@amcham.lt, acc@iti.lt
Web page: http://www.amcham.lt/en/
U.S. Commercial Service in Poland
Tel.: (48 22) 625 4374
Fax: (48 22) 621 6327
E-mail: office.warsaw@trade.gov

7. Transparency of the Regulatory System

The regulatory system remains a challenge for some investors. Local business leaders report that bureaucratic procedures often are not user-friendly and that the interpretation of regulations is inconsistent and unclear. Businesses and private individuals complain of low-level corruption, including in the process of awarding government contracts and the granting of licenses and permits. Businesses also note that they would like to have more opportunity to consult with lawmakers regarding new legislation and that new legislation sometimes appears with little advance notice. The government is using technology to improve transparency: for example, the Seimas' website contains all draft legislation, and public tenders must be published electronically in a central database. Ministries also post many, but not all, draft laws under consideration. All government procurement tenders are required to be posted on-line on a centralized database.

In March 2014, Transparency International released a country report which recommended adopting laws aimed at protecting whistle-blowers, encouraging lobbying transparency, preventing and controlling conflicts of interest, increasing transparency for political party funding, and improving monitoring of public procurements at the implementation stage.

8. Efficient Capital Markets and Portfolio Investment

Government policies do not interfere with the free flow of financial resources or allocation of credit. In 1994, Lithuania accepted the requirements of Article VIII of the Articles of Agreement of the International Monetary Fund to liberalize all current payments and to establish non-discriminatory currency agreements. Lithuania ensures free movement of capital and does not plan to impose any restrictions. The government imposes no restrictions on credits related to commercial transactions or the provision of services, nor on financial loans and credits. There are no restrictions on non-residents opening accounts with commercial banks.

Money and Banking System, Hostile Takeovers

The banking system is stable, well-regulated, and conforms to EU standards. Currently there are seven commercial banks holding a license from the Bank of Lithuania, eight foreign bank branches, two foreign banks representative offices, the Central Credit Union of Lithuania and 75 credit unions. Two hundred-eighty EU banks provide cross-border services in Lithuania without having a branch operating in the country, and three financial institutions controlled by EU-licensed foreign banks provide services without a branch. Nearly all foreign banks are Scandinavian. By the end of 2014 the total assets of major Lithuanian banks were:

-SEB – 6.7 billion Euro (www.seb.lt)
-Swedbank – 5.7 billion Euro (www.swedbank.lt)
-DnB – 3.8 billion Euro (www.dnb.lt)

Other smaller banks:
- Citadele (www.citadele.lt)
- Siauliu Bankas (www.sb.lt)
- Medicinos Bankas (http://finasta.com/lit/lt)
- Finasta (www.medbank.lt)

Since January 1, 2015, these banks are controlled by European Central Banks, and Bank of Lithuania. There is no restriction on portfolio investment. The right of ownership to shares acquired through automatically matched trades is transferred on the third working day following the conclusion of the transaction. The Vilnius Stock Exchange is part of the OMX group of exchanges and offers access to 80 percent of all securities trading in the Nordic and Baltic marketplace. OMX is owned by the U.S. firm NASDAQ and the Dubai Bourse. The Supervisory service at the Bank of Lithuania supervises commercial banks and credit unions, securities market, and insurance companies. Lithuanian law does not regulate hostile takeovers.

9. Competition from State-Owned Enterprises

According to Lithuanian law, SOEs have no privileges in conducting business, competing for supply, and/or in implementing projects, enforcing contracts, and accessing finance. The Embassy has no records of complaints from either foreign or domestic companies regarding cases of state companies exercising advantages in competing for business. Nevertheless, anecdotal evidence cited in a 2013 Baltic Institute for Corporate Governance (BICG) report suggests that there have been cases of SOE executives extracting benefits for their own personal gain by way of guided tenders, exercising favoritism when selecting providers of goods or services, or giving business to friends and family members.

OECD Guidelines on Corporate Governance of SOEs

The BICG report also concludes that Lithuanian SOE practices fall short of meeting OECD Guidelines on Corpoate Governance of SOEs. Lithuanian SOEs generally fail to observe six out of ten norms for the hiring, firing and oversight of top management, and only partly satisfy the other four criteria. However, there has been significant progress in recent years to bring corporate governance practices closer to international norms. For example, the introduction of independent board members helped to professionalize and depoliticize SOE boards and strengthen independent and pragmatic decision making including in the areas of CEO selection and evaluation. The requirement for SOE CEOs to certify financial statements is also in line with international best practices.

SOEs are active in the energy, postal services, transport, communications, and forestry sectors. Senior managers of SOEs report to independent boards of directors, which report to appropriate ministries. By law SOEs are required to publish an annual report and to submit their books to an independent audit.

Sovereign Wealth Funds

Lithuania does not maintain Sovereign Wealth Funds.

10. Responsible Business Conduct

Although Lithuania's high private sector contribution to GDP is evidence of a strong private sector, the concept of Corporate Social Responsibility (CSR) is not broadly recognized in Lithuania, especially in rural areas where there is little or no foreign investment. The understanding of the concept is frequently linked to philanthropy, rather than stakeholder partnership. There are, however, an increasing number private-public partnerships, as well as social projects, where the private sector is involved in supporting volunteerism, environmental restoration, and scholarships. Foreign investors in Lithuania have played a very important role in promoting CSR.

As an adherent to the OECD Guidelines for Multinational Enterprises, Lithuania promotes adoption of these global standards for responsible business conduct through its National Contact Point located in the Ministry of Economy's Investment Policy Division:

http://mneguidelines.oecd.org/ncps/lithuania.htm

In 2009, the government developed and approved a National Corporate Social Responsibility Development Program aimed at promoting CSR. Also, in the past few years there has been a growing interest from both government and NGOs alike in promoting CSR values by organizing competitions and awards ceremonies such as the Social and Labor Ministry's annual Socially Responsible Business Awards Ceremony, Confederation of Industrialists' Awards and others.

11. Political Violence

Since its independence in 1991, Lithuania has not witnessed any incidents involving politically motivated damage to projects and/or installations.

12. Corruption

Large foreign investors report few problems with corruption. On the contrary, most large investors report that high-level officials are often very helpful in solving problems fairly. In general, foreign investors say that corruption is not a significant obstacle to doing business in Lithuania and describe most of the bureaucrats they deal with in Lithuania as reasonable and fair. Small and medium enterprises (SMEs) perceive themselves as more vulnerable to petty bureaucrats and commonly complain about extortion. SMEs often complain that excessive red tape virtually requires the payment of "grease money" to obtain permits promptly. Business owners maintain that some government officials, on the other hand, view SMEs as likely tax-cheats and smugglers, and treat the owners and managers accordingly.

A 2015 Eurobarometer survey on corruption found that Lithuania lags behind other EU countries in the scores concerning both perceptions and actual experience of corruption. Among the survey results: 82 percent of the Lithuanian respondents said they think that corruption is widespread in Lithuania; 21 percent indicated that they were asked or expected to pay a bribe in the past 12 months; and 78 percent believe that favoritism and corruption hamper business competition.

According to an EU report on corruption released in February 2014, Lithuania has demonstrated a commitment to prevent and combat corruption through an extensive legal framework. In this report, the European Commission recommends that Lithuania prioritize the prosecution of larger cases and develop prevention tools to detect corruption in procurement on the local government level and in the healthcare sector. The EC also recommends that Lithuania develop a strategy against informal payments in healthcare, and improve the control of declarations of conflicts of interest made by elected and appointed officials. The transparency of political party financing is another area for improvement.

Lithuania is highlighted as a positive example of good practices in the implementation of e-procurement as it has made significant progress in providing online access to centralized data on public procurement. Since 2009, at least 50 percent of the total value of their public bids must be done electronically. As a result, the share of e-procurement rose from 7.7 % to 63 % in 2010, reaching 90% level in 2015. The range of information published exceeds the requirements of EU law including draft technical specifications, concluded and performed public contracts, and suppliers' subcontractors.

Paying or accepting a bribe is a criminal act. Lithuania established in 1997 the Special Investigation Service (Specialiuju Tyrimu Tarnyba) specifically to fight public sector corruption. The agency investigates approximately 100 cases of alleged corruption every year, but has yet to bring charges against high-level officials for corrupt practices. Lithuania ratified the UN Convention Against Corruption in December 2006. Lithuania also hosts a representative office of Transparency International (TI). TI ranked Lithuania 32nd out of 168 in its 2015 Perceptions of Corruption Index with a score of 61. (TI considers countries with a score below 50 to have serious problems with corruption.) Police, medical personnel and local government, among others, were cited by TI as prone to corruption.

Lithuania has ratified the UN Anticorruption Convention in 2006, however, country has not signed the OECD Anti-Bribery Convention.

Resources to Report Corruption

Special Investigation Service

Jaksto g. 6, 01105 Vilnius, Lithuania
Tel: 370-5266333
Fax: 370-70663307
Email: pranesk@stt.lt

Transparency International

Sergejus Muravjovas, Executive Director
Transparency International
Didzioji st. 5, LT–01128, Vilnius, Lithuania
Tel: 370 5 212 69 51
info@transparency.lt
skype: ti_lithuania

13. Bilateral Investment Agreements

The United States and Lithuania have signed and ratified the following agreements and treaties:

- a charter of partnership between the United States, Estonia, Latvia, Lithuania (http://www.state.gov/1997-2001-NOPDFS/regions/eur/ch_9801_baltic_charter.html);
- a bilateral investment treaty that ensures reciprocal investment protection and encourages additional investment (http://www.state.gov/e/eb/ifd/43299.htm);
- an extradition treaty (http://www.state.gov/documents/organization/130945.pdf);
- an agreement on social security (http://www.ssa.gov/policy/docs/progdesc/ssptw/2012-2013/europe/lithuania.html); and,
- an agreement on cooperation in preventing proliferation of weapons of mass destruction and promotion of defense and military relations (http://www.state.gov/s/l/treaty/caseact/c34684.htm).

Lithuania joined the European Union on May 1, 2004. In doing so, it joined all EU trade agreements with third countries and international organizations. Lithuania also delegated its international trade policy function to the EU Council and the European Commission. As a result, Lithuania had to revoke all of its bilateral free trade agreements signed before its accession to the EU.

Bilateral Taxation Treaties

Lithuania has a treaty on avoidance of double taxation with the United States. (http://www.irs.gov/pub/irs-trty/lith.pdf). It also has:

- a foreign account tax compliance act (FATCA) (http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/FATCA-Agreement-Lithuania-8-26-2014.pdf);
- a treaty on legal assistance in criminal matters (http://www.state.gov/s/l/treaty/tias/107462.htm).

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Lithuania does not have foreign-trade zones which offer duty free privileges.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($Billion USD)	2015	$41.303	2015	N/A	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2015	$180	2015	n/a	n/a
Host country's FDI in the United States ($M USD, stock positions)	2013	16.6	2013	n/a	n/a
Total inbound stock of FDI as % host GDP	2015	35.9	2015	n/a	n/a

*Lithuanian Department of Statistics

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data*					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	Amount	100%	Total Outward	Amount	100%
Sweden	3,563	23.9	Netherlands	517	22
Netherlands	1,871	10.9	Poland	333	14.5
Norway	962	6.4	Latvia	310	13.4
Poland	816	5.4	Cyprus	147	6.4
Denmark	638	3.8	Estonia	57	2.4
"0" reflects amounts rounded to +/- USD 500,000.					

*Lithuanian Department of Statistics

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets*								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	Amount	100%	All Countries	Amount	100%	All Countries	Amount	100%
Luxemburg	1,138	17	Luxemburg	1,106	39	International organizations	943	24
Ireland	1,107	17	Ireland	1,066	38	Germany	484	12
International organizations	943	14	Estonia	131	5	Netherlands	341	9
Germany	508	8	U.S.	102	4	France	274	7
France	344	5	U.K.	82	3	Sweden	194	5

*IMF

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system; legislative acts can be appealed to the constitutional court

International organization participation:

Australia Group, BA, BIS, CBSS, CD, CE, EAPC, EBRD, EIB, EU, FAO, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITU, ITUC (NGOs), MIGA, NATO, NIB, NSG, OAS (observer), OIF (observer), OPCW, OSCE, PCA, Schengen Convention, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Lithuania has no exchange controls

Treaty and non-treaty withholding tax rates

Burundi	20	BURUNDI
Cambodia	21	CAMBODIA
Cameroon	27	CAMEROON
Canada	81	CANADA
Cape Verde	57	CAPE VERDE
		CAYMAN ISLANDS
Central African Republic	24	CENTRAL AFRICAN REPUBLIC
Chad	22	CHAD
Chile	73	CHILE
China	36	CHINA
Colombia	37	COLOMBIA
Comoros	26	COMOROS
Congo, Democratic Republic of	22	CONGO, DEM. REP.
Congo, Republic of	23	CONGO, REP.
Costa Rica	54	COSTA RICA
Côte d´Ivoire	32	CÔTE D'IVOIRE

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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