

The Fintech Landscape in Lithuania

2018 Report

01.

Executive Summary

To be a small country that can punch above its weight, focusing in on one industry you are especially strong at is essential. And for Lithuania, that industry is Fintech – a rapidly developing field on the intersection of traditional finance and cutting-edge IT. Compared to other Fintech hubs, Lithuania possesses one highly distinctive feature: a shared strategic outlook found at every level of the ecosystem. From a regulator often named the most progressive in the EU, to a government that understands the value of adapting fast, through to industry associations building a close-knit community, there is a shared commitment to make Fintech work.

And Lithuania has already made big strides forward. Fuelled by a talent pool that has honed its skills in enterprises like Danske Bank and Western Union, Lithuania has taken disruption from theory to practice. The 170 Fintechs based in Lithuania already benefit from a suite of sandboxes that enable them to test and perfect innovations that could soon be transforming financial services for businesses and individuals.

In your hands is a concise overview of the sector, based on extensive research conducted by Invest Lithuania and Rise Vilnius. It aims not only to provide you with the facts and figures, but also to give you a flavour of what's coming next for Fintech in Lithuania.

02.

Lithuania: Facts and Figures

Capital: Vilnius (population¹ 0.55 million)
Population¹: 2.8 million
GDP per capita 2018¹: €16.1k

As a country of just 3 million, Lithuania is quick to adapt, focusing its business environment to meet the needs of specific industries. It has already leveraged its highly educated talent pool and streamlined its regulatory framework to become a leading destination for international Fintechs. Short business establishment times and low corporate taxes are just a few of the benefits that characterise this business-friendly environment.



Part of the EU and NATO since 2004



Part of the EUROZONE since 2015



Part of the OECD since 2018

Business friendly environment

56 % of population with higher education²

85 % proficiency in English among young professionals³

52 % speak at least two foreign languages⁴

Emerging IT hub

14th among 190 countries in the Ease of Doing Business⁵

3 days to start a new business⁶

1st globally for technological skills⁷

2 x increase in IT study funding in 2017⁸

20 % increase in IT student pipeline over 2013-2016⁹

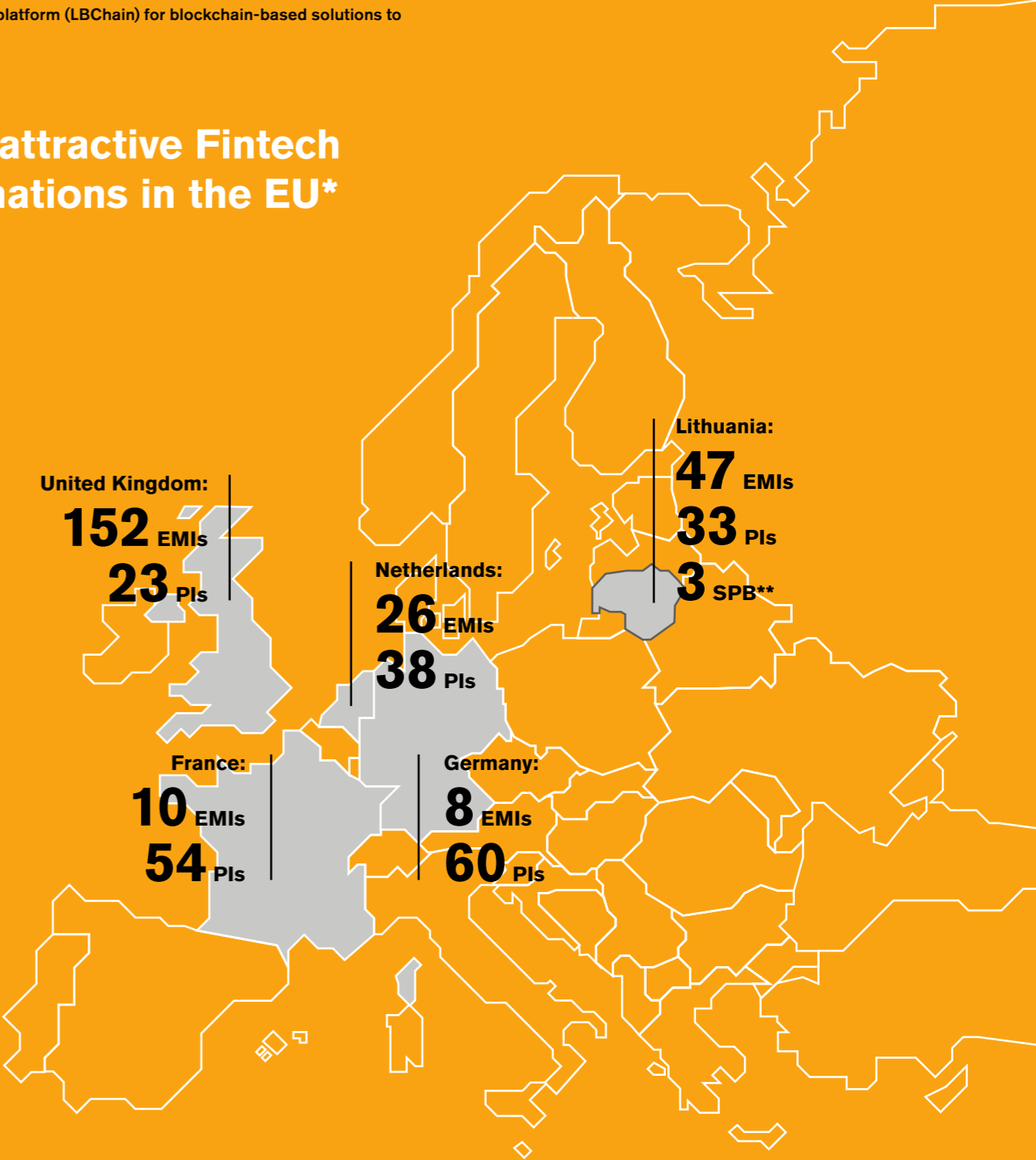
Source 1: Statistics Lithuania, 2019 / Source 2: Eurostat, 2017 (age group 25-34) / Source 3: Invest Lithuania's estimation based on Population Census (2011) / Source 4: Europeans and their languages, 2012 / Source 5: World Bank, 2018 / Source 6: Centre of Registers, 2018 / Source 7: IMD World Competitiveness Yearbook, 2017 / Source 8: European Commission Digital Agenda Scoreboard, 2017 / Source 9: Ministry of Education and Science, 2016

03. Regulation

The Bank of Lithuania has been recognised as one of the most progressive regulators in the EU. By streamlining licensing and automating a number of supervision procedures, it has transformed Lithuania into a jurisdiction that prioritizes progress and helps Fintech newcomers to enter the market transparently and smoothly. It is also creating the right environment for innovation, where new Fintech products can be developed and then scaled globally. This has been achieved by offering regulatory sandboxes for testing financial innovations, accelerating the development of RegTech solutions, and building a platform (LBChain) for blockchain-based solutions to

be created whilst under the watchful eye of the Bank of Lithuania. Thanks to these changes, Lithuania is now a leader in continental Europe for the number of licensed EMI entities. The Bank's primary goal remains to increase competition, and to this end it has made significant changes to provide a level-playing field for payments service providers. Payment and electronic money institutions can access SEPA via the Bank's own CENTROlink payments system. The regulator is also planning to push forward open banking to foster competition and innovation in the financial market.

Most attractive Fintech destinations in the EU*



Source: Invest Lithuania; Data as of end of 2018
* Top 5 countries by number of PI (Payment Institution) and EMI (Electronic Money Institution and Restricted Electronic Money Institution) licenses issued.
** Specialized Banking License.

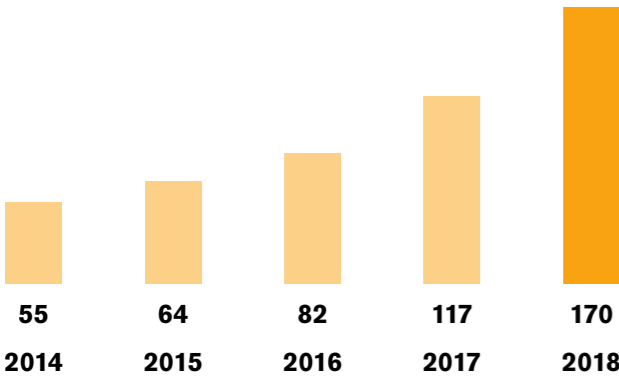
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Fintech Sector Analysis

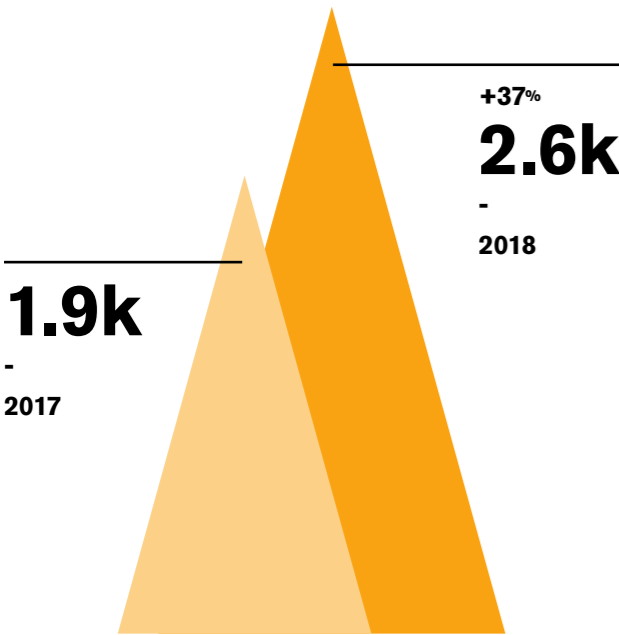
Lithuania's dynamic Fintech sector is experiencing dramatic growth, doubling in size over the last two years. In 2018, the number of companies in the country's close-knit Fintech ecosystem grew by 45%, with c. 700 new positions created. Today, more than 2,600 specialists are employed in the sector across a wide range of positions and functions.

Number of Fintechs in Lithuania

At the end of the year



Estimated number of employees in the sector / At the end of the year

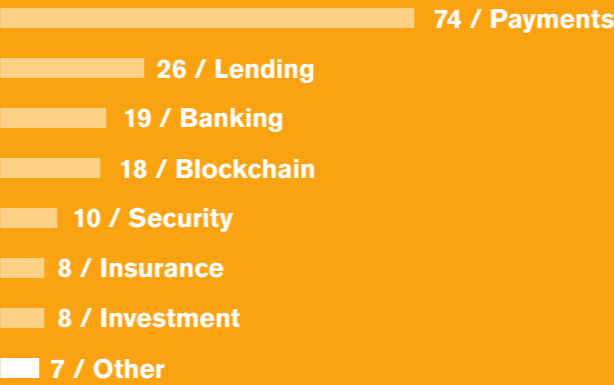


Source: Invest Lithuania

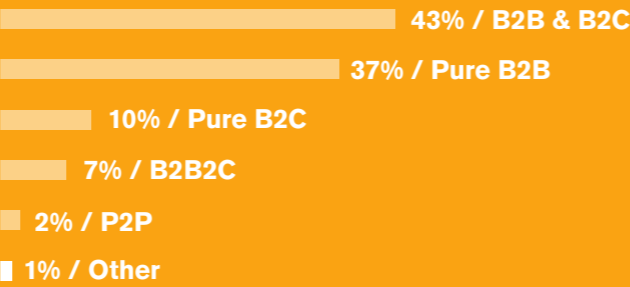
Business Model

The dynamism of Lithuania's Fintech sector is matched by its diversity. Fintechs based in Lithuania provide a broad scope of services and products, and a wide range of business models are present. 58% of the companies surveyed are in the growth and establishment stage, with their main focus on expanding into new markets. The range of markets these companies are targeting is also diverse. Because a Lithuanian base provides direct access to the EU, Europe is naturally the number one target market. But North America and Asia are also important regions for many Fintechs based here.

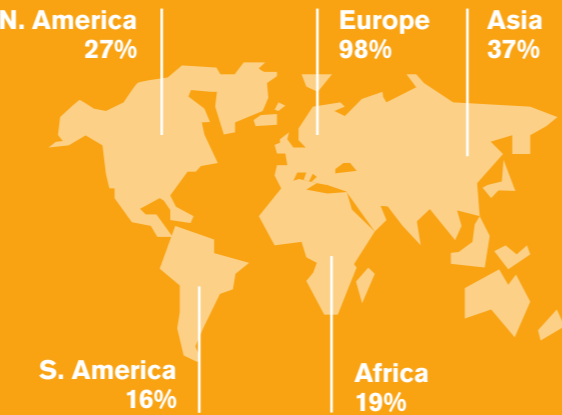
Lithuanian Fintechs by sub-sector¹



Business models²



Target markets²



Source 1: Invest Lithuania / Source 2: Survey Findings, 2018

Teams

Many of the local Fintech teams in Lithuania are tasked with providing mission-critical services, like customer support for an entire firm or all the development and testing for a brand new product. While at present most teams in Lithuania are smaller in scale, this situation is set to change rapidly – 88% of those surveyed said they plan to further expand their Lithuanian teams in 2019. The sector has a good balance of companies headquartered here (70% of Fintechs in Lithuania) and those established by international entities and persons, who bring their international experience and culture to the ecosystem.

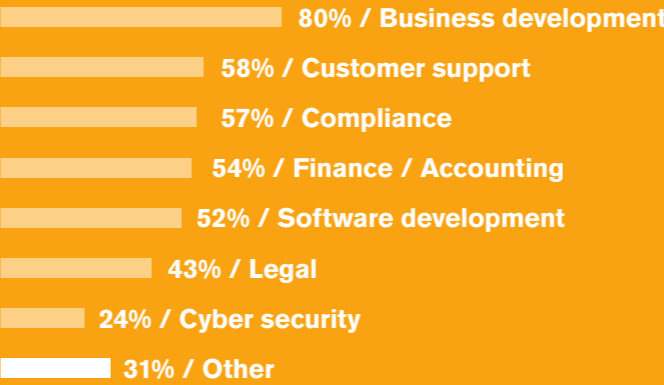
Lithuanian Fintechs by HQ location¹



Local team sizes in Lithuania¹



Functions hired in Lithuania²



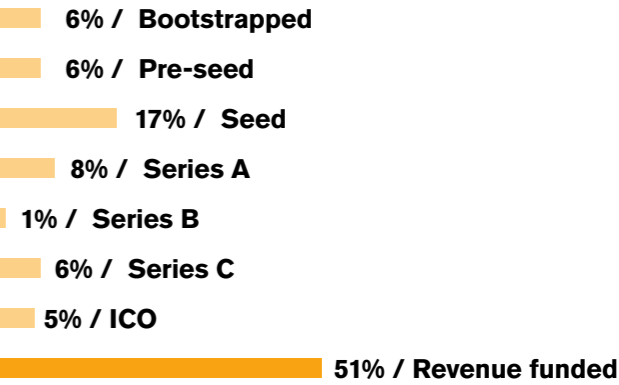
Source 1: Invest Lithuania / Source 2: Survey Findings, 2018

Funding & Partnerships

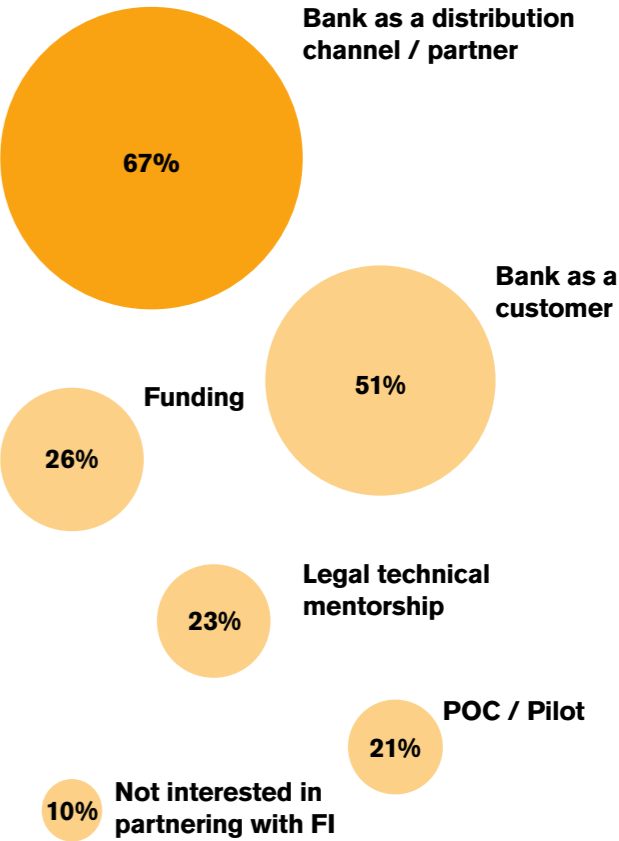
More than half of the Fintechs in Lithuania are revenue funded, and there are two main reasons for this. Firstly, some are still on the look out for the right funding opportunity to suit their business needs. Secondly, many of them are already well-established and capable of growing organically with their own revenue streams.

26% of those surveyed said they would like to partner with a financial institution in order to receive funding. However, the most sought after relationship is with banks for distribution and partnership purposes.

Fintechs by stage of funding



Preferred partnership models with financial institutions









Source: Survey Findings, 2018

05.

The Fintech ecosystem in Lithuania

As the Fintech sector in Lithuania grows rapidly, a strong support network is growing around it. Fintech hubs and associations are forging a close-knit community where insights and ideas are shared and developed. Lithuania’s Fintech landscape also includes accelerators, incubators, several innovative sandboxes for product and business development and over 20 co-working and flexible rental office spaces. And with more initiatives in the pipeline, this Fintech hub is set to attract even more global players and talents.

Ecosystem Facilitators


























	ROCKIT is the hub for Fintech founders, builders and visionaries. Bringing together talent, expertise, knowledge and infrastructure, ROCKIT aims to create the next generation financial services.
	The biggest ICT startup hub in the Baltics and Nordics, uniting international startups, tech companies, VC accelerators, incubators and other ecosystem players.
	SEB Innovation Centre is a meeting space for individuals with innovative mindsets and enterprises seeking to expand their business through innovation. It is also home to a co-working space for fintech startups.
	Blockchain Centre (BC) Vilnius is the first blockchain technology centre connecting key stakeholders in Asia, Australia, and Europe. BC’s goal is to unlock value using blockchain technology in business, finance, and public administration.
	FINTECH HUB LT association unites industry participants in Lithuania, helps to create favorable conditions for their activities, and contributes to Lithuania becoming the leading attraction center for the industry not only in the Baltic region, but also throughout the European Union.
	FINTECH Lithuania association brings together licensed Fintechs, developers of IT solutions, legal consultants and regulatory compliance experts, traditional banks, and other partners who are committed to the development and growth of Fintech within Lithuania.

Ecosystem Catalyzers

	Fintech Sandbox Launched by the Bank of Lithuania to provide a regulatory environment for testing innovative solutions.		Open Banking Sandbox Launched by commercial banks to allow third parties to innovate new solutions by accessing bank accounts.		Proptech Sandbox Launched by the Lithuanian Real Estate Development Association to allow companies to test their technology and concepts with trial runs in the Real Estate industry.
	Blockchain Sandbox Launched by the Bank of Lithuania to enable companies to test financial products in a limited setting and under the guidance of regulators.		Energy Sandbox Launched by the Energy Solutions Centre (ESCO) for companies to experiment and test innovative energy solutions in the distribution network.		




Presence of Fintech companies in Lithuania

There are currently over 170 companies in Lithuania’s Fintech community. The services and products they offer range widely, from payments, investments, and lending through to cybersecurity, API and KYC solutions. The ecosystem boasts a dynamic blend of globally-known brands together with innovative young companies in their development stage.

Full map of the companies can be seen here:
investlithuania.com/downloads

Success Stories

	Specialised bank and e-money institution licenses / Having received both a Specialised Banking License and an Electronic Money Institution licence, both facilitated by the Bank of Lithuania, London-based Revolut is now effectively secured against any Brexit eventuality. From 2019, Revolut will start accepting deposits and offering retail and business lending, making it an even larger rival to traditional banks.
	E-money institution license / Arguably the best known Lithuanian Fintech, TransferGo offers seamless and light-speed money wires to customers in 47 countries. Having attracted more than \$40 million in capital (including raising \$17.5 million in its last funding round), the company now onboards more than 1,000 new customers per day.
	E-money institution license / InstaReM is licensed as a Money Services Business (MSB) in Singapore, Hong Kong, Australia and Canada. It powers local payments to more than 50 countries across the globe. InstaReM has created a unique payment mesh in Asia, which is being leveraged by financial institutions, SMEs and individuals to make fast, low-cost cross-border payments.

About The Survey

This survey was carried out by Invest Lithuania together with the Fintech hub Rise Vilnius. Focused on Lithuania's Fintech ecosystem, its goal was to collect in-depth information on the Fintech companies operating here. The survey touched on a range of topics, from general company information and business model, through to team dynamics, funding, and partnership models with financial institutions. All of the 170 Fintech companies that had established operations in Lithuania by December 31 2018 were contacted to participate in this survey, and feedback was received from 82 of these companies, representing 48% of the sector. All survey findings are based on their responses.



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Invest Lithuania is the official agency for Foreign Direct Investment and Business Development.

We'll partner with you to get your business set up and off to the best start possible.

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ROCKIT, powered by Swedbank, is Lithuania's prime hub for top Fintech. There you'll find innovators, creators and founders who are building the future of Financial Technologies. A strong, supportive community, knowledgeable mentors, top industry events, a trendy co-working area, and an acceleration program – these are the key elements that ROCKIT provides to help startups create, grow and rock it.

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