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**REPUBLIC OF LITHUANIA LAW
ON INSURANCE OF DEPOSITS AND LIABILITIES TO INVESTORS**

20 June 2002 No IX-975
Vilnius

**CHAPTER ONE
GENERAL PROVISIONS**

Article 1. Purpose of the Law

1. The Purpose of this Law is to protect the interests of depositors and investors, maintain their confidence in financial institutions and contribute to the stability, soundness and security of the financial system.
2. This Law shall regulate the activities of the deposit insurance system and insurance system of liabilities to investors in the Republic of Lithuania.
3. The provisions of Law on Insurance of the Republic of Lithuania shall not apply to the relations regulated by this Law.
4. This Law shall implement the European Union legislation, as indicated in Annex 2 of this Law.

Article 2. Definitions

1. **Insured deposit** shall mean the share of insurable deposit that does not exceed the insured amount of deposit laid down in Article 4 of this Law.
2. **Joint investment** shall mean the transfer of funds or financial instruments in the name of two or more persons to the participant of the insurance system of liabilities to investors, or transfer of funds or financial instruments to the participant of the insurance system of liabilities to investors, to which two or more persons are entitled and which are at the disposal of one or more of those persons.

3. **Joint account** shall mean an account opened with a credit institution in the name of two or more persons or the account which funds may be claimed by two or more persons and which are at the disposal of one or more of those persons.

4. **Home Member State** as defined in Article 4(1)(43) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ 2013 L 176, p. 1) (hereinafter referred to as “Regulation (EU) No 575/2013”).

5. **Deposit account** shall mean an account opened with a credit institution on behalf of a natural or legal person provided for in Laws, where only funds belonging to other persons on the grounds of property, trustee or other rights, are held.

6. **Financial instruments** shall mean financial instruments listed in Law on Markets in Financial Instruments of the Republic of Lithuania.

7. **Financial institution** as defined in Article 4(1)(26) of Regulation (EU) No 575/2013.

8. **Financial brokerage firm** as defined in Law on Markets in Financial Instruments of the Republic of Lithuania.

9. **Depositor** shall mean a natural or legal person or other organization, or, in the case of joint account, each co-owner of the deposit held in the joint account (a natural and legal person or other organization), or, in the case of a deposit account, each natural or legal person or other organization whose funds are held in the deposit account, and who are or may be identified on the day of the insured event, with the exception of the entities whose deposits under Article 3(2) of this Law may not be covered by insurance.

10. **Deposit** shall mean the cash balance, resulting from the funds held with a bank in the account opened with a credit institution under a bank deposit or a bank account agreement or temporary situations where the credit institution provides financial services; this balance shall be repaid by the credit institution under Laws or agreements, but such balance shall not be credited, if:

- 1) its existence may only be proved with financial instruments;
- 2) its main amount shall not be repaid at face value;
- 3) its main amount shall be repaid at face value only under a specific guarantee or agreement granted by a credit institution or third party.

11. **Deposit Insurance Fund** shall mean a fund containing the assets accumulated for the payment of insurance compensations according to this Law and financing of resolution tools of the financial sector in accordance with Law on Financial Sustainability of the Republic of Lithuania.

12. **Financial resources of Deposit Insurance Fund** shall mean funds, deposits, low-risk assets and payment obligations of the insurance system participants.

13. **Minimum target level of financial resources of Deposit Insurance Fund** (hereinafter referred to as “the Minimum target level”) shall mean the amount of financial resources not less than 0.8 per cent of the amount of core insured deposits of all the insurance system participants after evaluating the debentures of the Deposit Insurance Fund, that shall be generated in the Deposit Insurance Fund under Article 15 of this Law.

14. **National target level of financial resources of Deposit Insurance Fund** (hereinafter referred to as “the National target level”) shall mean the amount of financial resources not less than 2 per cent of the amount of core insured deposits of all the insurance system participants after evaluating the debentures of the Deposit Insurance Fund, that shall be generated in the Deposit Insurance Fund under Article 15 of this Law.

15. **Insurance compensation for deposits** shall mean an amount of money to which the depositor is entitled, under the procedures and conditions laid down in this Law, in the case of insured event of deposits.

16. **Deposit insurance system** shall mean the system of legal regulatory measures laid down in this Law to protect the interests of depositors and maintain their confidence in financial institutions, as well as the system established for the same purpose and officially recognised in accordance with the legislation of the other Member State or third country.

17. **Payment obligations of participants of deposit insurance system** shall mean payment obligations of the participants of deposit insurance system to the Deposit Insurance Fund that are fully collateralized in the form of low-risk assets to which no third party is entitled, and which are at the disposal of the Deposit Insurance Fund.

18. **Insured event of deposit** shall mean the opening of insolvency proceedings for a participant of the deposit insurance system or the decision by the supervisory authority to declare insolvency of a participant of the deposit insurance system, when a participant of the deposit insurance system is unable to fulfil a justifiable claim to repay the deposit, due to reasons related to his financial situation, and there are reasonable grounds for believing that he will be unable to so in the near future.

19. **Investment risk** shall mean a possibility of losses due to the fact that the investment will not be profitable or will lose its value.

20. **Investment services** shall mean investment services, investment activities and ancillary services as defined in Law on Markets in Financial Instruments of the Republic of Lithuania.

21. **Investor** shall mean a natural and legal person or other organization who has entrusted funds and/or financial instruments to the participants of the insurance system of liabilities to

investors, with the aim of availing himself of the investment services, provided by the participants of the insurance system of liabilities to investors or, in case of a joint investment, each co-owner of funds and financial instruments entrusted to the participant of the insurance system of liabilities to investors (a natural and legal person or other organization).

22. **Liabilities to investors** shall mean the liabilities of the participants of the insurance system of liabilities to investors concerning repayment of the funds owned by the investor and/or financial instruments held by the investor.

23. **Fund of Insurance of liabilities to investors** shall mean a fund containing the assets accumulated for paying insurance compensations for the liabilities to investors in accordance with this Law.

24. **Insurance compensation for liabilities to investors** shall mean an amount of money to which the investor is entitled, under the procedures and conditions laid down in this Law, in the case of insured event of liabilities to investors.

25. **Insurance system of liabilities to investors** shall mean the system of legal regulatory measures laid down in this Law to protect the interests of investors and maintain their confidence in financial institutions, as well as the system established for the same purpose and officially recognised in accordance with the legislation of the other Member State or third country.

26. **Insured event of liabilities to investors** shall mean the opening of the insolvency proceedings for the insurance system participant of liabilities to investors or the decision by the supervisory authority to declare insolvency of the participant of the insurance system of liabilities to investors, when the participant of the insurance system of liabilities to investors is unable to fulfil the liabilities to investors, due to reasons related to his financial situation, and there are reasonable grounds for believing that he will be unable to do so in the near future.

27. **Collective investment entity** shall mean a collective investment entity as defined in Law on Collective Investment Undertakings of the Republic of Lithuania; a collective investment entity designated for professional investors, as defined in Law on Servicers of Collective Investment Entities for Professional Investors of the Republic of Lithuania; a collective investment entity designated for informed investors, as defined in Law on Collective Investment Entities for Informed Investors of the Republic of Lithuania.

28. **Credit institution** as defined in Article 4(1)(1) of Regulation (EU) No 575/2013.

29. **Branch of a credit institution, financial brokerage firm or servicer** (hereinafter referred to as “branch”) shall mean a structural branch of a credit institution, financial brokerage firm or servicer without a status of a legal person, which has a place of business in a Member State, and performs all or part of the functions of a credit institution, financial brokerage firm or servicer.

30. **Low-risk asset** shall mean an asset of the first and second category, as indicated in Table 1 of Article 336 of Regulation (EU) No 575/2013 or other assets that are perceived as safe and liquid by the council of the state company “Deposit and Investment Insurance”.

31. **Own funds** as defined in Article 4(1)(118) of Regulation (EU) No 575/2013.

32. **Core insured deposit** shall mean the share of insurable deposit not exceeding EUR 100 000.

33. **Pension fund** as defined in Law on the Supplementary Voluntary Accumulation of Pensions of the Republic of Lithuania, Law on Pension Funds of the Republic of Lithuania, as well as Professional Pension Fund as defined in Law on Professional Pension Funds of the Republic of Lithuania.

34. **Money laundering** as defined in Law on the Prevention of Money Laundering and Terrorist Financing of the Republic of Lithuania.

35. **Supervisory authority** shall mean the Bank of Lithuania and the European Central Bank with regard to the functions set out in Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ 2013 L 287, p. 63) or the financial supervisory authority in a Member State of third country fulfilling the same functions as the Bank of Lithuania.

36. **Host Member State** as defined in Article 4(1)(44) of Regulation (EU) No 575/2013.

37. **Insurable deposit** shall mean a deposit which is not subject to deposit insurance exemptions laid down in Article 3(2) of this Law.

38. **Third country** shall mean a country that is neither a member of the European Union, nor a member of the European Economic Area.

39. **Administrator of deposit insurance system of a third country** shall mean an institution administering the third country’s deposit insurance system or, in the case when the deposit insurance system is administered by a private person, the public authority which was designated by the relevant third country to perform the supervision of that deposit insurance system.

40. **Servicer** shall mean a servicer of a collective investment entity as defined in Law on Collective Investment Undertakings of the Republic of Lithuania; a servicer of a pension fund, as defined by Law on the Supplementary Voluntary Accumulation of Pensions of the Republic of Lithuania, a servicer of a collective investment entity designated for professional investors, as defined in Law on Servicers of Collective Investment Entities for Professional Investors of the Republic of Lithuania; a servicer of a collective investment entity designated for informed investors, as defined in Law on Collective Investment Entities for Informed Investors of the Republic of Lithuania.

41. **Member state** shall mean a Member State of the European Union, also a member of the European Economic Area.

42. **Administrator of deposit insurance system of a Member State** shall mean an institution administering the other Member State's deposit insurance system or, in the case when the deposit insurance system is administered by a private person, the public authority which was designated by the relevant Member State to perform the supervision of that deposit insurance system.

43. Other concepts used in this Law are understood as defined by the Republic of Lithuania Law on Banks, the Republic of Lithuania Law on the Central Credit Union, the Republic of Lithuania Law on Electronic Money and Electronic Money Institutions, the Republic of Lithuania Law on Financial Sustainability, the Republic of Lithuania Law on Financial Institutions, the Republic of Lithuania Law on Bills of Exchange and Promissory Notes, the Republic of Lithuania Law on the Central Credit Union, the Republic of Lithuania Law on Payments.

CHAPTER TWO

DEPOSIT INSURANCE

Article 3. Object of Deposit Insurance

1. Deposit insurance coverage shall be provided for the depositors' insured deposits in all currencies.

2. Deposit insurance shall not cover:

- 1) deposits of other credit institutions, held on own account and in own name;
- 2) own funds;
- 3) deposits which have resulted in a conviction in a criminal case concerning money laundering;
- 4) deposits of financial institutions;
- 5) deposits of servicers;
- 6) deposits of financial brokerage firms;
- 7) deposits which have no identified owner (deposits held in anonymous and coded accounts);
- 8) deposits of insurance and reinsurance companies functioning in accordance with Republic of Lithuania Law on Insurance;
- 9) deposits of collective investment entities;
- 10) deposits of pension funds;

- 11) deposits of state and municipal institutions and bodies as defined in the Republic of Lithuania Law on the State Service, except funds belonging to other persons held in deposit accounts of such institutions and bodies;
- 12) deposits of the Bank of Lithuania;
- 13) debt securities and liabilities issued by the participant of the deposit insurance system himself, related to his acceptances and promissory notes;
- 14) electronic money and funds received by electronic money institutions from electronic money holders in exchange for electronic money.

3. In determining whether the depositor's deposits are insurable, the credit authority has the right to rely on information submitted by the customer or the supervisory authority, except where the credit institution is aware or ought to be aware that the information is incorrect.

Article 4. Insured Amount of Deposit

1. The insured amount of deposit shall be equal to the depositor's insurable deposit kept with a credit institution on the day of the insured event of deposits, however, it may not exceed EUR 100 000, except for exemptions laid down in paragraph 2 of this Article.

2. Higher amount than the one indicated in paragraph 1 of this Article shall be calculated and paid to the depositor, who is a natural person, under the procedures and conditions laid down in this Law, when funds have been credited to the depositor's account not more than 6 months before the day of the insured event of deposit, on the following grounds:

- 1) for sold or otherwise transferred residential property (including owned land), owned by the depositor, but this amount shall not exceed EUR 300 000.
- 2) for inherited funds by the depositor under a will or a law, but this amount shall not exceed EUR 200 000.
- 3) for funds received by the depositor in the event of death as beneficiary under a life insurance contract or contract of the same nature, but this this amount shall not exceed EUR 200 000.
- 4) for funds received by the depositor resulting from the death of another person in the performance of their work responsibilities or duties, in the cases provided for in laws, but this amount shall not exceed EUR 200 000.
- 5) benefits or compensations transferred to the depositor in the cases provided for in laws for the damage caused by violent crimes or the damage caused by the conduct of pre-trial investigation officers, prosecutors, judges or courts, but this amount shall not exceed EUR 200 000.

3. When calculating the insured amount of deposit for one depositor in accordance with paragraph 2 of this Article, the funds indicated in paragraph 2 of this Article are added to the amount of depositor's insurable deposit kept with a credit institution on the day of the insured event of deposits, but this amount shall not exceed EUR 100 000. The total insurable amount of deposits for one depositor shall not exceed the deposit balance kept with a credit institution on the day of the insured event of deposits.

Article 5. Supplementary Deposit Insurance

1. Supplementary insurance coverage shall be provided only to the insurable deposits that have less favourable conditions of insurance (or other type of security) under the legislation of a third country than those provided by this Law.

2. If a bank of a third country establishes a branch in the Republic of Lithuania and the deposits held in this branch are insured (compensated) or their protection is ensured in any other way under the legislation of a third country, but the state company "Deposit and Investment Insurance" (hereinafter referred to as "the insurance undertaking") shall determine that these conditions of deposit insurance (compensation) or any other conditions ensuring their protection are less favourable than established in this Law, the bank of a third country, which has established the branch, must participate in the deposit insurance system of Lithuania and provide a supplementary insurance coverage to the insurable deposits held in the branch of the bank.

3. The amount of supplementary insurance of deposits shall be equal to the difference between the amount of the insurable deposits held in the branch of the bank of a third country and the amount payable to the depositor under the legislation of a third country, however, the total amount of supplementary insurance of deposits together with the amount payable to the depositor under the legislation of a third country may not exceed the amount indicated in Article 4 of this Law.

4. The procedure of supplementary insurance shall be established by the council of the insurance undertaking and published on the website of the insurance undertaking.

5. If a bank of a third country establishes a branch in the Republic of Lithuania and the insurable deposits held in this branch are not insured (or their protection is not ensured in any other way under the legislation of a third country), the bank of a third country, which has established the branch, must participate in the deposit insurance system of Lithuania and provide an insurance coverage to the insurable deposits held in the branch of the bank in accordance with this Law.

6. A bank of a third country applying for a permission to establish a bank branch in the Republic of Lithuania, where deposits will be held, or applying for the right to accept deposits, shall

provide copies of legislation, which lay down the conditions of deposit insurance in that third country, and their certified translations into Lithuanian to the insurance undertaking. The bank of the third country shall immediately inform the insurance undertaking of any changes in the conditions of deposit insurance in the third country.

Article 6. Calculation of Insurance Compensation for Deposits

1. When calculating the amount of the insurance compensation for deposits for one depositor, all the insurable deposits held by one depositor at the same credit institution in all currencies (including branches of a legal person or another organization of the depositor, representations, and other structural branches) to which the depositor is entitled, shall be added to the interest calculated for insurable deposits on the day of the insured event of deposits, but not credited to the depositor's account. When calculating the amount of the insurance compensation for deposits for one depositor, the liabilities of the depositor to the credit institution shall not be taken into account.

2. If the insurable deposit is held in a joint account, the insurable deposit is equally divided among the co-owners, unless otherwise specified in the contracts giving rise to the right of claim, or in court rulings. Each person opening a joint account in a credit institution must indicate to the credit institution that the opened account is a joint account, and present appropriate documents to the credit institution confirming the identity of all persons having rights to the deposits held in the joint account, in accordance with the national legislation and the procedures of the credit institution.

3. If the insurable deposit is held in a deposit account, the insurable deposit is equally divided among the natural or legal persons, or other organizations, owning funds in the deposit account in accordance with their share of deposit. Each person opening an account with a credit institution, in which only funds belonging to other persons on the grounds of property, trustee or other rights will be held, must indicate to the credit institution that the opened account is a deposit account, specify the Law on the basis of which such account was opened and, at the request of the credit institution or insurance undertaking, within 5 working days present data on funds held by each person in that account. The form, content and procedure of data presentation to the insurance undertaking shall be established by the insurance undertaking and published on its website.

4. The amount of insurance compensation for deposits for one depositor shall be equal to the insured amount of deposit indicated in Article 4 of this Law.

5. If the amount of the insurance compensation for deposits for one depositor, who is a natural person, exceeds EUR 100 000 due to the reasons indicated in Article 4(2) of this Law, the

depositor, receiving the compensation shall present a request as regards the amount of the insurance compensation for the deposits exceeding EUR 100 000 to the participant of the deposit insurance system within one month from the insured event of deposits, together with the documentation proving that the funds were credited to the depositor's account on the grounds established in Article 4(2) of this Law, not more than 6 months before the insured event of deposits. In the case of the insured event of deposits, the participants of deposit insurance system shall be prepared to receive such request from the depositors. The participants of the deposit insurance system shall provide data to the insurance undertaking for the calculation and payment of the amount of insurance compensation for the deposits exceeding EUR 100 000, not later than 2 working days from the reception of all the documents supporting the depositor's right to the insurance compensation. The depositor who fails to provide all the indicated documents within the time limits specified in this paragraph, shall lose the right to the insurance compensation for the deposits exceeding EUR 100 000 in accordance with Article 4(2) of this Law. In the case where the depositor misses the deadline due to important reasons, the missed deadline may be renewed only through judicial procedures.

6. The insurance compensation for insurable deposits held in a foreign currency shall be calculated in accordance with the indicative exchange rates of the euro and foreign currencies, last published by the European Central Bank on the day of the insured event of deposits, and in the cases where the European Central Bank has not published the exchange rates of the euro and foreign currencies – in accordance with the indicative exchange rates of the euro and foreign currencies, last published by the Bank of Lithuania.

7. The amount of insurance compensation for deposits shall be calculated and paid in accordance with the data on deposits and depositors, held by the participants of the deposit insurance system on the day of the insured event of deposits. The insurance undertaking shall calculate the amount of insurance compensation of deposits, based on the data provided by the participants of the deposit insurance system, and shall manage the payment of insurance compensation for deposits. The participant of the deposit insurance system is responsible for the veracity and timeliness of the data sent to the insurance undertaking.

8. The participants of the deposit insurance system shall implement measures allowing to instantly identify the sum of insurable deposits owned by each depositor, the amount of core insured deposits and other data required for the calculation of insurance compensation for deposits which, at the request of the insurance undertaking, shall be immediately provided by the participants of the deposit insurance system to the insurance undertaking, but no later than 2 working days after the

day of the insured event of deposits, except in the cases established in paragraphs 3 and 5 of this Article.

9. The procedure for the calculation of the insurance compensation for deposits shall be established and published on the website of the insurance undertaking by the council of the insurance undertaking.

Article 7. Payment of Insurance Compensation for Deposits

1. The depositor shall have the right to payment of insurance compensation for deposits from the day of the insured event of deposit. In the case where the funds belonging to the depositor have to be held in a deposit account on the day of the insured event, in accordance with the laws, the relevant payment of insurance compensation for deposits shall be paid to that person, in accordance with the procedure laid down in this Law, in whose name the funds, belonging to the depositors, are held in the account. The payment of insurance compensation for deposits shall be made in euro. The payment of insurance compensation for deposits are made with euro cent accuracy: with accuracy of two digits after the comma and rounded up in accordance with the mathematical rules of rounding.

2. The payment of insurance compensation for deposits shall be made within 20 working days from the day of the insured event of deposit, except for exemptions established in paragraph 4 of this Article.

Recast of paragraph 2 from 1 January 2019 to 31 December 2020:

2. The payment of insurance compensation for deposits shall be made within 15 working days from the day of the insured event of deposit, except for exemptions established in paragraph 4 of this Article.

Recast of paragraph 2 from 1 January 2021 to 31 December 2023:

2. The payment of insurance compensation for deposits shall be made within 10 working days from the day of the insured event of deposit, except for exemptions established in paragraph 4 of this Article.

Recast of paragraph 2 from 1 January 2024:

2. The payment of insurance compensation for deposits shall be made within 7 working days from the day of the insured event of deposit, except for exemptions established in paragraph 4 of this Article.

3. The depositor shall have the right to advance payment of insurance compensation for deposits of the amount of minimum monthly wage, without exceeding the amount of the insurable deposit belonging to the depositor (hereinafter referred to as “the advance payment of insurance compensation for deposit”), which shall be paid within 5 working days, at the request of the depositor, from the reception of his request by the insurance undertaking, under the condition that the insurance undertaking will not make the payment of insurance compensation for deposits within 7 working days, from the day of the insured event of deposit. The advance payment of insurance compensation for deposit made is deducted from the total amount of the insurance compensation calculated for the depositor. The amount of the advance payment of insurance compensation for the deposit shall be calculated in accordance with Article 6(7) of this Law, and the provisions of paragraphs 4, 5, 6 and 7 of this Article shall apply *mutatis mutandis* to the payment procedure.

TAR note: Article 7(3) shall enter into force as of 31 May 2016. Article 7(3) shall be repealed with effect from 1 January 2024.

4. The payment of insurance compensation for deposits shall be delayed, when:
- 1) there is a lack of data justifying the right of the requestor to the insurance compensation for deposits or if the deposit is subject of a legal dispute; until the data justifying the right to the insurance compensation for deposits is provided or until the final decision of the court is enforced resolving the deposit dispute;
 - 2) the depositor’s right to access the deposit is limited in the cases and under the conditions provided for by laws, until these limitations are lifted;
 - 3) no operations related to the deposit have been carried out during the last 24 months before the day of the insured event of deposit; up to 3 months after the day of the insured event of deposit;
 - 4) the insurance undertaking receives information from the participant of the deposit insurance system in regards the amount of insurance compensation for deposits, that will exceed EUR 100 000 due to reasons indicated in Article 4(2) of this Law, and for the amount exceeding EUR 100 000; until the amounts indicated in Article 4(2) of this Law are clarified, but no later than 3 months after the day of the insured event of deposit;
 - 5) the deposit meeting with the requirements is held in a joint or deposit account; until the amounts belonging to a specific person in a joint or deposit account are clarified, but no later than 3 months after the day of the insured event of deposit;

- 6) the payment of insurance compensation for deposits is made to the depositors of a branch established in a host Member State by a credit institution established in the Republic of Lithuania under paragraph 7 of this Article; until the administrator of deposit insurance system of a host Member State confirms that he is prepared for the payment of insurance compensation for deposits;
- 7) the payment of insurance compensation for deposits is made to the depositors of a branch established in the Republic of Lithuania by a credit institution having its registered office in another Member State under paragraph 8 of this Article; until the administrator of deposit insurance system for deposits of a home Member State, where the credit institution is a participant of that system after establishing a branch in the Republic of Lithuania, provides the information to the insurance undertaking that is required for the payment of insurance compensation for deposits;
- 8) the payment of supplementary insurance compensation for deposits under Article 5(2) of this Law is made to the depositors of a branch established in the Republic of Lithuania by a credit institution of a third country in accordance with Article 9 of this Law; until the administrator of deposit insurance system for deposits of a third country, where the credit institution is a participant of that system after establishing a branch in the Republic of Lithuania, provides the information to the insurance undertaking that is required for the payment of insurance compensation for deposits;

5. The payment of insurance compensation for deposits in the name of Deposit Insurance Fund can be made in the cases indicated by the council of the insurance undertaking through the insurance undertaking or the payment service provider, selected by the insurance undertaking. The council of the insurance undertaking shall establish the selection procedure of payment service provider(s), through which the payments of insurance compensation for deposits will be made. A specific requirement for protection of information shall be applicable to the acquisition of services of payments of insurance compensation for deposits: the preparation for the acquisition of services of payments of insurance compensation for deposits and the acquisition of these services shall not be made public.

6. The payment of insurance compensation for deposits shall be made without it being necessary for the depositor to submit a request, except for the cases indicated in paragraph 3 of this Article and Article 6(5) of this Law. The insurance undertaking shall publicly inform the depositors, within the time line established by paragraph 2 of this Article, on the procedures of payment of insurance compensation for deposits, as well as publish this information on its website.

7. A bank established in the Republic of Lithuania, which has established a branch in a Member State, shall insure the insurable deposits held by the depositors in this branch in accordance with this Law. Payments of insurance compensation for deposits to the depositors at such branches shall be paid in the name of Deposit Insurance Fund, in accordance with the procedures laid down in the legislation of the host Member State, where the branch has been established. The insurance undertaking shall refer to the administrator of deposit insurance system of the host Member State, where the branch has been established, in regards payments of insurance compensation for deposits to the depositors at such branches and shall provide data and funds required for the payment of insurance compensation for deposits, and shall reimburse administrative costs related to the payment of insurance compensation for deposits. Payments of insurance compensation for deposits to the depositors at a branch shall be made in euros. The insurance undertaking is responsible for the data provided and payments of insurance compensation for the deposits made on their basis. Any disputes arising in regards such insurance payments shall be settled in the courts of the Republic of Lithuania in accordance with the laws of the Republic of Lithuania.

8. The insurance undertaking shall make payments of insurance compensation for deposits in the name of the administrator of deposit insurance system to the depositors at a branch established in the Republic of Lithuania of a bank under the jurisdiction of a Member State, upon receiving data and funds required for the payment of insurance compensation for deposits from the administrator of deposit insurance system of that Member State. The insurance undertaking shall not be held responsible for the accuracy of the data provided by the administrator of deposit insurance system of the host Member State, where the bank has been established, and the calculation of the amount of payment of insurance compensation for deposits. In such cases disputes shall be settled in the courts of the host Member State, where the bank has been established, in accordance with its laws. The insurance undertaking shall refer to the administrator of deposit insurance system of the host Member State, where the bank has been established, in regards the reimbursement of administrative costs related to the payment of insurance compensation for deposits to the depositors at a branch established in the Republic of Lithuania. The insurance undertaking shall provide information to the depositors at such branch in the name of the administrator of deposit insurance system of a Member State, where the credit institution is a participant of that system, and shall have the right to receive correspondence from the depositors of such branch.

9. The insurance undertaking shall make payments of supplementary insurance to the depositors at a branch of a credit institution of a third country established in the Republic of Lithuania in accordance with Article 5(2) of this Law only upon the reception of data required for

the payment of insurance compensation from the deposit insurance system of a third country, where the credit institution is a participant of that system.

10. The insurance undertaking shall provide information to the administrator of deposit insurance system of the host Member State on how participants of deposit insurance system, having established a branch in a Member State, follow the requirements set out in this Law, their stress test results and all the information required to prepare for the payment of insurance compensation for deposits to the depositors at the branch, including data on insurable deposits, in line with the requirements on the protection of data and confidentiality.

11. Aiming to ensure transparent payments of insurance compensation for deposits to the depositors at branches and adequate reciprocal settlement in the case of transfer of participants of deposit insurance system to another deposit insurance system, or in the case of lending, the insurance undertaking shall cooperate and exchange information with the administrator of deposit insurance system of the host Member State and shall conclude written cooperation agreements with it. These agreements shall lay down the requirements on the protection of data of the depositors and confidentiality. The insurance undertaking shall inform the European Banking Authority of such agreements. In the case where the insurance undertaking is unable to reach an agreement or in the case of any disputes concerning the interpretation of the agreement, the insurance undertaking may refer the matter to the European Banking Authority. The absence of such agreements shall not have an impact on the claims of the depositors to the deposit insurance payment or the requirements of the credit institutions as indicated in Article 11(4) and (6) of this Law.

12. The depositor's right to the deposit insurance payment shall be valid for 5 years after the day of the insured event of deposit. Disputes related to the depositor's right to the deposit insurance payment shall be settled by ordinary courts in accordance with the procedures laid down in laws.

13. A person who has unduly or erroneously received a deposit insurance payment must refund it to the Deposit Insurance Fund. The Deposit Insurance Fund shall have the right to claim the reimbursement of unduly or erroneously paid deposit insurance payments, which is valid for 5 years from the day of the payment of insurance compensation for deposits. The refunded amounts are credited to the Deposit Insurance Fund.

14. The insurance undertaking shall exchange communication with the depositors in the official language or languages of that country where the insured deposit is held, and in the case where the credit institution operates directly in another Member State, without establishing a branch, in the language that was chosen by the depositor when opening the account, in accordance with the requirements laid down in Law on the State Language of the Republic of Lithuania.

15. The procedure for the payment of insurance compensation for deposits and advance payment of insurance compensation for deposits shall be established and published on the website of the insurance undertaking by the council of the insurance undertaking.

Article 8. Restrictions to Payment of Insurance Compensation for Deposits

1. Payments of insurance compensation for deposits shall not be made:
 - 1) for the deposits, funds, money, securities and liabilities indicated in Article 3(2) of this Law;
 - 2) to the depositors of the deposits in an account, where no operations related to the deposit have been carried out during the last 24 months, before the day of the insured event of deposit and the amount of the deposit held in it is lower than EUR 10.
 - 3) the payment of insurance compensation for deposits shall be suspended when the depositor or another person entitled to the payment of insurance compensation for deposits has been charged with an offence arising from money laundering, until the final decision of the court is enforced.

Article 9. Impact of Payment of an Insurance Compensation for Deposits

1. A person who has received a full payment of insurance compensation for deposits, from the day of the payment of insurance compensation for deposits loses all the rights to claim the amount equal to the paid amount of insurance compensation for deposits from the participant of the deposit insurance system, with whom his deposit was held.

2. After the insurance undertaking pays the insurance compensations for deposits to depositors, the participant of the deposit insurance system must, subject to the instruction of the insurance undertaking, reduce liabilities to the depositors by the amounts equal to the insurance compensation for deposits, indicated by the insurance undertaking and increase accordingly the liabilities to the Deposit Insurance Fund.

3. The insurance undertaking shall participate in the insolvency proceedings of a deposit insurance system participant, representing the Deposit Insurance Fund, acting on its behalf and is indicated as the creditor.

Article 10. Provision of Information on Deposit Insurance

1. The participant of the deposit insurance system must provide information to the present and future depositors regarding the deposit insurance system where he participates, as well as facilitate information on cases, when the deposits are not insured, and when certain restrictions apply to the payment of insurance compensation for deposits. This information must be provided by

the participant of the deposit insurance system in places where he provides the financial services, in an easily accessible location and on his website or upon the request of a customer, he shall provide such information personally. The participant of the deposit insurance system must provide this information in Lithuanian, and the participant of the deposit insurance system, who has established a branch in a Member State, must provide such information to the customers who hold deposits in the branch in the official language or languages of the country, where the branch has been established. Information may be provided in other language by agreement between parties.

2. Before signing a deposit-taking agreement, the participant of the deposit insurance system must provide information indicated in paragraph 1 of this Article to each customer signing the agreement and information in the form and content established in Annex I of this Law to the depositor (hereinafter referred to as “the information to the depositor”). The customer must confirm that he has received this information to the depositor. The participant of the deposit insurance system may take a deposit only after the approval from the customer on the receipt of the information to the depositor.

3. The participant of the deposit insurance system must confirm the fact that the deposit is insurable in the account statements and provide a reference to the information to the depositor in them. The information to the depositor shall be provided to each depositor by the participant of the deposit insurance system at least once per year (adding it as an attachment to the account statements or by other means).

4. The information to the depositor shall be provided in an agreed manner between the participant of the deposit insurance system and the depositor. If the depositor uses online banking services, the information to the depositor may be provided by electronic means. If the participant of the deposit insurance system and the depositor have not agreed upon the manner of the presentation of information, and the depositor does not use the online banking services, the information to the depositor shall be provided by electronic means or in written. At the request of the client, the information to the depositor shall be provided in written on paper.

TAR note: 6 months after the day of entry into force of this Law (03/12/2015) the participants of deposit insurance system shall inform the present depositors of the deposits that will no longer be insured after the entry into force of this Law, in accordance with the procedure laid down in Article 10(4) of this Law.

5. The insurance undertaking shall publish all relevant information to the depositors on its website, concerning the conditions of deposit insurance, the procedures of payment of insurance

compensation for deposits, cases when the deposits are not insured and when restrictions apply to payments of insurance compensation for deposits.

6. Information on the conditions of deposit insurance and payments of insurance compensation for deposits cannot be used in the advertising. It shall be prohibited to indicate that the amount of deposit insurance is not limited, when providing information on the conditions of payment of insurance compensation for deposits. The credit institutions advertising their product may indicate only the insurance undertaking or the administrator of deposit insurance system of a Member State or a third country, insuring the product indicated in the advertising.

7. In the event where a credit institution shall leave the deposit insurance system or shall have the deposit insurance terminated, within one month it must inform its customers of it, in accordance with the procedures laid down in paragraph 4 of this Article.

8. The participant of the deposit insurance system must inform his depositors on planned restructuring in accordance with the procedures laid down in laws, but no later than one month prior to the start of restructuring. For reasons of trade secrecy or safeguarding the stability of the financial system, the supervisory authority shall have the right to shorten the term indicated in this part. Within 3 months of the date of notification on restructuring by the participant of the deposit insurance system, the depositors shall have the right to withdraw their insurable deposits, including all accrued interest and any other financial benefits, not limited by the amount of deposit insurance indicated in Article 4 of this Law, but not exceeding the deposit amount on the last day of restructuring, or transfer them to another credit institution, without suffering financial losses.

9. The provisions of this Article shall be followed *mutatis mutandis* by the branches of the credit institutions of Member States or third countries operating in the Republic of Lithuania, who are not participants of deposit insurance system of the Republic of Lithuania.

10. The procedure for the provision of the information to the depositor indicated in this Article, in the branches of customer service, on websites, contracts and account statements shall be established and published on the website of the insurance undertaking by the council of the insurance undertaking.

Article 11. Participants of Deposit Insurance System

1. The participants of deposit insurance system of the Republic of Lithuania are:
 - 1) banks established in the Republic of Lithuania, including branches of these banks, established in the Republic of Lithuania and other Member States;
 - 2) banks of third countries, which have established a branch in the Republic of Lithuania, in which the deposits held are not insured or their protection is not ensured in any other way

under the legislation of a third country, in which the bank belonging to its jurisdiction has established a branch;

- 3) banks of third countries, which have established a branch in the Republic of Lithuania, in which the deposits held are insured (compensated) or their protection is not ensured under the legislation of a third country, but the council of the insurance undertaking shall determine that these conditions of deposit insurance (compensation) or any other conditions ensuring their protection are less favourable than established in this Law.
- 4) credit unions established in the Republic of Lithuania and the Central Credit Union.

2. The entities laid down in paragraph 1 of this Article shall become participants of deposit insurance system from the day of the payment of the first (advance) deposit insurance payment to the Deposit Insurance Fund.

3. If the participant of the deposit insurance system of another Member State is planning to transfer its registered office to the Republic of Lithuania and move to the deposit insurance system of the Republic of Lithuania, he shall inform the credit institution in written of such intention, no later than 6 months in advance. Upon receiving such notification the insurance undertaking shall inform the administrator of deposit insurance system of another Member State within 10 working days upon the reception of the notification.

4. The participant of the deposit insurance system of another Member State shall become a participant of the deposit insurance system of the Republic of Lithuania on the date when the administrator of deposit insurance system of another Member State transfers all contributions, which have been paid by the participant to the deposit insurance system of another Member State 12 months before the transfer to the deposit insurance system of the Republic of Lithuania, except for the special (ex post) contributions to deposit insurance.

5. If the participant of the deposit insurance system of the Republic of Lithuania is planning to leave the deposit insurance system of the Republic of Lithuania and move to the deposit insurance system of another Member State, he shall inform the credit institution in written of such intention, no later than 6 months in advance. During that time the participant of the deposit insurance system should continue the payment of both regular and special (ex post) contributions to the Deposit Insurance Fund under Article 12 of this Law, and fulfil all other obligations laid down in this Law. The participant of the deposit insurance system of the Republic of Lithuania may leave the deposit insurance system of the Republic of Lithuania only after having fully settled with the Deposit Insurance Fund.

6. After a former participant of the deposit insurance system of the Republic of Lithuania becomes a participant of the deposit insurance system of another Member State, the insurance

undertaking shall transfer the regular and special (*ex post*) contributions to deposit insurance paid to the Deposit Insurance Fund during the 12 months prior to transfer to the deposit insurance system of another Member State to the administrator of deposit insurance system. But these regular (*ex ante*) contributions shall not be transferred in the case where the deposit insurance have been terminated to the participant of the deposit insurance system of the Republic of Lithuania in accordance with Article 18(4) of this Law, due to infringement of procedures laid down in this Law.

7. If the participant of the deposit insurance system of another Member State transfers part of his activities to the Republic of Lithuania, the insurance undertaking shall require the transfer of contributions paid to the insurance undertaking by the administrator of deposit insurance system of another Member State, during the 12 months prior to transfer of that part of activities, except for the special (*ex post*) contributions to deposit insurance, the amount that is proportional to the amount of transferred insured deposits.

8. If the participant of the deposit insurance system of the Republic of Lithuania transfers part of his activities to another Member State, the insurance undertaking shall transfer the regular (*ex ante*) contributions to deposit insurance to the administrator of deposit insurance system of another Member State, which have been paid to the Deposit Insurance Fund by the participant during the 12 months prior to transfer of that part of activities, the amount that is proportional to the amount of transferred insured deposits.

9. The procedure for the admission to the deposit insurance system of the Republic of Lithuania and withdrawal from it shall be established and published on the website of the insurance undertaking by the council of the insurance undertaking.

10. The insurance undertaking shall manage the list of participants of the deposit insurance system of the Republic of Lithuania, and publish it on its website.

Article 12. Regular (*ex ante*) Contributions to Deposit Insurance

1. The participants of deposit insurance system shall make regular (*ex ante*) and special (*ex post*) deposit insurance contributions to the Deposit Insurance Fund. Regular (*ex ante*) and special (*ex post*) deposit insurance contributions to the Deposit Insurance Fund shall be calculated and paid from the amount of core insured deposits held with the participant of the deposit insurance system, except for the participants of deposit insurance system established in Article 11(1)(3) of this Law, whose regular (*ex ante*) and special (*ex post*) contributions to deposit insurance shall be calculated from the amount of supplementary deposit insurance, indicated in Article 5(3) of this Law. For the purposes of calculation of regular (*ex ante*) insurance contributions, all the funds held in one deposit account shall be regarded as belonging to one depositor.

2. The amount of regular (*ex ante*) contributions to deposit insurance of the participant of the deposit insurance system shall be calculated having regard to:

- 1) the amount of core insured deposits held with a specific participant of the deposit insurance system by the depositors;
- 2) the ratio of the amount of core insured deposits held with a specific participant of the deposit insurance system by the depositors and the total amount of core insured deposits held with all participants of deposit insurance system by the depositors;
- 3) the underwriting risk of a specific participant of the deposit insurance system, which shall be established by the supervising authority;

TAR note: Article 12(2)(3) shall enter into force as of 1 January 2016.

- 4) the total annual amount of regular (*ex ante*) contributions to deposit insurance, payable on a specific year to the Deposit Insurance Fund by all the participants of deposit insurance system (referred to as “the annual amount of regular (*ex ante*) contributions to deposit insurance”).

3. For the purposes of calculation of regular (*ex ante*) and special (*ex post*) contributions to deposit insurance, the underwriting risk of the participant of the deposit insurance system shall be determined having regard to the business model of a specific participant of the deposit insurance system, the quality of assets held by him, the standards limiting the underwriting risk of participants of deposit insurance system under legal acts and other criteria indicative of underwriting risk of the participant of the deposit insurance system. The supervisory authority shall establish and approve the methods and procedures for the assessment of underwriting risk of a participant of the deposit insurance system, having regard to the Guidelines EBA/GL/2015/10 of the European Banking Authority of 28 May 2015 on methods for calculating contributions to deposit guarantee schemes (hereinafter referred to as “the Guidelines EBA/GL/2015/10 of the European Banking Authority”), and in cooperation with the insurance undertaking. The supervisory authority shall inform the European Banking Authority of the adopted methods for the assessment of underwriting risk of a participant of the deposit insurance system.

4. The annual amount of regular (*ex ante*) contributions to deposit insurance shall be established and reviewed by an institution exercising the rights and duties of the owner of the insurance undertaking, after receiving a report from the insurance undertaking. The annual amount of regular (*ex ante*) contributions to deposit insurance shall not exceed 0.5 per cent of the amount of core insured deposits of all the participants of deposit insurance system. The annual amount of regular (*ex ante*) contributions to deposit insurance shall be established by dividing the financial

burden as evenly as possible in the period before the minimum and the national target levels are achieved, having regard to:

- 1) financial resources available at the Deposit Insurance Fund, after assessing its debt obligations;
- 2) the target of achieving the minimum target level before 3 July 2024, except for exemptions indicated in Article 15(3), (4) of this Law, and the national target level before 3 July 2028;
- 3) the need to maintain and recover the minimum and the national target levels;
- 4) the current phase of the business cycle and the possible pro-cyclical effect of regular (*ex ante*) contributions to deposit insurance on the financial situation of the participants of deposit insurance system, after taking into account the Guidelines EBA/GL/2015/10 of the European Banking Authority.

5. The annual amount of regular (*ex ante*) contributions to deposit insurance shall be established before 31 May for the period of one year from 1 July to 30 June of the following year. When setting the annual amount of regular (*ex ante*) contributions to deposit insurance the data of 31 December of the last calendar year shall be assessed. The institution exercising the rights and duties of the owner of the insurance undertaking shall have the right to review the established amount of regular (*ex ante*) contributions to deposit insurance once per year and update it, in the case where the financial resources available at the Deposit Insurance Fund increase or decrease by the amount exceeding two thirds of the amount of the minimum target level. Such reviews shall be performed before 30 November for a period of six months from 1 January to 30 June of the following year. When reviewing the annual amount of regular (*ex ante*) contributions to deposit insurance the data of the previous half-year (30 June) shall be assessed. The annual amount of regular (*ex ante*) contributions to deposit insurance shall be established until the recoverable national target level is reached.

6. After the financial resources available at the Deposit Insurance Fund reach the national target level established in this Law, the annual amount of regular (*ex ante*) contributions to deposit insurance shall comprise 0.05 per cent of the core insured deposits of all the participants of deposit insurance system.

7. Within the 10 days from the date of the receipt of the payment order by the insurance undertaking, the entities indicated in Article 11(1) of this Law, after receiving the right to take deposits, shall make the first (advance) insurance payment to the account of the Deposit Insurance Fund, indicated by the insurance undertaking:

- 1) the entities indicated in Article 11(1), (2) and (3) of this Law – EUR 2000;
- 2) the entities indicated in Article 11(14) of this Law – EUR 200.

8. The first (advance) insurance payment shall be credited to the amount of future regular (*ex ante*) contributions to deposit insurance, payable by the participant of the deposit insurance system.

9. The procedure for the calculation of regular (*ex ante*) and special (*ex post*) contributions to deposit insurance and first (advance) insurance payments, as well as the payments procedure and timeframes shall be established and published on the website of the insurance undertaking by the council of the insurance undertaking.

10. The amount of regular (*ex ante*) and special (*ex post*) contributions to deposit insurance, payable by every participant of the deposit insurance system, shall be calculated by the insurance undertaking, after taking into account the Guidelines EBA/GL/2015/10 of the European Banking Authority. The information required by the insurance undertaking for the calculation of deposit insurance contributions shall be provided by:

- 1) the supervisory authority on the assessment of the underwriting risk of the participants of deposit insurance system;
- 2) participants of deposit insurance system on the amount of core insured deposits.

Article 13. Payment of Contributions to Deposit Insurance

1. The amount of regular (*ex ante*) and special (*ex post*) contributions to deposit insurance, payable by a participant of the deposit insurance system to the Deposit Insurance Fund, shall be established by the insurance undertaking. Regular (*ex ante*) contributions to deposit insurance shall be paid in 10 working days, and special (*ex post*) contributions to deposit insurance shall be paid within the 2 working days from the date of the receipt of the payment order by the insurance undertaking.

2. Regular (*ex ante*) contributions to deposit insurance shall be paid once per month by the participant of the deposit insurance system.

3. Special (*ex post*) contributions to deposit insurance shall be paid by the participant of the deposit insurance system in the cases defined in Article 14 of this Law.

4. Contributions to deposit insurance shall be paid in euros. The insurance undertaking may authorise the participant of the deposit insurance system to cover up to 30 per cent of his regular (*ex ante*) contributions to deposit insurance with payment obligations. Payment obligations shall not exceed 30 per cent of the total amount of financial resources of the Deposit Insurance Fund. The insurance undertaking shall establish the procedure for safeguarding the contributions with payment obligations and publish it on its website.

5. If the participant of the deposit insurance system fails to pay all or part of the contribution to deposit insurance within the time limit indicated in paragraph 1 of this Article, the interest of 0.02 per cent from the amount unpaid shall be charged for each day of delay. Interest shall be calculated and paid in accordance with the procedure for the calculation and payment of interest for late payment of the contribution to deposit insurance, established by the council of the insurance undertaking. Where the participant of the deposit insurance system fails to pay the contribution to deposit insurance, the amount due and interest shall be recovered therefrom in accordance with the procedure laid down by laws of the Republic of Lithuania. The unpaid interest shall be recovered where costs of recovery thereof does not exceed the amount to be recovered. The payment of interest does not absolve from the obligation to pay the due amount of the contribution to deposit insurance.

6. General period of limitation shall apply to claims for recovery of the contribution to deposit insurance.

7. The insurance undertaking shall inform the European Banking Authority by 31 March each year of the amount of core insured deposits, held with the participants of deposit insurance system, and the amount of financial resources of the Deposit Insurance Fund at December 31 of the preceding year.

8. The obligation to pay regular (*ex ante*) and special (*ex post*) contributions to deposit insurance shall terminate, when the insured event occurs to the participant of the deposit insurance system or the council of the insurance undertaking terminates deposit insurance to the participant of the deposit insurance system under Article 18 of this Law. The amounts of regular (*ex ante*) and special (*ex post*) contributions to deposit insurance or a share thereof that are unpaid before the termination of the obligation shall be considered a debt of the participant of the deposit insurance system to the Deposit Insurance Fund.

Article 14. Special (*ex post*) Contributions to Deposit Insurance

1. If the financial resources of the Deposit Insurance Fund are insufficient in the case of insured event to pay all the deposit insurance compensations belonging to the depositor, the participants of deposit insurance system shall pay special (*ex post*) contributions to deposit insurance to the Deposit Insurance Fund.

2. The amount of special (*ex post*) contributions to deposit insurance by the participants of deposit insurance system shall be calculated having regard to the criteria laid down in Article 12(2) of this Law and the difference between the amount required for the payment of insurance compensation for deposits and the financial resources available at the Deposit Insurance Fund.

3. The total amount of special (*ex post*) contributions to deposit insurance, payable by all the participants of deposit insurance system, shall be established by the institution implementing the ownership rights and duties of the insurance undertaking, after receiving a report from the supervisory authority.

4. The special (*ex post*) contribution to deposit insurance in the calendar year shall not exceed 0.5 per cent of all of the core insured deposits of all the participants of deposit insurance system. In exceptional cases the institution implementing the ownership rights and duties of the insurance undertaking may set the amount exceeding 0.5 per cent of special (*ex post*) contribution to deposit insurance, after approval from the supervisory authority, if that does not pose a risk to the financial instability.

5. The participant of the deposit insurance system, having received the payment order from the insurance undertaking for the payment to the Deposit Insurance Fund of special (*ex post*) contribution to deposit insurance, within 2 working days from the receipt of such payment order shall have right to provide a reasoned request to the supervisory authority to defer the payment. The period for payment of special (*ex post*) contribution to deposit insurance shall be suspended on the day when the supervisory authority receives a request to defer the payment, until the supervisory authority makes a decision on the deferment. The supervisory authority shall immediately inform the insurance undertaking of the receipt of such request. The supervisory authority shall have the right to fully or partially defer the payment of special (*ex post*) contribution to deposit insurance of the participant of the deposit insurance system, in the case where the payment of such contribution would pose a risk to the liquidity and solvency of the participant of the deposit insurance system. The supervisory authority shall take a decision on the deferment of the payment of special (*ex post*) contribution to deposit insurance within 2 working days after the receipt of the request, and shall immediately inform thereof the insurance undertaking and the participant of the deposit insurance system. The deferment may be authorised for a period not exceeding 6 months, but it can be extended at a reasoned request by the participant of the deposit insurance system. The deterred payment shall be paid when such payment no longer poses a risk to the liquidity and solvency of the participant of the deposit insurance system.

Article 15. Target Levels of Deposit Insurance Fund

1. Minimum target level must be achieved before 3 July 2024.
2. National target level must be achieved before 3 July 2028.
3. If from the date of the entry into force of this Law until 3 July 2024 the total amount of insurance compensation for deposits, paid from the Deposit Insurance Fund, shall exceed 0.8 per

cent of all of the core insured deposits of all the participants of deposit insurance system, the institution implementing the ownership rights and duties of the insurance undertaking, after receiving a report from the supervisory authority stating that the payment of regular (*ex ante*) contributions would pose a risk to the liquidity and solvency of the participants of deposit insurance system, may extend the deadline for achieving the minimum target level established in paragraph 1 of this Article, but no later than 3 July 2028. If the deadline is extended, the timing for achieving the national target level established in paragraph 2 of this Article, shall be extended for an equal period.

4. If after achieving the minimum target level for the first time, the financial resources available at the Deposit Insurance Fund decrease and amount to less than two thirds of the minimum target level, the minimum target level must be restored in 6 years, and the national target level must be achieved in 10 years.

5. If the minimum target level is achieved before the deadline indicated in paragraph 1 of this Article, regular (*ex ante*) contributions to deposit insurance shall continue to be paid to achieve the national target level, for which the deadline shall be shortened accordingly for the period by which the minimum target level has reduced.

Article 16. Deposit Insurance Fund

1. The Deposit Insurance Fund is not a legal person. The insurance undertaking shall administer the Deposit Insurance Fund and act on its behalf.

2. Payments of insurance compensations for deposits shall be made from the Deposit Insurance Fund.

3. The funds of the Deposit Insurance Fund, shall be comprised of:

- 1) regular (*ex ante*) contributions to deposit insurance, including payment obligations of the participants of deposit insurance system to the Deposit Insurance Fund, and special (*ex post*) contributions to deposit insurance;
- 2) funds and/or assets received from an insolvent participant of the deposit insurance system during bankruptcy proceedings in accordance with the procedures laid down in laws;
- 3) funds received after recovering the funds used for financing the resolution tools for actors in the financial sector (hereinafter referred to as “the resolution”) under Law on Financial Sustainability of the Republic of Lithuania;
- 4) income from investment of funds of the Deposit Insurance Fund;
- 5) other type of funds.

4. The funds of the Deposit Insurance Fund, shall be used for:

- 1) insurance compensations for deposits;

- 2) financing the resolution tools, as defined by Article 46 of this Law;
- 3) financing the transfer of assets, rights, transactions and liabilities of a credit union, as defined by Article 47 of this Law;
- 4) covering the costs of administration of the fund.

5. The administrative costs of the Deposit Insurance Fund shall be established by the council of the insurance undertaking, after assessing the anticipated costs of administration of the fund, at the time of adoption of the estimate of expenditure on administration of the Deposit Insurance Fund.

6. If the financial resources at the Deposit Insurance Fund are insufficient for the payment of insurance compensation for deposits and special (*ex post*) contributions to deposit insurance are insufficient, insurance compensation for deposits may be paid from the mandatory reserve of equity of the insurance undertaking. In such case the income of the Deposit Insurance Fund shall be used for the recovery of the mandatory reserve of equity of the insurance undertaking. After restoring the level of mandatory reserve of equity of the insurance undertaking that existed prior to the use of its funds, the income of the Deposit Insurance Fund shall be transferred to the Deposit Insurance Fund.

7. If the financial resources at the Deposit Insurance Fund are insufficient for the payment of insurance compensation for deposits, the insurance undertaking shall have the right to take loans. A specific requirement for protection of information shall be applicable for the acquisition of loan services for the payment of insurance compensation for deposits: the preparation for the acquisition of loan services for the payments of insurance compensation for deposits and the acquisition of these services shall not be made public.

8. The financial resources of the Deposit Insurance Fund may be:

- 1) cash of the Deposit Insurance Fund;
- 2) deposits of the Deposit Insurance Fund;
- 3) low-risk assets of the Deposit Insurance Fund that may be sold for money within a period not exceeding the deadline for the payment of insurance compensation for deposits, indicated in Article 7(2) of this Law;
- 4) payment obligations of the participants of deposit insurance system to the Deposit Insurance Fund of a total value not exceeding the amount established in Article 13(4) of this Law.

9. The financial resources of the Deposit Insurance Fund shall be used only for the purposes indicated in paragraph 4 of this Article.

10. The institution implementing the ownership rights and duties of the insurance undertaking may authorise the insurance undertaking to borrow the funds of the Deposit Insurance

Fund to the deposit insurance system of another Member State, in accordance with the procedures established by the council of the insurance undertaking, if there are reasonable grounds for believing that the funds of the Deposit Insurance Fund will not be required for the payment of insurance compensation for deposits or that there will be sufficient funds in the Deposit Insurance Fund for the payment of insurance compensation for deposits, when a loan is granted to the deposit insurance system of another Member State. The funds of the Deposit Insurance Fund may be borrowed only in the cases, where the following conditions are met:

- 1) the administrator of deposit insurance system of another Member State borrowing funds is unable to fulfil his obligations to the depositors due to lack of financial resources, available in the deposit insurance system;
- 2) the administrator of deposit insurance system of another Member State borrowing funds has exhausted all possibilities for collecting special (*ex post*) contributions to deposit insurance from the participants of deposit insurance system;
- 3) the administrator of deposit insurance system of another Member State borrowing funds has committed to use the borrowed funds only for the payment of insurance compensation for deposits;
- 4) the administrator of deposit insurance system of another Member State borrowing funds does not have obligations to repay loans to the administrators of deposit insurance systems of other Member States;
- 5) the administrator of deposit insurance system of another Member State borrowing funds indicates the requested amount;
- 6) the amount of the loan does not exceed 0.5 per cent of the core insured deposits of the deposit insurance system of another Member State;
- 7) the administrator of deposit insurance system of another Member State borrowing funds has informed the European Banking Authority on the amount of the requested loan and has reasonably confirmed that the conditions of this part have been met.

11. The following conditions shall apply for the granting of loan to deposit insurance system of another Member State:

- 1) the loan shall be provided for a period not exceeding 5 years. The loan may be repaid in instalments, with payments made once per year. Interest shall be paid only after the repayment date;
- 2) the set interest rate is not lower than the marginal lending rate applied by the European Central Bank during the whole term of the loan;

- 3) the insurance undertaking shall inform the European Banking Authority on the initial interest rate and the maturity for the loan;
- 4) another Member State shall ensure that the contributions collected by the administrator of deposit insurance system of that Member State borrowing funds will be sufficient to repay the loan.

12. The insurance undertaking shall have the right *mutatis mutandis* to take a loan from the deposit insurance system of another Member State in the name of the Deposit Insurance Fund under the conditions and procedures established in paragraphs 10 and 11 of this Article.

13. Claims arising from the commitments of the insurance undertaking cannot be directed to the funds of the Deposit Insurance Fund.

14. The funds of the Deposit Insurance Fund shall be held in (a) separate bank account(s). The insurance undertaking, opening such account(s) must indicate to the credit institution that the funds of the Deposit Insurance Fund are held in this account (these accounts) and that claims arising from the commitments of the insurance undertaking cannot be directed to these funds.

15. The insurance undertaking shall manage the accounts of the Deposit Insurance Fund and prepare financial statements in accordance with the procedures laid down in Article 45 of this Law.

Article 17. Investment of Funds of Deposit Insurance Fund

Adequately diversified funds of the Deposit Insurance Fund shall be invested in low-risk assets under procedures set by the council of the insurance undertaking. The funds of the Deposit Insurance Fund may be invested in low-risk assets that may be sold for money within a period not exceeding the deadline for the payment of insurance compensation for deposits, indicated in Article 7(2) of this Law;

Article 18. Termination of Deposit Insurance

1. Where the supervisory authority revokes, temporarily or permanently, the right of the participant of the deposit insurance system to accept deposits, the insurance of deposits (supplementary insurance of deposits) for such participant of the deposit insurance system shall, respectively temporarily or permanently, terminate.

2. The supervisory authority shall immediately inform the insurance undertaking on the revocation of the right to accept deposits.

3. If the participant of the deposit insurance system breaches the procedures laid down in this Law, the insurance undertaking shall immediately inform the supervisory authority which shall,

in cooperation with the insurance undertaking, promptly take all the necessary measures, including application of sanctions, to ensure that the participant of the deposit insurance system follows the procedures laid down in this Law.

4. Where the measures that have been taken under paragraph 3 of this Article fail to ensure that the participant of the deposit insurance system follows the procedures laid down in this Law and/or his activities pose a risk to the capability of the Deposit Insurance Fund to meet its liabilities, the council of the insurance undertaking after informing the supervisory authority thereof and in agreement with it not later than one month in advance may notify the participant of the deposit insurance system of a possible termination of deposit insurance (supplementary insurance of deposits). After notifying of a possible termination of deposit insurance (supplementary insurance of deposits), the deposits shall be fully insured. If the participant of the deposit insurance system fails to eliminate breaches within one month following the warning, insurance of the deposits (supplementary insurance of deposits) accepted by the participant of the deposit insurance system is terminated by a decision of the council of the insurance undertaking, in agreement with the supervisory authority of the insured.

5. The insurance undertaking shall immediately inform the supervisory authority of the termination or cancellation of insurance of the deposits (supplementary insurance of deposits) and publish this information on its website.

6. The participant of the deposit insurance system, whose insurance of the deposits was cancelled or terminated shall immediately provide information thereof in places where he provides the financial services, in an easily accessible location to the customer and on his website.

Article 19. Impact of Termination of Deposit Insurance

1. Where an insured event occurs to the participant of the deposit insurance system for whom deposit insurance has been terminated in line with Article 18(1) of this Law, the insurance compensations for deposits shall be paid only for the deposits which had been accepted prior to the termination of deposit insurance (supplementary insurance of deposits) and had not been repaid or met before the day of the insured event.

2. Where an insured event occurs to the participant of the deposit insurance system for whom deposit insurance (supplementary insurance of deposits) has been terminated in line with Article 18(4) of this Law, the insurance compensations for deposits shall be paid only for the deposits which had been accepted prior to the termination of deposit insurance (supplementary insurance of deposits) and had not been repaid or met before the day of the insured event

3. The supervisory authority shall immediately revoke the right to accept deposits of the participant of the deposit insurance system for whom deposit insurance (supplementary insurance of deposits) has been terminated in line with Article 18(4) of this Law.

CHAPTER THREE

INSURANCE OF LIABILITIES TO INVESTORS

Article 20. Object of Liabilities to Investors

1. The object of insurance of liabilities to investors shall be the financial instruments of the investor, regardless of the currency in which they are denominated, and/or funds in all currencies.

2. The liabilities to the following investors shall not be the object of insurance of liabilities to investors:

- 1) the Bank of Lithuania;
- 2) credit institutions;
- 3) financial brokerage firms;
- 4) insurance and reinsurance companies functioning in accordance with Republic of Lithuania Law on Insurance;
- 5) pension funds;
- 6) collective investment entities.

3. The object of insurance of liabilities to investors is not the investment risk.

Article 21. Insured Amount of Liabilities to Investors

1. The insured amount of liabilities to investors may not exceed EUR 22 000.

2. The amount of supplementary insurance coverage of liabilities to investors shall be equal to the difference between the total of liabilities to investors and the amount payable to the investor under legislation of a Member State or third country, but the insured amount of liabilities to investors may not exceed the amount indicated in paragraph 1 of this Article.

3. The liabilities to investors of branches of banks of a third country, branches of financial brokerage firms of a third country and branches of servicers of a third country established in the Republic of Lithuania, which are not insured (compensated) or their protection is not ensured under the legislation of a third country, shall be insured under this Law.

Article 22. Supplementary Insurance of Liabilities to Investors

1. Supplementary insurance coverage shall be provided only to the liabilities to investors that have less favourable conditions of insurance (compensation) or other type of security under the legislation of a third country than those provided by this Law.

2. If a bank, financial brokerage firm or servicer established in a third country shall establish a branch in the Republic of Lithuania and the liabilities to investors assumed in this branch are insured (compensated) or their protection is ensured in any other way under the legislation of a third country, but the insurance undertaking shall determine that these conditions of insurance (compensation) of liabilities to investors or any other conditions ensuring their protection are less favourable than established in this Law, the bank, financial brokerage firm or servicer of a third country, which has established the branch, must participate in the insurance system of liabilities to investors of Lithuania and provide a supplementary insurance coverage to liabilities to investors assumed by the branch established in the Republic of Lithuania. The bank, financial brokerage firm or servicer of a third country, which has established a branch in the Republic of Lithuania, shall have the right to supplementary insurance of the liabilities to investors assumed in the branch.

3. Aiming to ensure smooth payment to the investors in branches of supplementary insurance compensation for liabilities to investors, the insurance undertaking shall cooperate and exchange information with the administrator of insurance system of liabilities to investors of a Member State or a third country, in which a bank, financial brokerage firm or servicer, established in the Republic of Lithuania, have established a branch, or where a bank, financial brokerage firm or servicer belonging to its jurisdiction have established a branch in the Republic of Lithuania, and shall conclude written cooperation agreements with it. These agreements shall lay down at least the requirements for the submission of information, its verification, the notice of the insured event and payment of insurance compensation.

4. The procedure for the supplementary insurance of the liabilities to investors shall be established and published on the website of the insurance undertaking by the council of the insurance undertaking.

Article 23. Amount and Payment of Insurance Compensation for Liabilities to Investors

1. The investor shall have the right to the payment of insurance compensation for liabilities to investors from the day of the insured event of liabilities to investors.

2. The investor shall have the right to the payment of insurance compensation for liabilities to investors where the participant of the insurance system of liabilities is unable to fulfil the following liabilities to investors, assumed under legal acts or contracts:

- 1) repay the funds belonging to the investor and held in his name, that have been transferred to the participant of the insurance system of liabilities to make use of the investment services provided by it;
- 2) repay the financial instruments belonging to the investor, that are held, managed or controlled in his name which have been transferred to the participant of the insurance system of liabilities to make use of the investment services provided by it;

3. The payment of insurance compensation for liabilities to investors shall be made in euros (with euro cent accuracy: with accuracy of two digits after the comma and rounded up in accordance with the mathematical rules of rounding).

4. When calculating the amount of insurance compensation for liabilities to investors, all the liabilities to investors relating to the financial instruments and funds held by one investor (including branches of a legal person or another organization of the depositor, representations, and other structural branches), which cannot be repaid by the participant of the insurance system of liabilities to the investors, are summed up but the total insurance compensation for liabilities to investors shall not exceed the amount indicated in Article 21(1) of this Law.

5. If a group of persons (joint investment) has the right of claim to funds and/or financial instruments under contracts, every person from the group is considered investor, and financial instruments and funds shall be equally shared, unless otherwise specified in the contracts giving rise to the right of claim, or in court rulings.

6. If the investor is handling funds and/or financial instruments belonging to other persons under a contract, then the right of claim shall be assumed by the person who owns funds and/or financial instruments on the grounds of property, trustee or other rights, and who is known or can be ascertained before the day of the insured event of liabilities to investors. Where the funds and/or financial instruments are held by a group persons, financial instruments and funds shall be equally shared in accordance with the share established in contracts giving rise to the right of claim. This provision shall not apply to a servicer managing collective investment undertakings and pension funds.

7. The amount of insurance compensation for liabilities to investors shall be calculated at the market value of the financial instruments of the investor on the day of the insured event of liabilities to investors. The amount of insurance compensation for liabilities to investors held in foreign currency shall be calculated in accordance with the indicative exchange rates of the euro and foreign currencies, last published by the European Central Bank on the day of the insured event of liabilities to investors, and in the cases when the European Central Bank does not publish the

exchange rates of the euro and foreign currencies – in accordance with the indicative exchange rates of the euro and foreign currencies, last published by the Bank of Lithuania.

8. The investor's right to the insurance compensation for liabilities to investors shall be valid for 5 years after the day of the insured event of liabilities to investors. Disputes related to the investor's right to the insurance compensation for liabilities to investors shall be settled by ordinary courts in accordance with the procedures laid down in laws.

9. The insurance compensation for liabilities to investors shall be calculated and paid by the insurance undertaking, based on the data on the investors, their liabilities to investors and the amount of the supplementary compensation for liabilities to investors, held by the participant of the insurance system of liabilities to investors at the day of the insured event for liabilities to investors, as well as data provided by the participant of the insurance system of liabilities to investors on the market value of the investor's securities on the day of the insured event of liabilities to investors.

10. A person who has unduly or erroneously received a compensation for liabilities to investors must refund it to the Insurance Fund of Liabilities to Investors. The Insurance Fund of Liabilities to Investors shall have the right to claim the reimbursement of unduly or erroneously paid compensations for liabilities to investors, which is valid for 5 years from the day of the payment of compensation for liabilities to investors. The refunded or enforced amounts are credited to the Insurance Fund of Liabilities to Investors.

11. The compensation for liabilities to investors shall be paid within 3 months from the day of the insured event of liabilities to investors. In exceptional circumstances the council of the insurance undertaking, in agreement with the supervisory authority, may extend this time limit for no more than 3 months.

12. The payment of the compensation for liabilities to investors may be deferred when the investors and other persons entitled to claim the compensation for liabilities to investors laid down in paragraph 6 of this Article, have been charged with an offence arising from money laundering, until the final decision of the court is enforced.

13. The provisions of Article 7(5) of this Law shall apply *mutatis mutandis* to the payment procedure of the compensation for liabilities to investors.

14. The payment of the compensation for liabilities to investors shall be made without it being necessary for the investor to submit a request to the insurance undertaking. The insurance undertaking shall publicly inform the investors, within the time line established by paragraph 11 of this Article, on the insured event of liabilities to investors, and the payment procedure of the compensation for liabilities to investors, as well as publish this information on its website

15. Payments of insurance compensation for liabilities to investors shall not be made to:

- 1) the entities indicated in Article 20(2) of this Law;
- 2) the investors holding financial instruments and/or funds, regarding which a conviction was handed down resulting from a criminal proceeding on money laundering;
- 3) heads of administration of the participant of the insurance system of liabilities to the investors, members of council and board (supervisory board), persons holding at least 5 per cent of the share capital of the participant of the insurance system of liabilities to the investors, persons performing independent audit of the participant of the insurance system of liabilities to investors (who performed an audit not more than one year before the insured event of liabilities to investors);
- 4) close relatives and third parties acting in the name of persons listed in subparagraph 3 of this Article.

16. The procedure for the calculation of insurance compensation for liabilities to investors shall be established and published on the website of the insurance undertaking by the council of the insurance undertaking.

Article 24. Impact of Payment of Insurance Compensation for Liabilities to Investors

1. After the investors are paid the insurance compensation for liabilities to the investors, the participant of the insurance system of liabilities to investors must, subject to the instruction of the insurance undertaking, reduce liabilities to investors by the amounts equal to the insurance compensation for liabilities to the investors, indicated by the insurance undertaking and increase accordingly the liabilities to the Insurance Fund of Liabilities to Investors.

2. A person who has received the payment of the compensation for liabilities to investors, from the day of the payment of insurance compensation loses all the rights to claim the amount equal to the insurance compensation from the participant of the insurance system of liabilities to the investors.

3. The insurance undertaking shall participate in the insolvency proceedings of the participant of the insurance system of liabilities to the investors, representing the Insurance Fund of Liabilities to Investors, acting on its behalf and is indicated as the creditor.

Article 25. Provision of Information on Insurance of Liabilities to Investors

1. The participant of the insurance system of liabilities to investors must provide information in a clear, not misleading and easily understood manner to the present and future investors regarding the insurance system of liabilities to investors where he participates, explain in a clear and not misleading manner the circumstances when the relevant deposit insurance system or

the insurance system of liabilities to investors apply and for what type of claims they apply, also facilitate the publicly available information on the amount of the insurance, object of the insurance and cases, where the liabilities to investors are not insured, and when certain restrictions apply to the payment of the compensation for liabilities to investors. The information shall be provided with examples of circumstances and claims, where the insurance system does not apply. This information must be provided by the participant of the insurance system of liabilities to investors in all places where he provides the financial services, and in an easily accessible location by the customer and on his website. Upon the request of a customer, he must be provided with the information on insurance conditions, and the conditions and the procedure for the payment of the compensation for liabilities to investors.

2. The participant of the insurance system of liabilities to investors must provide this information in Lithuanian, and the participant of the insurance system of liabilities to investors, who has established a branch in a Member State, must provide such information to the customers of the branch in the official language or languages of the country, where the branch operates in the form specified in national laws of the Member State. Information may be provided in other language by agreement between parties.

3. Information on the conditions of the insurance of liabilities to investors cannot be used as a competition measure in advertising. The participants of the insurance system of liabilities to investors advertising their products may indicate only the insurance undertaking or the administrator of the insurance system of liabilities to investors of a Member State or a third country, insuring the product indicated in the advertising. In the advertising of products that are not insured, it shall be prohibited to indicate that these products are insured.

4. On the website of the insurance undertaking all the information required for the investors shall be provided, in particular, information on the conditions of liabilities to investors, the conditions and the procedure for the payment of the compensation for liabilities to investors and cases where the liabilities to investors are not insured, and when certain restrictions apply to the payment of the compensation for liabilities to investors

5. The provisions of this Article shall be followed *mutatis mutandis* by banks of third countries, financial brokerage firms of third countries and servicers of third countries operating in the Republic of Lithuania, who are not participants of the insurance system of liabilities to investors of the Republic of Lithuania.

Article 26. Participants of the Insurance System of Liabilities to Investors

1. The participants of the insurance system of liabilities to investors of the Republic of Lithuania shall be the following subjects, who have the right to provide investment services:

- 1) banks established in the Republic of Lithuania;
- 2) the Central Credit Union established in the Republic of Lithuania;
- 3) financial brokerage firms established in the Republic of Lithuania;
- 4) servicers established in the Republic of Lithuania;
- 5) banks, financial brokerage firms and services of Member States, which have established a branch in the Republic of Lithuania, where the assumed liabilities to investors are insured (compensated) or their protection is ensured in any other way under the legislation of these Member States, but the council of the insurance undertaking shall determine that these conditions of insurance of liabilities to investors (compensation) or any other conditions ensuring their protection are less favourable than established in this Law; and which have voluntarily expressed interest in participating in the insurance system of liabilities to investors of the Republic of Lithuania and provide a supplementary insurance of the liabilities to investors assumed in the branch;
- 6) banks, financial brokerage firms and services of third countries, which have established a branch in the Republic of Lithuania, where the assumed liabilities to investors are not insured (compensated) or their protection is not ensured in any other way under the legislation of the third country, in which the bank, financial brokerage firm or servicer belonging to its jurisdiction has established a branch;
- 7) banks, financial brokerage firms and services of third countries, which have established a branch in the Republic of Lithuania, where the assumed liabilities to investors are insured (compensated) or their protection is ensured in any other way under the legislation of the third country, but the council of the insurance undertaking shall determine that these conditions of insurance of liabilities to investors (compensation) or any other conditions ensuring their protection are less favourable than established in this Law.

2. The entities indicated in subparagraphs 1, 3 and 4 of part 1 of this Article, having established a branch in a Member State, must insure the liabilities to investors assumed in the branch in accordance with this Law.

3. The entities indicated in part 1 of this Article shall become the participants of the insurance system of liabilities to investors from the day of the payment of the first annual contribution of liabilities to investors to the Insurance Fund of Liabilities to Investors.

4. The insurance undertaking shall manage the list of participants of the insurance system of liabilities to investors of the Republic of Lithuania, and publish it on its website.

Article 27. Payment of Contributions to Liabilities to Investors

1. The participants of the insurance system of liabilities to investors shall pay insurance contributions to the Insurance Fund of Liabilities to Investors:

- 1) the annual contribution of the participants of the insurance system of liabilities to investors entitled to provide safekeeping of the financial instruments and/or funds belonging to the customers shall amount to EUR 2 896;
- 2) the annual contribution of the participants of the insurance system of liabilities to investors who are not entitled to provide safekeeping of the financial instruments and/or funds belonging to the customers shall amount to EUR 2 896;

2. The participants of the insurance system of liabilities to investors executing orders for the account of customers shall pay an additional share of annual contribution of liabilities to investors amounting to 0.01 per cent of the total amount of executed orders for the account of customers during the previous calendar year, but this share shall be at least EUR 289 and not exceed EUR 2 896.

3. The participants of the insurance system of liabilities to investors shall pay the annual contribution to the insurance system of liabilities to investors before 10 January of the year for which the contribution is being paid. Within 10 working days from the date of the receipt of the payment order by the insurance undertaking, the entities indicated in Article 26(1) of this Law, after receiving the right to provide investment services, shall make the first contribution to the insurance system of liabilities to investors to the account of the Insurance Fund of Liabilities to Investors, indicated by the insurance undertaking. Where the participant of the insurance system of liabilities to investors had the insurance of liabilities to investors temporarily suspended, the participant of the insurance system of liabilities to investors shall pay the annual contribution to the insurance system of liabilities to investors within 10 working days from the date of the receipt of the notice by the insurance undertaking of the renewal of the insurance. The procedure for the calculation of insurance compensation for liabilities to investors shall be established and published on the website of the insurance undertaking by the council of the insurance undertaking.

4. If the participant of the insurance system of liabilities to investors fails to pay all or part of the contribution to the insurance system of liabilities to investors within the time limit indicated in paragraph 3 of this Article, the interest of 0.02 per cent from the amount unpaid shall be charged for each day of delay. Where the participant of the insurance system of liabilities to

investors fails to pay the contribution to the insurance system of liabilities to investors the amount due and interest shall be recovered therefrom in accordance with the procedure laid down by laws of the Republic of Lithuania. The unpaid interest shall be recovered where costs of recovery thereof does not exceed the amount to be recovered. The payment of interest does not absolve from the obligation to pay the due amount of the contribution to deposit insurance.

5. From the day the insured event of liabilities to investors occurs to the participant of the insurance system of liabilities to investors or the insurance undertaking terminates the insurance of liabilities to investors of the participant of the insurance system of liabilities to investors, in accordance with Article 30 of this Law, the contributions to the insurance system of liabilities to investors shall be discontinued. In such case the contributions to the insurance system of liabilities to investors thereof that are unpaid before the insured event of liabilities to investors or the termination of the liabilities to investors shall be considered a debt of the participant of the insurance system of liabilities to investors to the Insurance Fund of Liabilities to Investors.

6. The participants of the insurance system of liabilities to investors shall make the payment of the contributions to the Insurance Fund of Liabilities to Investors in funds (euros).

7. General period of limitation shall apply to claims for recovery of the contribution to the insurance system of liabilities to investors.

Article 28. Insurance Fund of Liabilities to Investors

1. The Insurance Fund of Liabilities to Investors is not a legal person; the insurance undertaking shall administer it and act on its behalf.

2. Payments of insurance compensations for liabilities to investors shall be made from the Insurance Fund of Liabilities to Investors.

3. The funds of Insurance Fund of Liabilities to Investors, shall be comprised of:

- 1) contributions to the insurance system of liabilities to investors;
- 2) funds and/or assets received from an insolvent participant of the insurance system of liabilities to investors during bankruptcy proceedings in accordance with the procedures laid down in laws;
- 3) income from investment of funds of the Insurance Fund of Liabilities to Investors;
- 4) other type of funds.

4. The funds of the Insurance Fund of Liabilities to Investors, shall be used for:

- 1) insurance compensations for liabilities to investors;
- 2) covering the costs of administration of the fund.

5. The administrative costs of the Insurance Fund of Liabilities to Investors shall be established by the council of the insurance undertaking, after assessing the anticipated costs of administration of the fund, at the time of adoption of the estimate of expenditure on administration of the Insurance Fund of Liabilities to Investors.

6. If the financial resources at the Insurance Fund of Liabilities to Investors are insufficient for the payment of insurance compensation for liabilities to investors, the mandatory reserve of equity of the insurance undertaking may be used. In such case the income of the Insurance Fund of Liabilities to Investors shall be used for the recovery of the mandatory reserve of equity of the insurance undertaking. After restoring the level of mandatory reserve of equity of the insurance undertaking that existed prior to the use of its funds, the income of the Insurance Fund of Liabilities to Investors shall be transferred to the Insurance Fund of Liabilities to Investors.

7. If the funds at the Insurance Fund of Liabilities to Investors are insufficient for the payment of compensation for liabilities to investors, the insurance undertaking shall have the right to take loans. A specific requirement for protection of information shall be applicable for the acquisition of loan services for the payment of insurance compensation for liabilities to investors: the preparation for the acquisition of loan services for the payments of insurance compensation for liabilities to investors and the acquisition of these services shall not be made public.

8. Claims arising from the commitments of the insurance undertaking cannot be directed to the funds of the Insurance Fund of Liabilities to Investors.

9. The funds of the Insurance Fund of Liabilities to Investors shall be held in (a) separate bank account(s). The insurance undertaking, opening such account(s) must indicate to the credit institution that the funds of the Insurance Fund of Liabilities to Investors are held in this account (these accounts) and that claims arising from the commitments of the insurance undertaking cannot be directed to these funds.

10. The insurance undertaking shall manage the accounts of the Insurance Fund of Liabilities to Investors and prepare financial statements in accordance with the procedures laid down in Article 45 of this Law.

Article 29. Investment of Funds of Insurance Fund of Liabilities to Investors

Adequately diversified funds of the Insurance Fund of Liabilities to Investors may be invested in low risk assets under procedures set by the council of the insurance undertaking.

Article 30. Termination of Insurance of Liabilities to Investors

1. Where the supervisory authority revokes, temporarily or permanently, the right of the participant of the insurance system of liabilities to investors to provide insurance services, the insurance of liabilities to investors (supplementary insurance of liabilities to investors) for such the participant of the insurance system of liabilities to investors shall, respectively temporarily or permanently, terminate.

2. The supervisory authority shall immediately inform the insurance undertaking on the revocation of the right to provide insurance services.

3. If the participant of the insurance system of liabilities to investors breaches the procedures laid down in this Law, the insurance undertaking shall immediately inform the supervisory authority which shall, in cooperation with the insurance undertaking, promptly take all the necessary measures, including application of sanctions, to ensure that the participant of the insurance system of liabilities to investors follows the procedures laid down in this Law.

4. Where the measures that have been taken under paragraph 3 of this Article fail to ensure that the participant of the insurance system of liabilities to investors follows the procedures laid down in this Law and/or his activities pose a risk to the capability of the Insurance Fund of Liabilities to Investors to meet its liabilities, the council of the insurance undertaking after informing the supervisory authority thereof and in agreement with it not later than 12 months in advance shall notify the participant of the insurance system of liabilities to investors of a possible termination of insurance of liabilities to investors (supplementary insurance of liabilities to investors). After notifying of a possible termination of insurance of liabilities to investors (supplementary insurance of liabilities to investors), the assumed liabilities to investors shall be fully insured. If the participant of the insurance system of liabilities to investors fails to eliminate breaches within the required time limit, insurance of liabilities to investors (supplementary insurance of liabilities to investors) assumed by the participant of the insurance system of liabilities to investors may be terminated by a decision of the council of the insurance undertaking, in agreement with the supervisory authority of the insured.

5. The insurance undertaking shall immediately inform of the termination or cancellation of insurance of the liabilities to investors (supplementary insurance of liabilities to investors) and publish this information on its website.

Article 31. Impact of Termination Insurance of Liabilities to Investors

1. Where an insured event of liabilities to investor occurs to the participant of the insurance system of liabilities to investors for whom the insurance of liabilities to investors

(supplementary insurance of liabilities to investors) has been terminated in line with Article 30(1) of this Law, the insurance compensations for liabilities to investors shall be paid only for the liabilities which had been accepted prior to the termination of the insurance of liabilities to investors (supplementary insurance of liabilities to investors) and had not been repaid or met before the day of the insured event for liabilities to investors.

2. Where an insured event of liabilities occurs to the participant of the insurance system of liabilities to investors for whom the insurance of liabilities to investors (supplementary insurance of liabilities to investors) has been terminated in line with Article 30(4) of this Law, the insurance compensations for liabilities to investors shall be paid only for the liabilities which had been assumed prior to the termination of the insurance of liabilities to investors (supplementary insurance of liabilities to investors) and had not been repaid or met before the day of the insured event of liabilities to investors.

3. The supervisory authority shall immediately revoke the right to provide investment services of the participant of the insurance system of liabilities to investors for whom the insurance of liabilities to investors (supplementary insurance of liabilities to investors) has been terminated in line with Article 30(4) of this Law.

CHAPTER FOUR

FUNDING AND ADMINISTRATION OF RESOLUTION FUND

Article 32. Resolution Fund

1. The Resolution Fund is not a legal person, it shall be administered by the insurance undertaking.

2. The funds of the Resolution Fund, shall be comprised of:

- 1) regular (*ex ante*) contributions, including payment obligations to the Resolution Fund;
- 2) special (*ex post*) contributions;
- 3) loans received from the financial institutions and other third parties, including the financing structures of the other Member States;
- 4) income from investment of funds of the Resolution Fund;
- 6) share of costs incurred for the purposes established in Article 103 of Law on Financial Sustainability of the Republic of Lithuania, which shall be recovered during resolution;
- 5) funds received from the financing structures of other Member States in repayment of a loan granted by the Resolution Fund, including interest and late payment interest;
- 6) late payment interest paid by the institutions paying contributions;

7) other type of funds established in legal acts..

3. The funds of the Resolution Fund, shall be used for:

- 1) costs incurred for the purposes established in Article 103 of Law on Financial Sustainability of the Republic of Lithuania;
- 2) costs of investment of funds of the Resolution Fund;
- 3) repayments of loans received from the financing structures, bodies or other third parties of other Member States, including interest and late payment interest;

4. Claims arising from the commitments of the insurance undertaking cannot be directed to the funds of the Resolution Fund.

5. The funds of the Resolution Fund shall be held in (a) separate bank account(s). The insurance undertaking, opening such account(s) must indicate to the credit institution that the funds of the Resolution Fund are held in this account (these accounts) and that claims arising from the commitments of the insurance undertaking cannot be directed to these funds.

6. The insurance undertaking shall manage the accounts of the Resolution Fund and prepare financial statements in accordance with the procedures laid down in Article 45 of this Law.

7. The funds of the Resolution Fund shall be invested in low-risk assets. The resolution authority of entities in the financial sector (hereinafter referred to as “the resolution authority”), in consultation with the insurance undertaking, shall establish a detailed procedure for the investment of funds from the Resolution Fund.

8. Pursuant to the applicable delegated acts by the European Commission and, in consultation with the insurance undertaking, the resolution authority shall set detailed administrative procedures of the Resolution Fund, including mechanism for the collection and verification of contributions, prevention measures against fraud, evasion and abuse related to the payment of contributions, as well as payment of funds from the Resolution Fund for the purposes of financing of resolution of cross-border groups.

Article 33. Contributions to Resolution Fund

1. Before 31 December 2024 the accumulated amount in the Resolution Fund must be equal to the share, payable by the entities indicated in part 2 of this Article, where the amount would need to be accumulated amounting to one per cent of the core insured deposits of all the institutions: banks, the Central Credit Union and financial brokerage firms which are subject to the requirement laid down in Article 121(2) of Law on Markets in Financial Instruments of the Republic of Lithuania (hereinafter referred to as “institutions”), licenced in the Republic of Lithuania, and the contributions were paid by all the institutions licenced in the Republic of

Lithuania and the branches of institutions licenced in third countries established in the Republic of Lithuania (hereinafter referred to as “Target level of the Resolution Fund“).

2. The Resolution Fund shall be funded by the entities indicated in Article 1(2)(3) of Law on Financial Sustainability of the Republic of Lithuania, which are not included to the scope of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ 2014 L 225, p. 1), laid down in Article 2 of this Regulation, and by funds of branches of credit institutions and financial brokerage firms, licenced in third countries and established in the Republic of Lithuania (hereinafter referred to as “the participants of the Resolution Fund”). Other entities indicated in Article 1(2) of Law on Financial Sustainability of the Republic of Lithuania shall pay contributions to the Single Resolution Fund in accordance with the procedures laid down in Regulation (EU) No 806/2014 and its implementing regulations.

3. The contribution paid by each participant of the Resolution Fund shall be set proportionately to the ratio between the total of his liabilities, except for own funds and the core insured deposits, and the total of all liabilities of the licenced institutions in the Republic of Lithuania, except for own funds and the core insured deposits. This amount shall be adjusted after assessing the type of risk of the participant of the Resolution Fund, as defined in the delegated acts by the European Commission and the legal acts of the resolution authority.

4. The resolution authority shall set the annual percentage of regular (*ex ante*) contributions each year and the amount of the regular (*ex ante*) contribution, payable by each institution that year.

5. If after achieving the Target level of the Resolution Fund, the financial resources available at the Resolution Fund decrease to a lower than the Target level, the Resolution Fund shall resume the collection of regular (*ex ante*) contributions until the Target level of the Resolution Fund is achieved again. If the funds available at the Resolution Fund amount to less than two thirds of the Target level of the Resolution Fund, the amount of the contribution shall be fixed at a level which would allow to achieve the Target level of the Resolution Fund over a period of no more than 6 years.

6. In the establishment of the annual percentage of regular (*ex ante*) contributions under paragraph 3 and 4 of this Article, the resolution authority shall divide the financial burden as evenly as possible in the period before Target level of the Resolution Fund is achieved, after taking into the

account the current phase of the business cycle and the possible pro-cyclical effect on the financial situation of the institutions.

7. The participants of the Resolution Fund shall pay monetary contributions to the Resolution Fund (in euros). The resolution authority may authorise the institutions to cover a part, but no more than 30 per cent, of the regular (*ex ante*) contribution with payment obligations – low-risk assets as collateral, without restrictions arising from third party rights, pledged for the benefit of the resolution authority. The total amount of payment obligations of the participants of the Resolution Fund shall not exceed 30 per cent of total amount of regular (*ex ante*) contributions and payment obligations. The procedures for the safeguarding of contributions with payment obligations shall be established by the resolution authority, in consultation with the insurance undertaking.

8. If the financial resources of the Resolution Fund are insufficient for financing of resolution actions, the participants of the Resolution Fund shall pay special (*ex post*) contributions set by the resolution authority to cover the amount of the shortfall. The special (*ex post*) contribution, payable by each participant of the Resolution Fund, shall be attributed in accordance with the provisions of paragraph 2 and 3 of this Article. The special (*ex post*) contribution cannot be more than 3 times higher than the regular (*ex ante*) contributions paid by the participants of the Resolution Fund during that calendar year.

9. The resolution authority shall have the right to fully or partially defer the payment of special (*ex post*) contribution of the participants of the Resolution Fund, in the case where the payment of such contribution would pose a risk to the liquidity and solvency of the participant of the Resolution Fund. Such deferment may be authorised for a period not exceeding 6 months, but it can be extended at a reasoned request by the participant of the Resolution Fund. The deterred payment shall be paid when such payment no longer poses a risk to the liquidity and solvency of the participant of the Resolution Fund.

10. The participants of the Resolution Fund shall pay the contributions within 30 calendar days from the date of the receipt of the payment order by the resolution authority, unless stated differently in the delegated legal acts of the European Commission. If the participant of the Resolution Fund fails to pay all or part of the contribution, the late payment interest shall be calculated under the delegated legal acts of the European Commission.

11. If the funds at the Resolution Fund are insufficient for financing the required resolution actions and there is no option to collect the shortfall during the required period of time with the use of special (*ex post*) contributions, or where the potential collection of special (*ex post*) contributions, which is possible during this time, is not sufficient, by a decision of the resolution authority the insurance undertaking shall take a loan for the Resolution Fund from bodies and

financial institutions or other third parties. Where the public funds are borrowed to the Resolution Fund, the decision on the borrowing shall be taken by the Government of the Republic of Lithuania.

Article 34. Borrowing between Financing Structures

1. The resolution authority shall have the right to request a loan for the Resolution Fund from the financing structures of other Member States, if the following conditions are met:

- 1) the funds available at the Resolution Fund from the collection of the regular (*ex ante*) contributions is not sufficient for financing the required resolution actions;
- 2) there is no option to collect the shortfall with the use of special (*ex post*) contributions;
- 3) there is no option take a loan or other type of support on acceptable terms during the required period of time from the financial market participants, financial institutions or other third parties.

2. Upon the reception of the application from the financing structure of other Member State and after making sure that the conditions set in paragraph 1 of this Article are met *mutatis mutandis*, the resolution authority shall immediately take a decision in regards borrowing of funds from the Resolution Fund.

3. By a decision of the resolution authority, the insurance undertaking shall borrow or lend funds in the name of the Resolution Fund in accordance with this Article, under conditions agreed between the resolution authority and the financing structure of other Member State, including interest rate and repayment period.

4. Where a financing structure of at least one other Member State takes part in the borrowing process to the same financing structure, the insurance undertaking shall borrow the funds of the Resolution Fund at the same interest rate, for the same repayment period and under the same conditions as other financing structures participating in the borrowing, and the borrowed amount shall be proportional to the ratio between the amount of the insured deposits in the Republic of Lithuania and the amount of the insured deposits in all the borrowing Member States, unless the resolution authority or the financing structures of all the borrowing Member States decide otherwise.

5. The part of the loan granted to a financing structure of another Member State which was not repaid is considered part of funds of the Resolution Fund and shall be included to the calculation of the achievement of the Target level of the Resolution Fund.

Article 35. Financing of Administration of Resolution Fund

1. The administration of the Resolution Fund shall be funded from the contributions for administration paid by the participants of the Resolution Fund. Other entities indicated in Article 1(2) of Law on Financial Sustainability of the Republic of Lithuania shall pay contributions to fund the administrative expenditure of the Single Resolution Board in accordance with the procedures laid down in Regulation (EU) No 806/2014 and its implementing regulations.

The annual percentage of the contribution to administrative costs by the participant of the Resolution Fund shall not exceed 0.1 per cent of the total annual contribution to the Resolution Fund under Article 33 of this Law, but in all cases the contribution to be paid shall be at least EUR 1 000.

2. The institution exercising the rights and duties of the owner of the insurance undertaking shall set the contributions to administrative costs of a specific year. When setting the amount, the functions of the insurance undertaking and the expenditure related to the administration of the Resolution Fund shall be taken into account. The insurance undertaking, in consultation with the participants of the Resolution Fund, shall provide reasoned proposals to the institution exercising the rights and duties of the owner of the insurance undertaking on the amount of contributions to administrative costs of a specific year. A detailed mechanism for the calculation of the contributions shall be established by the institution exercising the rights and duties of the owner of the insurance undertaking.

3. If in a given year the amount of contributions to administrative costs paid by the participants of the Resolution Fund exceeds the expenditure of the insurance undertaking for the administration of the fund during that year, the insurance undertaking shall reduce the estimated contributions of the participants of the Resolution Fund of the following year accordingly, and the excess quantity is used for financing of the administration of the Resolution Fund of the following year. If in a given year the amount of contributions to administrative costs paid by the participants of the Resolution Fund is insufficient to cover the administrative costs, the insurance undertaking shall increase the estimated contributions of the participants of the Resolution Fund of the following year accordingly, and uses a share of the contributions to cover the indebtedness of the previous years.

4. The participants of the Resolution Fund must transfer contributions to administrative costs for the current year to the account indicated by the insurance undertaking before 15 January of the current year. If the participant of the Resolution Fund fails to pay the contribution to administrative costs within the time limit, the interest of 0.02 per cent from the amount unpaid shall be charged for each day of delay. The contributions paid by the participants of the Resolution Fund

shall be firstly offset for the late payment interest. The payment of interest does not absolve from the obligation to pay the due amount.

CHAPTER FIVE

STATE COMPANY “DEPOSIT AND INVESTMENT INSURANCE”

Article 36. Insurance Undertaking Status and Activity Purposes

1. The insurance undertaking shall be a state company established by the Government of the Republic of Lithuania on the basis of state-owned property in accordance with the procedure laid down by laws of the Republic of Lithuania, having its own seal with the coat of arms of the Republic of Lithuania and the name “State Company “Deposit and Investment Insurance”.

2. The rights and duties of the insurance undertaking shall be realised by the Ministry of Finance of the Republic of Lithuania.

3. The insurance undertaking shall operate in accordance with the present Law, the Law on State and Municipality Companies of the Republic of Lithuania and other legislation, unless stipulated otherwise by this Law, as well as its own articles of association.

4. The purpose of the insurance undertaking activity shall be to insure the depositor’s deposits, liabilities to investors in accordance with the procedures laid out in the present Law and other legislation, to administer the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors, and the Resolution Fund (hereinafter referred to as “the administered funds”), and to conduct other functions stipulated by the law.

5. The insurance undertaking, supervisory authority, and resolution authority shall all cooperate and use their authorisations in accordance with this Law.

Article 37. Articles of Association of the Insurance Undertaking

The Articles of Association of the insurance undertaking shall contain its activity purposes, the competence of the institution exercising the rights and duties of the owner of the insurance undertaking, its council and head, as well as other requirements of the present Law and the Law on State and Municipality Companies of the Republic of Lithuania, insofar as the present Law does not stipulate otherwise.

Article 38. Functions of the Insurance Undertaking

1. In realising the activity purposes laid out in this Law, the insurance undertaking shall:

- 1) collect the contributions for deposit insurance, insurance of liability to investors, and resolution, and store them in a respective administered fund;
- 2) calculate and pay out insurance compensation for deposits and insurance of liability to investors;
- 3) invest the resources of administered funds and the resources of the equity capital of the insurance undertaking;
- 4) manage the accounting of the administered funds, prepare collections of financial reports, income and cost estimates, and provide them for approval to the institution exercising the rights and duties of the owner of the insurance undertaking;
- 5) supervise the adherence to this Law and the requirements of its implementing legislation by the participants of the deposit insurance system and the participants of the insurance system of liabilities to investors;
- 6) assess the terms and conditions of insurance (compensation) of deposits or liabilities to investors or other protection provided by branches of third countries, the credit authorities, financial brokerage firms, or servicers which are setting up in the Republic of Lithuania;
- 7) assess its own risks, as well as those of Deposit Insurance Fund, and the Insurance Fund of Liabilities to Investors;
- 8) cooperate and exchange information with administrators of the deposit insurance systems and supervisory authorities of other Member States and third countries, as well as the European Banking Authority;
- 9) conduct stress tests of the deposit insurance system;
- 10) carry out the functions designated to it under the present Law and other legislation.

2. The decisions made by the insurance undertaking regarding the insurance of deposits and the termination of insurance of liabilities to investors, disputes over contributions for the deposit insurance, contributions for the special deposit insurance, contributions for insurance of liabilities to investors, and other disputes with the participants of the deposit insurance system and the participants of the insurance system of liabilities to investors are resolved in the procedure stipulated in the Law on Administrative Proceedings of the Republic of Lithuania.

Article 39. Stress Tests of Deposit Insurance System

1. The insurance undertaking shall at least once per 3 years and more often if necessary conduct stress tests of the deposit insurance system, the aim of which is to assess the readiness of the insurance undertaking to pay the insurance compensation for deposits and the readiness of the

participants of the deposit insurance system to submit to the insurance undertaking the data required for calculating and paying the insurance compensation for deposits.

2. The participants of the deposit insurance system shall submit the data required for stress tests of deposit insurance system. The insurance undertaking shall only use the information required for stress tests of deposit insurance system for conducting specific tests and shall only store the information for as long as deemed necessary for this purpose. Anonymous and (or) encrypted information shall be used for testing.

3. The insurance undertaking council shall set the procedure of stress tests of the deposit insurance system testing and the form and submission periods of the data required for the testing, and shall publish such information in the insurance undertaking website.

TAR note. The first testing of the deposit insurance system under Article 39 shall be conducted no later than 3 July 2017.

Article 40. Rights of the Insurance Undertaking

1. In carrying out the assigned functions, the insurance undertaking shall have the right:
 - 1) to obtain the information related to the performance of the insurance undertaking and necessary for realising the purposes of the insurance undertaking from the insured, to become acquainted with the information constituting a state, official, professional, trade (industrial), banking, or other secret under the protection of the law, following the procedure stipulated by the law, as well as the information on the personal data under the protection of the law;
 - 2) to terminate insurance of deposits and of liabilities to investors under the procedure indicated in this Law;
 - 3) to obtain the following information from the supervisory authority: the sanctions applied against the participants of the deposit insurance system and the participants of the insurance system of liabilities to investors; the identified problems which could cause the insurance undertaking to take actions; the withdrawal of authorisations for the participants of the deposit insurance system to accept deposits; the rights granted to the participants of the deposit insurance system and the participants of the insurance system of liabilities to investors;
 - 4) to make use of specialists, experts, and other competent persons in carrying out its functions;
 - 5) to enter agreements for cooperation and information exchange with the deposit insurance systems and other authorities and institutions of the Member States and third countries, and

to enter agreements and undertake duties that do not contradict this Law, the articles of association and the activity purposes of the insurance undertaking;

- 6) to manage the personal data associated with the realisation of this Law;
- 7) to take loans following the procedure provided by the council of the insurance undertaking in order to meet the liabilities of the insurance undertaking;
- 8) to grant loans to the deposit insurance systems of other Member States;
- 9) to hold accounts in the credit authorities of the Bank of Lithuania or credit authorities of another Member State (including branches of the credit authorities of another Member State operating in the Republic of Lithuania);
- 10) to participate in funding the transfer of the assets, rights, transactions, and liabilities of the credit union following the methods and conditions stipulated by Article 47 of the present Law.

2. The insurance undertaking may have other rights stipulated in this and other laws.

Article 41. Bodies of the Insurance Undertaking

1. Bodies of the insurance undertaking shall be an institution exercising the rights and duties of the owner of the insurance undertaking, the council of the insurance undertaking and a single-person management body – the head of the insurance undertaking. The provisions of the Law on State and Municipality Companies of the Republic of Lithuania shall only apply to the rights and duties of the head of the insurance undertaking and the authority exercising the rights and duties of the owner of the insurance undertaking insofar as the present Law does not stipulate otherwise.

2. Apart from the functions assigned to the competence of the authority exercising the rights and duties of the owner of the insurance undertaking, stipulated in the Law on State and Municipality Companies of the Republic of Lithuania, the authority exercising the rights and duties of the owner of the insurance undertaking shall:

- 1) approve the income and cost estimates of the insurance undertaking and the administered funds;
- 2) approve the insurance undertaking activity report for the reporting financial year;
- 3) approve the collection of annual reports of the insurance undertaking and the administered funds as well as the distribution of profit (loss) of the insurance undertaking;
- 4) set the amount of the annual regular (*ex ante*) contributions for the deposit insurance upon receiving conclusions from the council of the insurance undertaking, and the amount of the special (*ex post*) contributions for the deposit insurance upon receiving conclusions from the supervisory authority;

- 5) set the methodology for the calculation of the Resolution Fund administration contributions and confirm the amount of the Resolution Fund administration contributions of a specific year upon receiving conclusions from the supervisory authority;
- 6) make the decision to participate in funding the transfer of the assets, rights, transactions, and liabilities of the credit union following the methods and conditions stipulated by Article 47 of the present Law upon receiving conclusions from the council of the insurance undertaking;
- 7) approve the description of informing the authority exercising the rights and duties of the owner of the insurance undertaking and the council of the insurance undertaking about the representation of the insurance undertaking in credit unions facing bankruptcy;
- 8) carry out other functions stipulated in the legislation and the articles of association.

3. The council of the insurance undertaking shall be comprised of 5 members. The Minister of Finance of the Republic of Lithuania shall nominate 3 members while the Chairman of the Board of the Bank of Lithuania shall nominate 2. The composition of the council of the insurance undertaking shall be approved by the Minister of Finance of the Republic of Lithuania. With the approval of the council, one representative from each of the following – an association of banks, an association of financial brokerage firms, an association of servicers and an association of credit unions – may take part in the meetings of the council with a deliberative vote.

4. The term of office of members of the council shall be four years and the number of terms shall not be limited. The institution which has nominated its candidate to the members of the council may recall him and nominate another candidate to fill the vacancy. A member of the council shall have the right to resign by submitting an application to the nominating institution. The decision regarding the resignation of the member of the board shall be made and another representative shall be nominated to the council of the insurance undertaking no later than in one month after the day of the submission of the resignation application.

5. The activities of the council shall be directed by the chairman of the council and in the absence thereof – by the deputy chairman of the council. The chairman and deputy chairman of the council shall be elected by the council of the insurance undertaking from among its members.

6. The insurance undertaking council shall:

- 1) submit conclusions, comments and proposals to the institution exercising the rights and duties of the owner of the insurance undertaking regarding the operating strategy of the insurance undertaking;
- 2) adopt decisions on the termination of insurance of deposits or insurance of liabilities to investors;

- 3) adopt the legislation associated with the realisation of this Law;
- 4) establish the procedure of the provision of information to the depositors;
- 5) approve the cost estimate of the administration of the Deposit Insurance Fund and the Insurance Fund of Liabilities to Investors;
- 6) submit an annual activity report to the institution exercising the rights and duties of the owner of the insurance undertaking;
- 7) carry out other functions laid out in this Law.

7. The head of the insurance undertaking shall be accountable to the institution exercising the rights and duties of the owner of the insurance undertaking.

Article 42. The Duty to Protect the Secrets or Data under the Protection of the Laws of the Republic of Lithuania

1. The information which is a commercial secret of the insurance undertaking may be supplied only to the institutions specified by laws and in accordance with the procedure laid down by laws.

2. The insurance undertaking shall manage the data on the depositors and investors in accordance with the Law on Legal Protection of Personal Data of the Republic of Lithuania.

Article 43. Equity Capital and the Distribution of Profit of the Insurance Undertaking

1. The equity capital of the insurance undertaking shall consist of:

- 1) the capital of the owner of the insurance undertaking;
- 2) the mandatory reserve;
- 3) the revaluation reserve (result);
- 4) the retained profit (loss).

2. The resources of the equity capital of the insurance undertaking shall be invested in the procedure indicated by the institution exercising the rights and duties of the owner of the insurance undertaking.

3. All the income of the insurance undertaking shall be allotted to the mandatory reserve.

4. The mandatory reserve of the insurance undertaking may be used:

- 1) for the payment of insurance compensations for deposits and compensations of the insurance of liabilities to investors when the fund normally used for paying insurance compensations lacks resources;
- 2) for covering the losses of the economic activity of the insurance undertaking.

5. The provisions of the Law on State and Municipality Companies of the Republic of Lithuania shall not apply to the establishment, size, and use of the mandatory reserve of the insurance undertaking.

6. The retained losses of the insurance undertaking shall be transferred to the following financial year.

Article 44. Income and Costs of the Insurance Undertaking

1. The income of the insurance undertaking shall consist of:

- 1) the resources of the Deposit Insurance Fund and the Insurance Fund of Liabilities to Investors for covering the administration costs of these funds and the Resolution Fund administration contributions paid by the participants of the Resolution Fund;
- 2) the income arising from the investment of the equity capital of the insurance undertaking;
- 3) other income.

2. The costs of the insurance undertaking shall consist of:

- 1) the administration costs of administered funds;
- 2) the costs of investment of the equity capital;
- 3) other costs.

3. The income and costs of the insurance undertaking shall be included in the accounting separately from the income and costs of the administered funds.

Article 45. Accounting and Financial Report Collections of the Insurance Undertaking and its Administered Funds, and their Publications

1. The insurance undertaking shall manage its accounting and compile its financial statement in accordance with the legislation regulating the accounting and financial accountability, as well as the Business Accounting Standards.

2. The insurance undertaking shall conduct the accounting of the administered funds separately and shall compile separate financial statements for each fund in accordance with the procedure stipulated in the Law on Public Sector Accountability of the Republic of Lithuania.

3. The insurance undertaking shall prepare and submit the income and cost estimates of the insurance undertaking and the administered funds for approval to the institution exercising the rights and duties of the owner of the insurance undertaking.

4. The insurance undertaking shall submit its own annual financial statements and those of the administered funds for approval to the institution exercising the rights and duties of the owner of the insurance undertaking no later than in 4 months following the end of the financial year.

5. The insurance undertaking shall publish its own approved annual financial statements on its website no later than in 5 months following the end of the financial year.

CHAPTER SIX

THE FUNDING OF THE RESOLUTION OF A BANK OR THE CENTRAL CREDIT UNION, OR THE TRANSFER OF ASSETS, RIGHTS, TRANSACTIONS, AND LIABILITIES OF A CREDIT UNION

Article 46. The Participation of the Insurance Undertaking in the Funding of the Resolution of a Bank or the Central Credit Union

1. The insurance undertaking shall participate in the funding of the resolution of a bank or the Central Credit Union in the case provided in Article 105 of the Law on Financial Sustainability of the Republic of Lithuania by transferring resources from the Deposit Insurance Fund to the entity indicated by the resolution authority. The resolution authority shall set the amount of the transferable resources having consulted the institution exercising the rights and duties of the owner of the insurance undertaking.

2. The amount indicated in paragraph 1 of this Article:

- 1) shall be equal to the amount of the insured deposits, which would have been written off in order to cover the losses of a bank or the Central Credit Union in accordance with subparagraph 1 of paragraph 1 of Article 78 of the Law on Finance Sustainability of the Republic of Lithuania when the bail-in tool is applied. In this case it shall be maintained that the insured deposits are included in the scope of application of the bail-in tool and are written off as the creditor's secondary requirements;
- 2) shall be equal to the amount of the losses that would have been incurred by the owners of the insured deposits when any other restructuring tool is applied, with the exception of the tool indicated in subparagraph 1 of this paragraph. In this case it shall be maintained that the losses of the owners of the insured deposits arise in the same way as the losses of creditors, which leaves the creditors' requirements secondary;
- 3) shall not exceed the amount that should have been paid to the owners of the insured deposits by the Deposit Insurance Fund had bankruptcy proceedings been initiated for the bank or the Central Credit Union. If, having conducted the assessment in accordance with Article 90 of the Law on Finance Sustainability of the Republic of Lithuania, it is established that the amount paid by the Deposit Insurance Fund exceeded the amount that would have been paid to the owners of the insured deposits by the Deposit Insurance Fund had bankruptcy

proceedings been initiated for the bank or the Central Credit Union, the difference between the amounts shall be returned to the Deposit Insurance Fund from the resources of the Restructuring Fund;

4) shall not exceed the 50 percent of the national target level in any case.

3. The resources of the Deposit Insurance Fund shall not be used for the recapitalisation of a bank, the Central Credit Union, or a temporary office when applying the bail-in tool in accordance with subparagraph 2 of paragraph 1 of Article 78 of the Law on Financial Sustainability of the Republic of Lithuania.

4. The depositor whose insurable deposit that was kept with the financial sector entity under resolution (hereinafter referred to as “entity under resolution”) was transferred to another entity in exercising the divestiture tool or the temporary office tool shall lose the right to demand an insurance compensation for deposits from the insurance undertaking for the unsold share of his deposit that remained with the entity under resolution as of the day of transferring the deposit if the sold amount of deposit is equal or exceeds the deposit insurance amount established in Article 4 of this Law.

5. The participation of the insurance undertaking in the funding of the resolution of a bank or the Central Credit Union shall be comparable to the payment of the insurance compensation for deposits. In the case of an appeal to court regarding the initiation of bankruptcy proceedings for the entity under resolution, the entity under resolution shall increase its liabilities to the insurance undertaking by the amount used for the funding of the restructuring.

Article 47. The Participation of the Insurance Undertaking in the Funding of the Transfer of Assets, Rights, Transactions, and Liabilities of a Credit Union

1. Upon receiving information from the supervisory authority on the transfer of assets, rights, transactions, and liabilities of a credit union to another bank or other credit institution planned in accordance with the Law on Credit Unions of the Republic of Lithuania, the institution exercising the rights and duties of the owner of the insurance undertaking shall resolve the issue regarding the participation of the insurance undertaking in the funding of the transfer of assets, rights, transactions, and liabilities of the credit union.

2. The insurance undertaking shall participate in the funding of the transfer of assets, rights, transactions, and liabilities of a credit union by transferring resources to another credit institution, which takes over the assets, rights, transactions, and liabilities of the credit union in accordance with the provisions of Article 65¹ of the Law on Credit Unions of the Republic of

Lithuania in order to cover the amount of the difference in the value of the liabilities, as well as the assets, rights, and transactions being transferred.

3. If the insurance undertaking participates in the funding of the transfer of assets, rights, transactions, and liabilities of a credit union, the total amount paid by the insurance undertaking shall not exceed:

- 1) the sum that the insurance undertaking should be obliged to pay to the depositors of the credit union the assets, rights, transactions, and liabilities of which are being transferred in the case of insured event of deposits;
- 2) 50 percent of the national target level in any case.

4. The participation of the insurance undertaking in the funding of the transfer of assets, rights, transactions, and liabilities of a credit union shall be comparable to the payment of the insurance compensation for deposits to the depositors. The credit union the assets, rights, transactions, and liabilities of which are being transferred shall increase its liabilities to the insurance undertaking by the amount used for the funding of the transfer.

5. The depositor whose insurable deposits that were kept with the credit union were transferred to a bank or another credit institution shall lose the right to demand an insurance compensation for deposits from the insurance undertaking for the unsold share of his or her deposit that remained with the credit union as of the day of transferring the deposit if the sold amount of deposit is equal or exceeds the deposit insurance amount established in Article 4 of this Law.

I promulgate this Law passed by the Seimas of the Republic of Lithuania

PRESIDENT OF THE REPUBLIC

VALDAS ADAMKUS

Annex 1 to the Law on Insurance
of Deposits and Liabilities to Investors
of the Republic of Lithuania

(Form of submitting information to the depositor)

INFORMATION TO THE DEPOSITOR

General information on the insurance of the deposit	
Deposits held by <i>(insert the name of the credit institution)</i> are insured	at the “State Company Deposit and Investment Insurance”
Insurance limit	up to EUR 100 000 for a single depositor for all the deposits held in a single credit institution ¹
If you have more deposits in the same credit institution	all of your deposits held in the same credit institution are totalised and an insurance limit of EUR 100 000 is applied to the total amount ¹
If you have a joint account with another person (other persons)	the insurance limit of EUR 100 000 is applied individually to each depositor ²
The period for paying the insurance compensation for deposits if the credit union fails to fulfil its liabilities	20 working days ³ <i>(to be specified upon another period coming into effect)</i>
The currency of the payment of the insurance compensation for deposits	euros
Contact information	<i>(Insert the address, phone and fax number, and e-mail address of the State Company “Deposit and Investment Insurance”)</i>
Further information	www.iidraudimas.lt
The depositor’s confirmation of the receipt of the information	

Remarks:

¹ If the deposit is not returned because the credit institution is unable to fulfil its financial liabilities, the State Company “Deposit and Investment Insurance” shall pay the insurance compensation for deposits to the depositors. The largest amount of the insurance compensation for deposits held in a single credit institution for a single depositor shall be EUR 100 000. In establishing the amount of the insurance compensation for deposits, all the deposits held in the same credit institution shall be totalised. For instance, if the depositor has a savings account with EUR 90 000 in it, and a current account with EUR 20 000 in it, he or she will be paid an insurance compensation of only EUR 100 000.

In some cases (when funds for the sold residential housing belonging to the depositor by the right of claim are transferred to the depositor’s account no sooner than 6 months before the day of the insured event of deposits; the depositor inherits funds in accordance with a will or a law; the depositor receives funds as a beneficiary in the event of death according to a life insurance contract or a contract corresponding in its essence to a life insurance contract; the depositor receives funds as compensation or

payment in the case of death of another person while carrying out job duties or official duties in the cases laid down by the law; when payments or compensations are paid to cover the damage caused by violent crimes) the deposits shall be insured by an amount exceeding EUR 100 000.

For more information please visit: www.iidraudimas.lt.

² If you hold a joint account with another person (other persons), the insurance limit of EUR 100 000 shall apply to each co-owner individually.

³ The payment of insurance compensations.

The State Company “Deposit and Investment Insurance” (*insert the address, phone and fax number, and e-mail address of the State Company “Deposit and Investment Insurance”*) shall be responsible for the deposit insurance system, website: www.iidraudimas.lt. It will return your deposits (up to EUR 100 000) no later than in:

- 20 working days until 31 December 2018;
- 15 working days from 1 January 2019 until 31 December 2020;
- 10 working days from 1 January 2021 until 31 December 2023;
- 7 working days from 1 January 2024.

If insurance compensations for deposits are not paid in 7 working days from the day of the insured event of deposits, a compensation share (advance insurance compensation for deposits) equal to the minimum monthly wage but not larger than the amount of the depositor’s insurable deposits shall be paid in 5 working days after the receipt of the request as of 16 May 2016.

If you have not been paid the insurance compensation in the specified periods, you should contact the State Company “Deposit and Investment Insurance”. For more information please visit: www.iidraudimas.lt.

Other important information.

Essentially all the deposits of retail depositors and companies shall be insured at the State Company “Deposit and Investment Insurance”.

Exemptions specified on the State Company “Deposit and Investment Insurance” website at www.iidraudimas.lt shall apply to some deposits. Under your request, the credit institution will also inform you about the insurance status of specific products. If deposits are insured, the credit institution confirms the fact in the account statement.

Annex 2 to the Law on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania

LEGAL ACTS OF THE EUROPEAN UNION IMPLEMENTED BY THIS LAW

1. Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor compensation schemes (OJ 2004 Special edition, Chapter 6, Volume 2, p. 311).

2. Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (OJ 2014 L 173, p. 149).

3. Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC,

2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

Changes:

1.

The Seimas of the Republic of Lithuania. Law

No. [IX-2068](#), 29/09/2004, Official Gazette, 2004, No. 54-1829 (15/04/2004)

ON THE CHANGE AND SUPPLEMENT OF ARTICLES 3, 8, 20, 21, 23, 24, 25, 26 OF THE LAW ON INSURANCE OF DEPOSITS AND LIABILITIES TO INVESTORS AND THE SUPPLEMENT OF THE LAW WITH ARTICLE 26(1)

The law shall come into effect as of 1 May 2004

2.

The Seimas of the Republic of Lithuania. Law

No. [X-84](#), 20/01/2005, Official Gazette, 2005, No. 18-578 (08/02/2005)

ON THE CHANGE OF ARTICLES 1, 2, 3, 4, 5, 6, 12, 16, 17, 18, 19, 20, 21, 23, 24, 26, 26(1), 27, 28, 30 OF THE LAW ON INSURANCE OF DEPOSITS AND LIABILITIES TO INVESTORS AND THE SUPPLEMENT OF THE LAW WITH ARTICLE 25(1) AND ANNEX

Upon the coming into force of the law, other reserves included in the insurance undertaking balance shall be transferred to the mandatory reserve.

3.

The Seimas of the Republic of Lithuania. Law

No. [X-1429](#), 18/01/2008, Official Gazette, 2008, No. 15-512 (05/02/2008)

ON THE CHANGE AND SUPPLEMENT OF ARTICLES 1, 2, 3, 4, 5, 7, 8, 9, 10, 12, 14, 15, 21, 24, 25 AND ANNEX OF THE LAW ON INSURANCE OF DEPOSITS AND LIABILITIES TO INVESTORS

4.

The Seimas of the Republic of Lithuania. Law

No. [X-1749](#), 14/10/2008, Official Gazette, 2008, No. 121-4589 (21/10/2008)

ON THE CHANGE AND SUPPLEMENT OF ARTICLES 5, 9 OF THE LAW ON INSURANCE OF DEPOSITS AND LIABILITIES TO INVESTORS

The law shall come into effect as of 1 November 2008

5.

The Seimas of the Republic of Lithuania. Law

No. [XI-376](#), 21/07/2009, Official Gazette, 2009, No. 93-3969 (04/08/2009)

ON THE CHANGE AND SUPPLEMENT OF ARTICLES 2, 4, 5, 7, 9, 10, 13, 18, 20, 21, 26 AND ANNEX OF THE LAW ON INSURANCE OF DEPOSITS AND LIABILITIES TO INVESTORS AND INVALIDATION OF ARTICLE 28

Paragraph 1 of Article 6 of this law shall come into effect on 31 December 2010

6.

The Seimas of the Republic of Lithuania. Law

No. [XI-1712](#), 17/11/2011, Official Gazette, 2011, No. 139-6552 (18/11/2011)

ON THE CHANGE OF ARTICLES 20, 21, 25 OF THE LAW ON INSURANCE OF DEPOSITS AND
LIABILITIES TO INVESTORS AND THE SUPPLEMENT OF THE LAW WITH ARTICLE 12(1)

7.

The Seimas of the Republic of Lithuania. Law

No. [XI-1682](#), 17/11/2011, Official Gazette, 2011, No. 146-6828 (01/12/2011)

ON THE CHANGE OF ARTICLES 2, 14, 20, AND 21 OF THE LAW ON INSURANCE OF DEPOSITS
AND LIABILITIES TO INVESTORS

The law shall come into effect on 1 January 2012

8.

The Seimas of the Republic of Lithuania. Law

No. [XI-1750](#), 29/11/2011, Official Gazette, 2011, No. 146-6856 (01/12/2011)

ON THE CHANGE OF ARTICLE 10 OF THE LAW ON INSURANCE OF DEPOSITS AND LIABILITIES
TO INVESTORS

9.

The Seimas of the Republic of Lithuania. Law

No. [XI-2328](#), 06/11/2012, Official Gazette, 2012, No. 132-6656 (15/11/2012)

ON THE CHANGE OF ARTICLES 4, 8, 10, AND 14 OF THE LAW ON INSURANCE OF DEPOSITS AND
LIABILITIES TO INVESTORS

The effect comes into effect on 1 January 2014

10.

The Seimas of the Republic of Lithuania. Law

No. [XII-1048](#), 17/07/2014, published TAR 01/08/2014, identification code 2014-10741

ON THE CHANGE OF ARTICLES 2, 6, 10, 12, 12-1, 14, 15, 20, 21 AND 25 OF THE REPUBLIC OF
LITHUANIA LAW ON INSURANCE OF DEPOSITS AND LIABILITIES TO INVESTORS NO. IX-975

Changes:

1.

The Seimas of the Republic of Lithuania. Law

No. [XII-1110](#), 23/09/2014, published TAR 02/10/2014, identification code 2014-13428

On the Change of Articles 3, 5, 6, 7, 8, 9 and 10 of the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors No. IX-975

2.

The Seimas of the Republic of Lithuania. Law

No. [XII-2054](#), 19/11/2015, published TAR 02/12/2015, identification code 2015-19164

On the Change of the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors No. IX-975