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**REPUBLIC OF LITHUANIA  
LAW ON BANKS**

30 March 2004 No IX-2085 Vilnius

(As last amended on 26 November 2015 No XII-2077)

**CHAPTER ONE  
GENERAL PROVISIONS**

**Article 1. Purpose of the Law**

1. The purpose of this Law shall be to regulate the procedure for setting up, licensing, pursuing of business, terminating and restructuring as well as supervising of banks as well as foreign banks operating in the Republic of Lithuania, including establishments thereof, in order to ensure a stable, sound, efficient and safe banking system.

2. This Law shall implement the legal acts of the European Union listed in the Annex to this Law.

3. The provisions of this Law shall apply with regard to the provisions of Council 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) (hereinafter: 'Regulation (EU) No 1024/2013') and its implementing acts.

**Article 2. Definitions**

1. **Bank** shall mean a credit institution set up in the Republic of Lithuania which is authorised to engage in receiving of deposits and other repayable funds from non-professional participants of the market and in lending thereof and assumes the risk and liability related thereto.

2. Banking licence (hereinafter: 'licence') shall mean an authorisation issued according to the procedure set forth by this Law to engage in the provision of licensed financial services.

3. **European Banking Authority** shall mean the institution established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European supervisory authority (the European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ 2010 L 331, p. 12).

4. **European Systemic Risk Board** shall mean the institution established by Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ 2010 L 331, p. 1).

6. **Financial services** shall mean the services referred to in Article 3(1) of the Law on Financial Institutions.

7. **Heads of a legal person** shall mean members of bodies of legal persons with the exception of the meeting of members.

8. **Persons acting in concert** shall mean two or more persons that, on the basis of a verbal or written agreement concluded explicitly between them or anticipated to be concluded, exercise or seek to exercise their rights granted by a qualifying holding in a bank's authorised capital and/or voting rights.

9. **Licensed financial services** shall mean:

1) receipt of deposits or other repayable funds from non-professional participants of the market;

2) the payment services specified in Article 5 of the Law on Payments;

3) issuance of electronic money;

4) other financial services subject to a licence issued in accordance with other laws of the Republic of Lithuania.

10. *Repealed as of 1 May 2015*

11. **Foreign bank** shall mean a credit institution set up in a foreign state which holds an authorisation or licence issued by the supervisory authority of the foreign state to engage, and is engaged in receiving of deposits and other repayable funds from non-professional participants of the market and lending thereof.

12. Other concepts used in this Law shall be interpreted as they are defined in the Law on Financial Institutions, the Law of the Republic of Lithuania on Financial Sustainability, and 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 (OL 2013 L 176, p. 1) (hereinafter: 'Regulation (EU) No 575/2013').

### **Article 3. Name, Legal Form and Registered Office of a Bank, Legal Acts Regulating Banking Activities**

1. The word "bank" or other combinations or derivatives thereof may be used in the Republic of Lithuania only by the persons operating in accordance with this Law in their name or for advertising or other purposes, except where the use of this word is evidently unrelated to the provision of licensed financial services. Banks which are licensed in the Member States of the European Union and in the states of the European Economic Area (hereinafter: 'the Member States of the European Union') and have set up branches in the Republic of Lithuania according to the procedure set forth by this Law or provide financial services without setting up a branch shall have the right to use the same name just as in the Member State of the head office. In case the name is the same or similar to those used in the Republic of Lithuania or may otherwise be misleading, the supervisory authority shall have the right to request to place qualifiers next to this name.

2. Paragraph 1 of this Article shall not be applied where the name of a legal person has been laid down by a law of the Republic of Lithuania regulating its activities.

3. The legal form taken by a bank as a legal person may only be a public limited liability company or a private limited liability company. A bank may only be established for an indefinite period of time.

4. The registered office of a public limited liability company or a private limited liability company holding a licence issued according to the procedure set forth by this Law and registered in the Republic of Lithuania Register of Legal Entities must be in the Republic of Lithuania.

5. In their activities, banks shall act in compliance with the Constitution of the Republic of Lithuania, the Civil Code, this Law, other laws of the Republic of Lithuania regulating provision of financial services, legal acts of the European Union, their statutes (articles of association) (hereinafter: 'articles of association'). Banks shall also act in compliance with the Law on Financial Institutions, the Law on Companies and other legal acts, except where this Law provides otherwise.

### **Article 4. Financial Services Provided by a Bank and Other Activities**

1. The right to engage in receiving of deposits or other repayable funds from non-professional participants of the market according to the procedure set forth by this Law shall only be vested in:

- 1) the banks holding a licence which grants such a right;
- 2) branches of foreign banks holding a licence which grants such a right;
- 3) foreign banks which are licensed in the Member States of the European Union and which have the right to engage in receiving of deposits or other repayable funds from non-professional participants of the market in the state concerned, have set up branches in the Republic of Lithuania according to the procedure set forth by this Law or provide financial services without setting up a branch.

2. A bank shall have the right to provide all financial services, including financial services in a foreign currency, except where this right is restricted by this Law and other laws.

3. In addition to the provision of financial services, a bank may pursue only such other activities as those in the absence of which financial services cannot be provided, which assist in

the provision of the financial services or are otherwise directly related to the provision of the financial services.

4. Where a bank itself decides not to carry on a certain activity in the absence of which financial services cannot be provided, which assists in the provision of financial services or is otherwise directly related to the provision of financial services and to conclude transactions with other persons on the provision of respective services to the bank (hereinafter: 'the purchase of ancillary banking services'), the bank must notify of this the supervisory authority and provide to it the information laid down by legal acts of the supervisory authority prior to concluding the said transactions. The legal acts of the supervisory authority may set the requirements for the purchase of the ancillary banking services.

*5. Repealed as of 1 January 2012*

6. Prior to taking decisions which restrict a bank's freedom to dispose of the funds in its account or which otherwise restrict the right of the bank to provide financial services to the bank's clients, the court of the Republic of Lithuania and other institutions or officials stipulated by laws must obtain a conclusion of the supervisory authority on the influence of these decisions on the stability and soundness of the whole system of banks.

### **Article 5. Articles of Association of a Bank**

1. The articles of association of a bank being established and amendments to the articles of association of the bank shall become invalid where they are not submitted to the Register of Legal Entities within 12 months accordingly of the signing of the articles of association or of the taking of a decision on the amendment of the articles of association of the bank at the general meeting of the shareholders.

2. Amendments to the articles of association of a bank may be registered in the Register of Legal Entities only upon obtaining an authorisation of the supervisory authority, where the provisions of the articles of association are amended in respect of the amount of the authorised (share) capital (hereinafter: 'authorised capital').

3. An authorisation to register amendments to articles of association of a bank shall be granted by the supervisory authority according to the procedure set forth by this Law and legal acts of the supervisory authority.

4. In order to obtain an authorisation to register amendments to articles of association, a bank shall submit to the supervisory authority an application and other documents and data specified by legal acts of the supervisory authority.

5. The supervisory authority must examine submitted documents and take a decision on the granting of an authorisation to register the amendments to the articles of association of a bank not later than within two months of the receipt of the application.

*6. Repealed as of 4 April 2009*

7. The supervisory authority shall refuse to grant an authorisation to register amendments to articles of association of a bank, where:

1) the submitted documents do not meet the requirements set in this Law and legal acts of the supervisory authority, not all the data specified by the legal acts or additionally required have been submitted or they are incorrect;

2) upon making the amendments, provisions of the articles of association of the bank will not ensure safe and sound activities of a bank or will not be in conformity with the relevant legal acts;

3) upon increasing the authorised capital by issuing new shares, a bank's shares have not been fully paid-up in the prescribed manner or a bank's shareholders, including those acquiring a qualifying holding in a bank's authorised capital and/or voting rights, do not meet the requirements set.

8. The supervisory authority shall give a written notice to the Register of Legal Entities of the taking of a decision to grant or not to grant an authorisation to register amendments to articles of association of a bank within five working days of the taking of the decision.

**CHAPTER TWO**  
**ESTABLISHMENT AND LICENSING OF A BANK, FINANCIAL UNDERTAKINGS**  
**CONTROLLED BY A BANK, A BANK'S BRANCHES AND REPRESENTATIVE**  
**OFFICES**

**Article 6.** *Repealed as of 1 May 2015*

**Article 7.** *Repealed as of 1 May 2015*

**Article 8.** *Repealed as of 1 May 2015*

**Article 9. Licence**

1. A bank being established shall be registered in the Register of Legal Entities, and where the licence of a bank is issued not to a bank being incorporated, appropriate amendments may be made in the Register of Legal Entities solely upon issue of the licence of a bank.

2. When issuing a licence, the supervisory authority may restrict the right of a bank to provide one or several licensed financial services where this is requested by the bank or where it is not prepared to provide all licensed financial services. Restrictions on the provision of licensed financial services shall be removed where the bank submits an application and the documents and data evidencing that the bank is prepared to provide all licensed financial services.

3. A licence shall be issued for an indefinite period of time.

4. A bank shall be prohibited from transferring the rights granted by a licence or otherwise permitting another person to provide licensed financial services not on behalf of the bank and not for the benefit of the bank.

5. A licence shall be granted by the supervisory authority according to the procedure set forth by this Law and legal acts.

6. For a licence to be issued, an application and the following documents and data specified by legal acts of the supervisory authority shall be submitted, including:

- 1) articles of association of a bank;
- 2) memorandum of association and the deed of incorporation of a company;
- 3) minutes of the statutory meeting and the list of participants of the meeting;
- 4) the list of founders (if a legal person is established already, the list of shareholders) and the data on the proportion of the bank's authorised capital and/or voting rights being acquired by each one of them;
- 5) documents and data necessary to assess whether persons acquiring a qualifying holding of the authorised capital and/or voting rights of a bank, or in the absence of such persons, 20 founders acquiring the largest part of the authorised capital and/or voting rights (if a legal person is established already, the list of shareholders) are fit and proper in accordance with the provisions of Article 25 of this Law;
- 6) list of heads of the bank whose election or appointment is subject to an authorisation of the supervisory authority and documents specified by the supervisory authority necessary to assess whether these persons are fit and proper in accordance with the provisions of Article 34 of this Law;
- 7) documents proving that shares of the bank have been fully paid-up;
- 8) an authorisation of a foreign supervisory authority to establish a controlled bank in the Republic of Lithuania or the information that this institution does not oppose the establishment of the bank (the information shall be provided in the case of establishment of a controlled bank by a foreign bank);
- 9) documents proving that the bank being established has the minimum capital of a bank laid down by this Law;
- 10) an operating plan of the bank for the first three years;
- 11) a description of the management and organisational structure;
- 12) a draft of the accounting policy and a detailed description of the accounting organisation;

13) documents and information evidencing that the bank has internal control system, personnel, technical, information and technological security means, premises and insurance of property ensuring safe and sound activities of the bank;

14) conclusions, authorisations or other documents issued by other state institutions on the preparedness to provide licensed financial services where this is required by other laws.

7. Prior to issuing a licence, the supervisory authority shall refer for advice to the supervisory authority of another Member State of the European Union which is responsible for supervision of foreign banks, financial brokerage firms or insurance undertakings where a bank will be:

1) controlled by a foreign bank, a financial brokerage firm or an insurance undertaking licensed in another Member State of the European Union;

2) an undertaking controlled by a foreign bank, a financial brokerage firm or a parent undertaking of an insurance undertaking licensed in another Member State of the European Union;

3) controlled by the same persons who control a foreign bank or a financial institution or an insurance undertaking licensed in another Member State of the European Union.

8. The supervisory authority shall also consult with the institution referred to in Paragraph 7 of this Article when assessing whether persons acquiring a qualifying holding of the authorised capital and/or voting rights are fit and proper in accordance with Article 25 of this Law and assessing repute, qualification and experience of the heads of the undertakings of the same group, and shall provide the information on this institution itself.

9. The supervisory authority shall have the right to carry out on-the-spot verification of the preparedness of a bank to commence the provision of financial services.

10. Upon the request of the supervisory authority, state and municipal institutions as well as other persons must forthwith supply available information on bank founders, heads, shareholders of a legal person acquiring a licence, their financial situation, activities, discovered infringements of laws and other legal acts, conclusions of conducted verifications and examinations as well as other information required by the supervisory authority for the taking of a decision on the issuance of a licence.

11. The supervisory authority must examine submitted documents and take a decision on the issuance of a licence within six months of the receipt of the application. Where the supervisory authority requests additional documents or data, a decision must be taken within six months of the receipt of the additional documents and data. A decision on the issuance or refusal to issue a licence shall, in any case, be taken within 12 months of the receipt of the application.

12. Articles of association, an operating plan, management and organisational structure, risk management system, remuneration policy and practice, accounting organisation, internal control system, technical, information and technological security means, premises, insurance of property of a bank applying for a licence must ensure safe and sound activities of the bank and comply with the relevant legal acts. The bank must also meet the requirements set by this Law, including the requirements set for the legal form, minimum capital of the bank, requirements for the registered office, shareholders of the bank, including the shareholders who have acquired a qualifying holding in the bank's authorised capital and/or voting rights, heads of the bank, and must be prepared to safely and soundly provide financial services.

13. The supervisory authority shall refuse to issue a licence where:

1) submitted documents do not meet the requirements of the legal acts regulating activities of banks and their supervision, not all the data specified by the legal acts or additionally requested have been submitted or they are incorrect;

2) a bank does not meet the requirements set in paragraph 12 of this Article;

3) close links exist between the bank and other person, which would prevent the supervisory authority from effectively exercising the supervision of a bank;

4) close links exist between the bank and a person from a state other than a Member State of the European Union whose legal acts governing the activities of this person or difficulties in ensuring compliance with the said legal acts may prevent the supervisory authority from effectively exercising the supervision of the bank.

14. A close link shall mean a situation as defined according to the criteria specified in Article 4(1)(38) of Regulation (EU) No 575/2013.

15. A decision on whether or not to issue a licence shall be notified to the Register of Legal Entities according to the procedure set forth in the Regulations of this Register and published on the website of the supervisory authority.

16. A bank shall have the right to commence the provision of financial services only upon the issuance of a licence and registration in the Register of Legal Entities or, where the licence is issued not to a bank being established, only upon the issuance of a licence and making appropriate amendments in the Register of Legal Entities.

17. A bank holding a licence must always meet the requirements set to obtain the licence. In the cases and according to the procedure set forth in this Law and legal acts of the supervisory authority, the bank must notify the supervisory authority of any changes in the data submitted to obtain the licence.

#### **Article 10. Withdrawal of a Licence**

1. The grounds for the withdrawal of a licence shall be laid down by the Law on Financial Institutions. In addition to the grounds laid down in Article 10(2) of the Law on Financial Institutions, a licence may be withdrawn by a decision of the supervisory authority where:

- 1) a bank does not meet the requirements set for the issuance of a licence;
- 2) a bank ceases to exist due to reorganisation or a decision is taken on liquidation thereof;
- 3) a bank does not pay in the first (advance) insurance premium in accordance with the Law on Insurance of Deposits and Liabilities to Investors where it must pay it or where insurance is terminated.

2. Withdrawal of a licence or suspension of validity thereof shall be notified to the bank and the Register of Legal Entities in the manner prescribed by provisions of this Register, supervisory authorities of the EU Member States concerned and published on the website of the supervisory authority.

3. Reasons must be given for a decision of the supervisory authority on the withdrawal of a licence.

4. A licence may also be withdrawn or validity thereof suspended on the grounds and according to the procedure set forth in Chapter Ten of this Law.

5. Upon the withdrawal of a licence, a bank shall not have the right to provide financial services, except the cases when it is necessary to settle with the bank's creditors or to meet the obligations in accordance with the provisions of Article 47 of the Law on Financial Sustainability, and a decision must be taken on the liquidation of the bank or opening of bankruptcy proceedings according to the procedure set forth in Chapters 11 and 12 of this Law.

#### **Article 11. Branches and Other Establishments of a Bank in the Republic of Lithuania**

1. Articles of association of a bank, management and organisational structure, accounting organisation, security means, premises and insurance of property of a branch and other establishments of the bank providing financial services must ensure safe and sound activities of the bank and be in compliance with the relevant legal acts.

2. All establishments of a bank providing financial services must have communication facilities to transmit information on the operations carried out to the registered office of the bank in real time.

3. *Repealed as of 1 May 2015*

#### **Article 12. Representative Office of a Bank**

1. A bank shall have the right to establish a representative office in the Republic of Lithuania and in foreign states.

2. A representative office of a bank shall not have the right to provide financial services.

3. *Repealed as of 1 May 2015*

#### **Article 13. Banks and Branches Thereof in Foreign States**

1. A bank shall have the right to establish a bank in a foreign country, acquire a qualifying holding in the authorised capital and/or voting rights of a foreign bank or increase it so that the

foreign bank would become controlled by it or establish a branch in a foreign state only upon obtaining an authorisation of the supervisory authority.

2. An authorisation to establish a bank in a foreign country, acquire a qualifying holding in the authorised capital and/or voting rights of a foreign bank or increase it so that the foreign bank would become controlled by it or establish a branch in the foreign country shall be issued by the supervisory authority according to the procedure set forth by laws and legal acts of the supervisory authority.

3. For an authorisation to be granted to establish a bank in a foreign country, acquire a qualifying holding of the authorised capital and/or voting rights of a foreign bank or increase it so that the foreign bank would become controlled by it, an application and the documents and data specified by legal acts of the supervisory authority as well as data on the founders (members) of a bank being established or of a bank whose part of the authorised capital and/or voting rights is acquired who hold a qualifying holding in the foreign bank's authorised capital and/or voting rights, the financial situation, operating plan, organisational and management structure and heads of the bank shall be submitted.

4. For an authorisation to be granted to establish a branch in a foreign country, an application and the documents and data specified by legal acts of the supervisory authority as well as the documents and data evidencing that the branch meets the requirements set in Article 11(1) of this Law shall be submitted.

5. Upon the receipt of an application referred to in paragraphs 3 and 4 of this Article, the supervisory authority shall request the supervisory authority of the foreign state wherein a bank is being established or under whose jurisdiction a bank falls, where a proportion of the bank's authorised capital and/or voting rights is being acquired, or wherein a branch of the bank is being established to provide information on the procedure for supervising banks and the requirements set for banks in that state as well as capabilities of the supervisory authority of the Republic of Lithuania to exercise its supervisory functions and obtain the required information, including the information required for the exercise of supervision on a consolidated basis.

6. The supervisory authority must examine submitted documents and take a decision on the granting of an authorisation within three months of the receipt of the application.

7. The supervisory authority shall refuse to grant the authorisation referred to in this Article where:

1) submitted documents do not meet the requirements set in this Law and legal acts of the supervisory authority, not all data specified by the legal acts or required by the supervisory authority have been submitted or they are incorrect;

2) a bank being established or a bank whose proportion of the authorised capital and/or voting rights is being acquired or a branch being established do not meet the requirements set by the supervisory authority or where such an establishment of the bank or of the branch or acquisition of the proportion of the bank's authorised capital and/or voting rights may pose a threat to the safety and soundness of activities of the bank;

3) information requested according to paragraph 5 of this Article is not received from the supervisory authority of a foreign country or it is possible to draw a conclusion on the basis of the submitted information that legal acts of the foreign state do not provide for a sufficient supervision of banks or restrict rights of the supervisory authority when exercising its supervisory functions and obtaining the required information, including the information required for the exercise of supervision on a consolidated basis.

8. In the cases and according to the procedure set forth by this Law and legal acts of the supervisory authority, a bank must notify the supervisory authority of any changes in the data submitted to obtain the authorisations referred to in this Article.

9. Where the supervisory authority establishes that after the granting of the authorisations referred to in this Article, circumstances may arise which would preclude the granting of an authorisation, the supervisory authority shall have the right, according to the procedure set forth in Chapter Ten of this Law, to take a decision on the prohibition of the activities of a branch, obligation to sell or otherwise transfer a proportion of the authorised capital and/or voting rights of a foreign bank and imposition of other sanctions to the bank.

10. This Article shall not apply where a bank establishes a controlled bank in a Member State of the European Union, acquires a proportion of the authorised capital and/or voting rights of

a foreign bank falling under the jurisdiction of a Member State of the European Union, establishes a branch or provides services without establishing the branch in a Member State of the European Union.

**Article 14. Right of a Bank to Provide Financial Services in the Members States of the European Union**

1. A bank shall have the right to establish a branch or provide financial services without establishing the branch in a Member State of the European Union according to the procedure set forth by this Article.

2. Prior to establishing a branch in a Member State of the European Union, a bank shall notify the supervisory authority about this by indicating the state in which it plans to establish a branch and submit the information specified by the supervisory authority on an operating plan of the branch to be established setting out, inter alia, the financial services to be provided, the organisational structure of the branch, the intended registered office (address) of the branch in the foreign state and the heads of the branch.

3. The supervisory authority must transmit to the supervisory authority of a foreign state information submitted by a bank in accordance with paragraph 2 of this Article and information about the amount and structure of own funds of a bank and compliance with own funds requirements in accordance with Article 92 of Regulation (EU) No 575/2013 within three months after receiving the information. The supervisory authority shall have the right to refuse the forwarding of the information to the supervisory authority of the foreign state where the operating plan of a branch, organisational structure or heads thereof or the financial situation of the bank do not meet the requirements set by this Law to the activities envisaged. Reasons must be given for the refusal of the supervisory authority to forward the information, and a decision thereon must be taken within three months of the receipt of the information referred to paragraph 2 of this Article. The bank must be forthwith notified of the forwarding of the information or refusal to forward it to the supervisory authority of the foreign state. The supervisory authority shall notify the European Commission and the European Banking Authority of the refusal to forward information to the supervisory authority of a foreign state.

4. Where a bank has already established at least one branch in a foreign state, the procedure set forth in this Article shall not be applied to the establishment of other branches thereof in that state.

5. In order to provide financial services in a foreign state without establishing a branch, a bank must notify the supervisory authority about this. The notification shall set out the financial services to be provided. The supervisory authority must, within one month, forward this information to the supervisory authority of a foreign state and notify thereof the bank.

6. In the event of a change in any of the particulars communicated to the supervisory authority when effecting the notification referred to paragraphs 2 or 5 of this Article, a bank must notify the supervisory authority about this and the supervisory authority of a foreign country in advance, at least one month before making the change. The supervisory authority shall, within one month, forward the information on the planned changes to the supervisory authority of the foreign state or refuse to forward it where there are grounds referred to in paragraph 3 of this Law and notify thereof the bank. Upon the refusal of the supervisory authority to forward the information on the planned changes to the supervisory authority of the foreign state, the bank shall not have the right to effect these changes. The supervisory authority shall notify the European Commission and the European Banking Authority of the refusal to forward information to the supervisory authority of a foreign state.

*7. Repealed as of 1 January 2012*

**Article 15. Right of the Financial Undertakings Controlled by a Bank to Provide Financial Services in the Member States of the European Union**

1. The right to establish a branch in a Member State of the European Union or provide financial services without establishing the branch according to the procedure set forth by Article 14 of this Law shall also be vested in a financial undertaking controlled by one or several banks and established in the Republic of Lithuania where according to legal acts of the Republic of



Lithuania and establishment documents it has the right to engage in the provision of financial services and meets all of the following requirements:

- 1) the parent bank or banks of the financial undertaking hold a licence obtained according to the procedure set forth by this Law;
- 2) the financial undertaking is already engaged in the provision of the financial services in the Republic of Lithuania which are to be provided in the Member State of the European Union;
- 3) the parent bank or banks of the financial undertaking hold 90 per cent or more of the authorised capital and/or voting rights of the financial undertaking;
- 4) the parent bank or banks of the financial undertaking satisfy the supervisory authority regarding the prudent management of the controlled financial undertaking and have declared, with the consent of the supervisory authority, that the parent bank or banks of the financial undertaking jointly and severally guarantee the commitments entered into by the controlled financial undertaking;
- 5) the controlled financial undertaking is supervised by exercising the supervision of the parent bank or banks on a consolidated basis.

2. Before effecting a notification pursuant Article 14(3) of this Law, the supervisory authority shall indicate therein, inter alia, whether the controlled financial undertaking meets the requirements set in paragraph 1 of this Article and submit information on the amount and structure of own funds of a financial undertaking as well as the risk weighted exposure amounts of a parent bank calculated in accordance with Article 92(3) and (4) of Regulation (EU) No 575/2013.

3. A financial undertaking which is the subject of a notification effected according to the procedure set forth by this Article must submit to the supervisory authority the information specified by legal acts thereof and required to supervise the compliance with terms and conditions set in this Article. After the effecting of the notification, the capital of the financial undertaking may not be reduced, and the undertaking must ensure adequate management and organisational structure, accounting organisation and internal control system. Moreover, the supervisory authority shall have the right to inspect the financial undertaking according to the procedure set forth by this Law and to impose to it administrative penalties in accordance with the Code of Administrative Offences. Where the controlled financial undertaking no longer meets at least one requirement set in paragraph 1 of this Article, the supervisory authority shall notify the supervisory authority of a foreign state about this.

### **CHAPTER THREE**

#### **ACTIVITIES OF FOREIGN BANKS IN THE REPUBLIC OF LITHUANIA**

##### **Article 16. Activities of Foreign Banks in the Republic of Lithuania**

1. Foreign banks may, according to the procedure set forth by this Law, establish banks in the Republic of Lithuania, acquire a proportion of the authorised capital and/or voting rights of the banks in operation and establish branches and representative offices; the foreign banks licensed in the Member States of the European Union shall also have the right to provide financial services without establishing a branch in the Republic of Lithuania pursuant to Article 20 of this Law.

2. The branch of a foreign bank may commence the provision of financial services in the Republic of Lithuania only upon obtaining of a licence according to the procedure set forth by this Law.

3. Paragraph 2 of this Law shall not apply to the foreign banks licensed in the Member States of the European Union and establishing a branch in the Republic of Lithuania according to the procedure set forth by Article 20 of this Law.

4. A representative office of a foreign bank may be established in the Republic of Lithuania according to the procedure set forth by this Law only upon obtaining an authorisation to establish the representative office of the bank. This provision shall not be applied to the foreign banks licensed in the Member States of the European Union.

5. The requirements set for banks under this Law shall be applied to branches and representative offices of foreign banks and to activities, supervision, termination and restructuring thereof to the extent that they do not contradict the essence of a branch or representative office and this Law does not provide otherwise.

6. A branch of a foreign bank established in the Republic of Lithuania, when providing financial services in a place other than the registered office of the branch, does not need to establish the branch therein. Where the foreign bank establishes more than one branch in the Republic of Lithuania, it must specify one branch which would provide the supervisory authority with the information on all branches established in the Republic of Lithuania as specified in this Law and legal acts of the supervisory authority.

7. Where legal acts of a state other than a Member State of the European Union under whose jurisdiction falls a foreign bank establishing a bank in the Republic of Lithuania, acquiring a qualifying holding in the bank's authorised capital and/or voting rights or establishing a branch or representative office provide for additional or stricter, as compared with this Law, requirements and terms set for Lithuanian banks wishing to pursue business in that state on the establishment of a bank, acquisition of a qualifying holding in the bank's authorised capital and/or voting rights or the establishment of a branch or representative office, the supervisory authority shall have the right to require that the foreign bank wishing to pursue business in the Republic of Lithuania meet the same requirements and terms.

#### **Article 17. Granting of a Licence to a Bank Established in the Republic of Lithuania by a Foreign Bank**

A licence to a bank being established in the Republic of Lithuania by a foreign bank shall be issued in accordance with the procedure set in Article 9 of this Law.

#### **Article 18. Repealed as of 1 May 2015**

#### **Article 19. Granting of a Licence to a Branch of a Foreign Bank**

1. A licence issued to a branch of a foreign bank shall be subject *mutatis mutandis* to Article 9(1) to (4) of this Law.

2. A licence to a branch of a foreign bank shall be granted by the supervisory authority according to the procedure set forth by laws and legal acts of the supervisory authority.

3. In order to obtain a licence for a branch activities, the supervisory authority shall submit an application and the following documents and data:

- 1) articles of association of the branch;
- 2) a list of heads of the bank, other persons whose election or appointment is subject to an authorisation of the supervisory authority, and persons and documents necessary to assess whether these persons are fit and proper in accordance with the provisions of Article 25 and Article 34 of this Law;
- 3) an operating plan of the branch for the first three years;
- 4) documents and data on the branch specified in Article 9(6)(11) to (14) of this Law;
- 5) the establishment documents of a foreign bank, certificate of registration, licence or other documents granting the right to pursue the business of a credit institution;
- 6) the decision of a competent body of a foreign bank to establish a branch in the Republic of Lithuania;
- 7) data and documents evidencing that a foreign bank meets the soundness criteria set by legal acts of the supervisory authority with regard to the capital of a foreign bank, operation and the period of operation in a foreign state, infringements of legal acts or other relevant factors for the assessment of a foreign bank;
- 8) a written confirmation that the supervisory authority of a foreign state under whose jurisdiction the foreign bank falls does not object to the establishment of the branch or operation in the Republic of Lithuania and information of this supervisory authority on the procedure for supervising foreign banks in that state, including branches thereof in foreign states, and the requirements set for banks as well as the obligation to exercise supervision of the branch established in the Republic of Lithuania and to provide information to the Lithuanian supervisory authority;
- 9) other documents and data provided for in the legal acts of the supervisory authority.

4. The supervisory authority shall have the right to carry out on-the-spot verification of the preparedness of a branch to commence the provision of financial services.

5. The supervisory authority must examine submitted documents and take a decision on the issuance of a licence within six months of the receipt of the application. Where the supervisory authority requests additional documents or data, a decision must be taken within six months of the receipt of the additional documents and data. A decision on the issuance or refusal to issue a licence shall, in any case, be taken within 12 months of the receipt of the application.

6. Regulations of a branch of a foreign bank, heads, operating plan, management and organisational structure, accounting organisation, internal control system, security means, premises and insurance of property thereof must ensure safe and sound activities of the branch and be in compliance with the relevant legal acts. A branch of a foreign bank must also comply with other requirements set by this Law and be prepared to provide financial services in a safe and sound manner.

7. The supervisory authority shall refuse to issue a licence where:

1) submitted documents do not meet the requirements set in this Law and legal acts of the supervisory authority, not all the data specified by the legal acts or additionally required have been submitted or they are incorrect;

2) a branch does not meet the requirements set in paragraph 6 of this Article.

3) a foreign bank establishing a branch does not meet the credibility criteria set by legal acts of the supervisory authority;

4) the supervisory authority of a foreign state under whose jurisdiction a foreign bank falls objects to the establishment of the branch in the Republic of Lithuania or does not undertake to supervise the activities of the branch in the Republic of Lithuania, does not undertake to supervise the activities of the branch of the foreign bank in the Republic of Lithuania and provide information to the supervisory authority of the Republic of Lithuania under the terms acceptable to it;

5) procedure and requirements of branch supervision in a foreign state under whose jurisdiction a foreign bank falls do not ensure safe and sound activities of a branch or may prevent the supervisory authority from exercising its functions.

8. A decision on whether or not to issue a licence shall be notified to the Register of Legal Entities according to the procedure set forth in the Regulations of this Register and published on the website of the supervisory authority.

9. A foreign bank which has been issued a licence must, under any circumstances, meet the requirements set to obtain the licence. In the cases and according to the procedure set forth by this Law and legal acts of the supervisory authority, the bank must notify the supervisory authority of any changes in the particulars submitted to obtain the authorisation to establish a branch and to obtain the licence.

10. A licence shall be withdrawn by a decision of the supervisory authority on the grounds and according to the procedure set forth by Article 10 of this Law, also where the bank which has established a branch is being wound up or bankruptcy proceedings have been opened against it.

## **Article 20. Right of Foreign Banks Licensed in the Member States of the European Union to Establish a Branch in the Republic of Lithuania or to Provide Financial Services without Establishing a Branch**

1. A foreign bank licensed in a Member State of the European Union may, according to the procedure set forth in this Article, establish a branch in the Republic of Lithuania or provide financial services without establishing a branch. The right to provide financial services without establishing a branch shall not entitle a foreign bank licensed in a Member State of the European Union to engage in the permanent provision of financial services in the Republic of Lithuania.

2. A foreign bank licensed in a Member State of the European Union may establish a branch in the Republic of Lithuania and provide the financial services which the foreign bank has the right to provide according to an authorisation granted or a licence issued to it by the supervisory authority of a foreign state where:

1) the supervisory authority has received from the supervisory authority of a foreign state under whose jurisdiction the foreign bank falls a notification containing information on an operating plan of the branch setting out, inter alia, the financial services to be provided, the organisational structure of the branch, the intended registered office (address) of the branch in the Republic of Lithuania, the heads of the branch, information about the amount and structure of own

funds of a bank and compliance with own funds requirements in accordance with Article 92 of Regulation (EU) No 575/2013;

2) a notification has been received from the supervisory authority on the preparedness to exercise supervision and, where necessary, information on the requirements set by legal acts for the protection of public interests and binding on the branch which is engaged in the provision of financial services in the Republic of Lithuania.

3. A branch of a foreign bank licensed in a Member State of the European Union may be established and commence its activities upon the receipt by the foreign bank of a notification referred to in point 2 of paragraph 2 of this Article, and where no notification is received – two months from the receipt of the information referred to in point 1 of paragraph 2 of this Article by the Lithuanian supervisory authority from the supervisory authority of the foreign state.

4. Where a foreign bank referred to in paragraph 1 of this Article has already established at least one branch in the Republic of Lithuania, the procedure set forth by this Article shall not be applied to the establishment of other branches thereof.

5. A foreign bank licensed in a Member State of the European Union may commence the provision of financial services in the Republic of Lithuania without establishing a branch from the receipt of a notification setting out the financial services to be provided by the Lithuanian supervisory authority from the supervisory authority of a foreign state under whose jurisdiction the foreign bank falls.

6. In the event of a change in any of the particulars on the operating plan of a branch, the organisational structure of the branch, the registered office (address) of the branch in the Republic of Lithuania or the heads of the branch communicated to the supervisory authority pursuant to point 1 of paragraph 2 of this Article, a foreign bank must notify about this the Lithuanian supervisory authority in advance, at least one month before making the change.

#### **Article 21. Activities Carried on in the Republic of Lithuania by the Financial Undertakings which are Controlled by the Foreign Banks Licensed in the Member States of the European Union**

1. A financial undertaking which is controlled by one or several foreign banks licensed in a Member State of the European Union shall have the right to establish a branch in the Republic of Lithuania or provide financial services without establishing a branch according to the procedure set forth by Article 20 of this Law, provided it has the right to engage in the provision of financial services in compliance with legal acts of the foreign state and its establishment documents and fulfils all of the following conditions:

1) the parent bank or banks of the financial undertaking have obtained an authorisation to pursue the business of a credit institution in a foreign state whose legal acts regulate the activities of an controlled financial undertaking;

2) the financial undertaking is already engaged in a Member State of the European Union in the provision of the financial services to be provided in the Republic of Lithuania;

3) the parent bank or banks of the financial undertaking hold 90 per cent or more of the authorised capital and/or voting rights of the financial undertaking;

4) the parent bank or banks of the financial undertaking satisfy the supervisory authority of a foreign state regarding the prudent management of the controlled financial undertaking and have declared, with the consent of the supervisory authority of the foreign state, that the parent bank or banks of the financial undertaking jointly and severally guarantee the commitments entered into by the controlled financial undertaking;

5) the controlled financial undertaking is supervised by exercising the supervision of the parent bank or banks on a consolidated basis.

2. A financial undertaking referred to paragraph 1 of this Article may establish a branch or provide financial services in the Republic of Lithuania without establishing a branch where the supervisory authority of a foreign state, when effecting a notification pursuant to Article 20(2)(1) of this Law, indicates, inter alia, whether the controlled financial undertaking meets the requirements set in paragraph 1 of this Article and submit information on the amount and structure of own funds of a financial undertaking as well as the risk weighted exposure amounts of a parent bank calculated in accordance with Article 92(3) and (4) of Regulation (EU) No 575/2013.

3. Where the supervisory authority of a foreign state notifies the Lithuanian supervisory authority that a controlled financial undertaking no longer satisfies at least one of the conditions referred to in paragraph 1 of this Article, the financial undertaking shall thereupon be applied all requirements set by laws of the Republic of Lithuania for the persons providing such financial services.

4. Provisions of this Article shall apply *mutatis mutandis* to the financial undertakings controlled by the financial undertakings which are controlled by the foreign banks licensed in the Member States of the European Union.

#### **Article 22. Representative Office of a Foreign Bank in the Republic of Lithuania**

1. A representative office of a foreign bank shall not have the right to provide financial services in the Republic of Lithuania.

2. An authorisation for activities of a representative office of a foreign bank in the Republic of Lithuania shall be granted by the supervisory authority according to the procedure set forth by laws and legal acts of the supervisory authority.

3. In order to obtain an authorisation for activities of a representative office, a foreign bank shall submit an application and the documents and data specified by legal acts of the supervisory authority, including:

1) the establishment documents of the foreign bank, certificate of registration, licence or other documents granting the right to pursue the business of a credit institution;

2) a decision of the management body of the foreign bank to establish a representative office in the Republic of Lithuania;

3) a written consent of the supervisory authority of a foreign state under whose jurisdiction the foreign bank falls to establish a representative office in the Republic of Lithuania.

4. The supervisory authority must examine submitted documents and take a decision on the granting of an authorisation for activities of a representative office of a foreign bank within three months of the receipt of the application.

5. The supervisory authority may refuse to grant an authorisation for the activities of a representative office of a foreign bank where:

1) the submitted documents do not meet the requirements set in this Law and legal acts of the supervisory authority, not all the data specified by the legal acts or additionally required have been submitted or they are incorrect;

2) a foreign bank establishing a representative office or a representative office does not meet the requirements set by legal acts of the supervisory authority;

3) the supervisory authority of a foreign state under whose jurisdiction the foreign bank falls objects to the establishment of a representative office in the Republic of Lithuania.

6. The supervisory authority shall give a written notice to the Register of Legal Entities of a decision taken to grant or not to grant an authorisation for the activities of a representative office of a foreign bank.

7. A representative office of a foreign bank, in the cases and according to the procedure set forth by legal acts of the supervisory authority, must give notice to the supervisory authority of the registration of the representative office in the Register of Legal Entities and of any changes in the particulars submitted to obtain an authorisation for the activities of a representative office of a foreign bank.

### **CHAPTER FOUR SHAREHOLDERS OF A BANK**

#### **Article 23. Shareholders of a Bank**

1. *Repealed as of 1 May 2015*

2. *Repealed as of 1 May 2015*

3. Shareholders of a bank may not be:

1) the legal persons financed from State or municipal budgets;

2) the persons who have not submitted, in the cases and according to the procedure set forth by legal acts, to the supervisory authority data on their identities, members, activities, financial situation, the heads of a legal person, the persons for whose benefit shares are acquired or the legitimacy of the acquisition of the funds used to acquire the bank's shares or who have not proved the legitimacy of the acquisition of the funds used to acquire the bank's shares;

3) the persons who object that the supervisory authority manages, in the cases and according to the procedure set forth by laws and other legal acts, their data required for the performance of its functions, including their personal data and information on a person's previous convictions and health.

*4. Repealed as of 1 May 2015*

5. A bank must manage the list of the bank's members (shareholders) according to the procedure set forth by the Law on Financial Institutions. The bank must, not later than within five days, notify the supervisory authority of any case of acquisition, increase, transfer or reduction of a qualifying holding in the bank's authorised capital and/or voting rights exceeding the thresholds specified in paragraph 1 or 2 of Article 24 of this Law or of that case when the bank becomes or ceases to be controlled. Moreover, the bank must submit particulars of the list of the bank's members (shareholders) to the supervisory authority within ten days from the date of the annual general meeting of the shareholders or otherwise upon the request of the supervisory authority.

6. The bank's shareholders must exercise their rights and perform their obligations in such a way as to ensure the stability and soundness of the bank's activities.

#### **Article 24. Qualifying Holding in the Bank's Authorised Capital and/or Voting Rights**

1. A person or the persons acting in concert (hereinafter: 'acquirer') who have taken a decision on the acquisition of a qualifying holding in the bank's authorised capital and/or voting rights or to increase it so that the proportion of the bank's authorised capital and/or voting rights held by him would reach or exceed 20 per cent, 30 per cent or 50 per cent of the holding or so that the bank would become controlled by him (hereinafter: the 'proposed acquisition') must give a written notice thereof to the supervisory authority and indicate the size of the proportion of the qualifying holding in the bank's authorised capital and/or voting rights to be acquired, also submit the documents and provide the data specified in a list indicated in Article 25(2) of this Law. A failure to comply with the requirement to obtain the decision of the supervisory authority not to oppose the proposed acquisition shall not invalidate a transaction, however it shall give rise to the consequences specified in paragraph 4 of this Article and Articles 72 and 73 of this Law.

2. A person who has taken a decision on the transfer of a qualifying holding in the bank's authorised capital and/or voting rights or to reduce it so that the proportion of the bank's authorised capital and/or voting rights held by him would fall below 20 per cent, 30 per cent or 50 per cent of the holding or so that the bank would cease to be controlled by him must give a written notice thereof to the supervisory authority and indicate the size of the proportion of the qualifying holding in the bank's authorised capital and/or voting rights to be transferred.

3. When determining a qualifying holding in the authorised capital and/or voting rights for the purposes indicated in this Article and in Article 23 of this Law, obligation to give notice of the acquisition or disposal of the qualifying holding of the Law on Securities and procedure for counting votes held by the person shall be taken into account. Moreover, when determining a qualifying holding in a bank's authorised capital and/or voting rights, no account shall be taken of the voting rights or shares which financial brokerage firms or credit institutions may hold as a result of the rendered investment service of underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis, provided that those rights are not exercised or otherwise used to intervene in the management of the issuer and that they are disposed of within one year of acquisition.

4. Where a qualifying holding in a bank's authorised capital and/or voting rights has been acquired or increased without giving a notice thereof to the supervisory authority in accordance with paragraph 1 of this Article or prior to the expiry of the time limit specified in Article 25(4) of this Law (with the exception of the case of receipt of a decision of the supervisory authority not to oppose the proposed acquisition prior to the expiry of the time limit specified in Article 25(4) of this Law) or in the event of the opposition of the supervisory authority to the proposed acquisition,

also where the supervisory authority imposes a sanction referred to in Article 72(1)(7), the entire proportion of the bank's authorised capital and/or voting rights held by the acquirer at the general meeting of the bank's shareholders shall be divested of the voting right. The voting right shall be re-acquired on the day of receipt of a decision by the supervisory authority not to oppose the proposed acquisition or where the supervisory authority does not declare its opposition to the proposed acquisition or when the sanction referred to in Article 72(1)(7) ceases to have effect in accordance with the procedure established in Article 72(11).

#### **Article 25. Assessment of the Acquirer and the Proposed Acquisition**

1. The acquirer shall submit a notification of the proposed acquisition, the documents and data necessary for performance of an assessment of the acquirer and the proposed acquisition in accordance with the procedure laid down by this Law and legal acts of the supervisory authority.

2. The supervisory authority shall establish a list of the documents and data submitted together with the notification of the proposed acquisition and required for the assessment of the acquirer and the proposed acquisition. The documents and data indicated in this list must be proportionate to and adjusted for the acquirer and the proposed acquisition. The list may not contain the documents and data which are not required for the assessment of the acquirer and the proposed acquisition according to the criteria established in paragraph 8 of this Article.

3. Upon the receipt of a notification of the proposed acquisition, the documents and data necessary for performance of an assessment of the acquirer and the proposed acquisition, also upon the subsequent receipt, in accordance with paragraph 6 of this Article, of additional documents and data, the supervisory authority shall immediately, within two working days, acknowledge in writing the receipt thereof to the acquirer.

4. The supervisory authority shall have a maximum of 60 working days for performance of an assessment of the acquirer and the proposed acquisition as from the date of the written acknowledgement of receipt of the notification of the proposed acquisition and all documents and data necessary to carry out the assessment of the acquirer and the proposed acquisition (hereinafter: the 'assessment period'). When acknowledging the receipt of a notification of the proposed acquisition and all the documents and data necessary for performance of an assessment of the acquirer and the proposed acquisition or of the additional documents and data submitted in accordance with paragraph 6 of this Article, the supervisory authority shall give a notice to the acquirer of the date of expiry of the assessment period.

5. The supervisory authority may, during the assessment period, if necessary, and no later than on the 50th working day of the assessment period, request the acquirer to submit additional documents and data that are required to complete the assessment of the acquirer and the proposed acquisition. Such a request shall be made in writing and shall specify the additional documents and data needed.

6. For the period between the date of filing a request by the supervisory authority to submit additional documents and data required to complete an assessment and the receipt of a response by the acquirer to the request of the supervisory authority, the assessment period shall be interrupted. The interruption of the assessment period may not exceed 20 working days. The supervisory authority may, at its own discretion, further request completion or clarification of the documents and data at its own discretion, but this may not result in an interruption of the assessment period.

7. The supervisory authority may extend the interruption of the assessment period as indicated in paragraph 6 of this Article for a period not exceeding 30 working days where the acquirer is:

- 1) situated or regulated in a country other than a European Union Member State, or
- 2) not subject to supervision under legal acts of the Republic of Lithuania or other Member States of the European Union regulating the activities of credit institutions, insurance undertakings, reinsurance undertakings, financial brokerage firms or management companies of harmonised collective investment undertakings.

8. In assessing the submitted notification of the proposed acquisition and the documents and data necessary for the assessment of the acquirer and the proposed acquisition as well as the submitted additional documents and data, the supervisory authority shall, in order to ensure the sound and prudential management of a bank in respect of which an acquisition is proposed, and

having regard to the likely influence of the acquirer on the bank, appraise the suitability of the acquirer and the financial soundness of the proposed acquisition against all of the following criteria:

- 1) the good repute of the acquirer (Article 34(12) and (13) of this Law);
- 2) the good repute and experience of the person who will be the head of the bank following the proposed acquisition (Article 34(2) of this Law);
- 3) the financial soundness of the acquirer, in particular in relation to the type of business pursued and envisaged in the bank in which the acquisition is proposed;
- 4) whether the bank will be able to comply at all times, following implementation of the proposed acquisition, with the prudential requirements as set forth by this Law and other legal acts, in particular, whether a group of which the bank will become a part has a structure that makes it possible to exercise effective supervision, effectively exchange information among supervisory authorities and determine the allocation of responsibilities among the supervisory authorities;
- 5) whether there is an appropriate ground to suspect that, in connection with the proposed acquisition, the activities of money laundering or terrorist financing as defined by the Law on Prevention of Money Laundering and Terrorist Financing are being or were carried out or attempted, or that the proposed acquisition could increase the risk thereof.

9. The supervisory authority shall have the right to oppose the proposed acquisition solely when, based on the criteria specified in paragraph 8 of this Article, there is an appropriate ground therefore or when the information as supplied by the acquirer is incomplete.

10. The supervisory authority may neither impose any prior conditions in respect of the size of a qualifying holding in a bank's authorised capital and/or voting rights that must be acquired nor examine the proposed acquisition in terms of the economic needs of the market.

11. Where two or more proposed acquisitions have been notified to the supervisory authority regarding the same bank, the latter shall consider all the notifications received in accordance with the same procedure treating the acquirers in a non-discriminatory manner.

12. If the supervisory authority decides to oppose the proposed acquisition, it shall, within two working days and not exceeding the assessment period, inform the acquirer thereof in writing and provide the reasons for that decision. Moreover, the decision shall indicate all opinions or reservations received from other supervisory authorities following consultation according to paragraphs 15 and 16 of this Article. The supervisory authority shall have the right, at the request of the acquirer or at its own initiative, to publish information on the reasons for taking the decision to oppose the proposed acquisition.

13. Where the supervisory authority does not declare its opposition to the proposed acquisition during the assessment period, it shall be held that the supervisory authority does not oppose the proposed acquisition. If the supervisory authority takes a decision not to oppose the proposed acquisition prior to expiry of the assessment period, it must notify the acquirer thereof in writing within two working days.

14. When taking a decision not to oppose the proposed acquisition, the supervisory authority shall have the right to set a maximum time limit for implementing the proposed acquisition. Where necessary, this time limit may be extended.

15. The supervisory authority shall refer for advice to appropriate supervisory authorities of other Member States of the European Union where the acquirer is:

- 1) a foreign bank, insurance undertaking, reinsurance undertaking, financial brokerage firm or management company of harmonised collective investment undertakings licensed in another Member State of the European Union, or
- 2) the parent company of a foreign bank, insurance undertaking, reinsurance undertaking, financial brokerage firm or management company of harmonised collective investment undertakings licensed in another Member State of the European Union, or
- 3) a person controlling a foreign bank, insurance undertaking, reinsurance undertaking, financial brokerage firm or management company of harmonised collective investment undertakings licensed in another Member State of the European Union.

16. The supervisory authority shall, in consultation according to paragraph 15 of this Article, request other appropriate supervisory authorities to provide all information which is relevant for the assessment of suitability of the acquirer and the financial soundness of the proposed acquisition and shall communicate without delay to other supervisory authorities upon



their request the information relevant for the assessment being conducted and shall communicate on its own initiative all information essential for the assessment being conducted.

17. Where it is suspected that the activities of money laundering or terrorist financing may be carried out or were carried out or attempted during the proposed acquisition or that the proposed acquisition could increase the risk thereof, the supervisory authority shall refer to the state institutions responsible for prevention of money laundering and/or terrorist financing with a request to provide available data and conclusions. Upon the request of the supervisory authority, the state institutions responsible for prevention of money laundering and/or terrorist financing, other state and municipal institutions, also other persons must forthwith supply available information on the acquirer, members and heads thereof, their financial situation, activities, discovered infringements of laws and other legal acts, conclusions of conducted verifications and examinations as well as other information required by the supervisory authority to perform an assessment of the acquirer and the proposed acquisition.

**Article 26.** *Repealed as of 1 May 2015*

**Article 27. Forced Sale of a Bank's Shares**

1. The supervisory authority shall have the right to apply to the courts requesting the forced sale of the bank's shares owned by a shareholder of the bank who fails to meet the requirements set by this Law or is exerting an influence which operates to the detriment of the sound management of the bank to a person or persons indicated by the supervisory authority by granting the pre-emption right to other shareholders of the bank.

2. Where in the cases specified by this Law the general meeting of a bank's shareholders does not take decisions on the restoration of the minimum amount of the capital of the bank or where within the fixed time limit the capital is not restored, the supervisory authority shall have the right to apply to the court requesting the forced sale of the shares owned by all shareholders of the bank to a person or persons indicated by the supervisory authority and meeting the requirements set by this Law.

3. The forced sale of the bank's shares shall be carried out according to the procedure set forth in Chapter IX of Part II of Book Two of the Civil Code of the Republic of Lithuania. Work of the experts appointed by the court and their other expenses shall be borne by the bank.

**Article 28.** *Repealed as of 18 November 2011*

**Article 29.** *Repealed as of 18 November 2011*

**CHAPTER FIVE  
MANAGEMENT OF A BANK**

**Article 30. Bodies of a Bank**

1. A bank must have the following bodies: the general meeting of shareholders, the supervisory board, the board and the head of administration.

2. The management bodies of a bank shall be the bank's board and the head of the administration. The bank's articles of association must clearly establish and define the powers and functions of the bank's board and the head of administration.

3. The general meeting of shareholders and the supervisory board as well as meetings of the board, in addition to other statutory grounds, may also be convened upon the instruction of the supervisory authority.

4. The bank's articles of association, the Civil Code, this Law, the Law on Financial Institutions and the Law on Companies shall set forth the procedure for the formation and operation of the bodies of the bank and specify powers, functions and liability thereof, except where this Law provides otherwise.

**Article 31. Supervisory Board of a Bank**

1. The supervisory board of a bank shall:

1) approve operating plans of the bank;

2) lay down the procedure for lending, which may be carried out only upon the approval of the bank's supervisory board;

3) ensure that the bank has efficient internal control system;

4) consider or decide on the issues which must be considered or decided on by the bank's supervisory board under this Law and other laws or the bank's articles of association.

2. Minutes must be taken of all meetings of a bank's supervisory board. The minutes of a meeting must:

1) specify the venue and time of the meeting, members of the supervisory board attending the meeting, the chairperson of the meeting, information on whether the meeting has a quorum, the agenda of the meeting;

2) present the substance of every issue considered at the meeting, specify the documents and information on the basis whereof every issue is considered, submit a report on speeches of the persons attending the meeting and on proposals made on every issue considered at the meeting, a record of the results of voting and decisions taken and attach the individual opinions and protests of the persons attending the meeting.

3. The documents submitted when considering issues on the agenda of a meeting as well as the documents referred to in paragraph 4 of this Article must be attached to the minutes of the meeting.

4. All members of the bank's supervisory board, including those who did not attend a meeting of the bank's supervisory board, must be granted access to the minutes of the meeting of the bank's supervisory board within five days or, where this is impossible, as soon as the circumstances permit. A member of the bank's supervisory board must confirm in writing that he has been granted access to the minutes of the meeting of the bank's supervisory board and, where he does not agree with the decisions taken at the meeting, forthwith declare his protest in writing to the supervisory board.

5. Every member of the bank's supervisory board must take all possible measures to ensure that the supervisory board decides on the issues within the limits of its powers and that the decisions meet the requirements set in legal acts. A member of the bank's supervisory board shall be held liable for nonfeasance or misfeasance of this duty or other duties set forth by legal acts in the same manner as members of the management bodies of the bank under laws, the bank's articles of association and agreements concluded with the bank.

6. A member of the bank's supervisory board may also be a member of the board of the parent undertaking of the bank.

### **Article 32. Board of a Bank**

1. The board of a bank shall be a collegial management body of the bank.

2. The board of a bank shall:

1) elect (appoint) and remove from office the head of the administration and his deputy;

2) consider or decide on the issues which must be considered or decided on by the bank's board under this Law and other laws or the bank's articles of association.

3. Minutes must be taken of all meetings of the bank's board. The minutes of a meeting must:

1) specify the venue and time of the meeting, members of the board attending the meeting, the chairperson of the meeting, information on whether the meeting has a quorum, the agenda of the meeting;

2) present the substance of every issue considered at the meeting, specify the documents and information on the basis whereof every issue is considered, submit a report on speeches of the persons attending the meeting and on proposals made on every issue considered at the meeting, a record of the results of voting and decisions taken and attach the individual opinions and protests of the persons attending the meeting.

4. The documents submitted when considering issues on the agenda of a meeting as well as the documents referred to in paragraph 5 of this Article must be attached to the minutes of the meeting.

5. All members of a bank's board, including those who did not attend a meeting of the bank's board, must be granted access to the minutes of the meeting of the bank's board within five days or, where this is impossible, as soon as the circumstances permit. A member of the bank's

board must confirm in writing that he has been granted access to the minutes of the meeting of the bank's board and, where he does not agree with the decisions taken at the meeting, forthwith declare his protest in writing to the board.

6. Every member of a bank's board must take all possible measures to ensure that the board decides on the issues within the limits of its powers and that the decisions meet the requirements set in legal acts. A member of the bank's supervisory board shall be held liable for nonfeasance or misfeasance of this duty or other duties set forth by legal acts in the same manner as members of the management bodies of the bank under laws, the bank's articles of association and agreements concluded with the bank.

### **Article 33. Head of the Administration of a Bank and his Deputy**

1. A bank must have the head of the administration and his deputy (hereinafter: 'the heads of the administration').

2. The chairperson of the board of a bank must be the head of the administration or his deputy.

3. The heads of the administration of a bank shall be held liable for nonfeasance or misfeasance of the duties set forth by legal acts or the bank's articles of association under laws, the bank's articles of association and the agreements concluded with the bank.

4. Provisions of paragraphs 1 and 3 of this Article shall apply to a branch of a foreign bank.

### **Article 34. Heads and Employees of a Bank**

1. Heads of a bank shall be:

- 1) members of the bank's supervisory board;
- 2) members of the bank's board;
- 3) heads of the administration;
- 4) head of the internal audit service;

5) heads of the branches and representative offices of a bank as well as other employees of the bank and other persons who, in accordance with the bank's articles of association, resolutions of the board, the rules of procedure of the administration or by a decision of the heads of the administration, have been authorised to independently take decisions on the provision of financial services and to conclude, on behalf of the bank, the transactions meeting the criteria set by legal acts of the supervisory authority and having risk characteristics.

2. Heads of a bank must be of good repute (paragraphs 12 and 13 of this Article) and have qualifications and experience allowing them to properly exercise their functions. Requirements for the qualifications and experience of the heads of the bank shall be set by legal acts of the supervisory authority. The persons who object that the supervisory authority manages, in the cases and according to the procedure set forth by laws and other legal acts, their data required for the issuance of the licences and granting of the authorisations and consents provided for under this Law, including their personal data and information on the person's previous convictions and health cannot be heads of the bank.

3. At least one head of the bank's administration must speak the Lithuanian language and permanently reside in the Republic of Lithuania.

4. Only the persons holding an authorisation of the supervisory authority may be heads of a bank. Legal acts of the supervisory authority may provide for the cases where the requirement for the authorisation of the supervisory authority may be waived.

5. A bank (prior the establishment of the bank – founders thereof) must, prior to the election or appointment of a person head of the bank, notify thereof the supervisory authority and submit an application to grant an authorisation to elect or appoint the head of a bank, the documents and data specified by legal acts of the supervisory authority and evidencing that the person meets the requirements set by this Law and other legal acts.

6. An application to grant an authorisation to elect or appoint the head of a bank shall be examined and a decision thereon shall be taken not later than within 40 working days from the receipt of the application. Where the supervisory institution requests additional documents and information required for the decision, it shall apply to the competent institutions regarding information submission or the person requesting the authorisation shall submit additional

information himself, the time limit of 40 working days shall be counted from the receipt of additional information.

7. The supervisory authority shall refuse to grant an authorisation to elect or appoint the head of a bank where:

1) submitted documents do not meet the requirements set in this Law and legal acts of the supervisory authority, not all data specified by the legal acts or additionally requested have been submitted or they are incorrect;

2) in the opinion of the supervisory authority, the heads of the bank do not meet the requirements referred to in paragraphs 2 or 3 of this Article;

3) a person whose election or appointment is subject to an authorisation is prohibited from holding this position under other laws.

8. The supervisory authority shall withdraw an authorisation to elect or appoint the head of a bank where:

1) the authorisation has been obtained by fraud or otherwise violating laws;

2) the authorisation has been granted to elect or appoint a person who no longer meets the requirements set by this Law or other laws for the granting of an authorisation.

9. A bank shall be notified of a decision taken on the withdrawal of an authorisation to elect or appoint the head of a bank. Upon taking by the supervisory authority of a decision on the withdrawal of the authorisation and upon the request of the supervisory authority, the bank must, according to the procedure set forth by laws, forthwith remove the head from office and/or terminate the contract concluded therewith.

10. Requirements for the employees of a bank may be set by legal acts of the supervisory authority.

11. Provisions of this Article shall also be applied to a branch and a representative office of a foreign bank. The heads of the branch and the representative office of the foreign bank must meet the requirements set by this Law and legal acts of the supervisory authority for the heads of the administration of the bank. The provisions of paragraphs 4-9 of this Article shall not be applicable to the heads of a branch and a representative office established in the Republic of Lithuania by a foreign bank licensed in a Member State of the European Union.

12. A person may not be regarded to be of good repute where he:

1) has been convicted of a serious or grave crime provided for in the Criminal Code of the Republic of Lithuania or of a crime against property, property rights and property interests, economy and business practice, the financial system or of corresponding criminal acts under criminal laws of foreign states, irrespective of whether the conviction has expired;

2) has been imposed administrative, disciplinary penalties or other sanctions provided for in laws where these penalties or sanctions have been imposed for infringement of the provisions of laws or other legal acts regulating the provision of financial services and pursuit of the activities of financial institutions and where he has been penalised more than once during a year;

3) abuses psychotropic, narcotic, toxic substances or alcohol.

13. A supervisory authority shall also have the right to recognise that a person is not of good repute by taking into consideration:

1) his conviction of a crime or a criminal offence, with the exception of the crimes referred to in point 1 of paragraph 12 of this Article or of corresponding criminal acts under laws of foreign states;

2) acquisition of a qualifying holding in the bank's authorised capital and/or voting rights, increased, transferred or reduced it without giving a notice thereof to the supervisory authority, where this was required;

3) the imposition of the sanctions provided for by laws on a legal person whose qualifying holding in the authorised capital and/or voting rights he holds or held or whose head he is or was or the winding up of the said legal person by reason of bankruptcy or by a court's decision or judgement on other statutory grounds related to inappropriate activities or infringements of legal acts;

4) the suspension, while having a qualifying holding in a financial institution's authorised capital and/or voting rights, of his right to exercise the voting right at the general meeting of the financial institution's members according to the procedure set forth by laws;

5) other important reasons why the person may not be regarded to be of good repute.

### **Article 35. Internal Control of Activities of a Bank and Notification of Violations**

1. A bank must ensure that measures are in place which would allow its staff to report internally potential or actual violation of this Law, its implementing regulations or Regulation (EU) No 575/2013 through a specific, independent, and autonomous channel. In order to implement the measures to report potential or actual violations, a bank may engage third parties. Requirements established in points 2 to 4 of Article 65<sup>1</sup> shall apply to these measures.

2. Requirements for the internal control of activities of a bank shall be set by the Law on Financial Institutions and legal acts of the supervisory authority.

### **Article 36. Committees of a Bank**

1. A bank must have in place a standing internal audit committee. The bank's supervisory board shall form the internal audit committee and control activities thereof. Banks that are significant in terms of their size, internal organisation and the nature, scope and the complexity of its activities, the risk, nomination and reward committees must be formed. Other banks may also form the risk, nomination and reward committees at their own discretion. Members of the supervisory board only may be members of the risk, nomination and reward committees. The supervisory authority shall set criteria according to which banks shall be considered significant because of their size, internal organisation and the nature, scope and the complexity of their activities.

2. A bank shall also have the right to have other committees provided for by the internal documents of the bank.

3. Documents adopted by the bodies of the bank shall set forth the procedure for the formation and operation of the committees of the bank and specify powers thereof. Requirements for the procedure for the formation and operation of the committees of the bank and powers thereof shall also be set by legal acts of the supervisory authority.

### **Article 36<sup>1</sup>. Specific Features of Notification of the Extraordinary General Meeting of Shareholders to be Convened**

1. In case a temporary administrator is appointed to a bank according to Article 75<sup>1</sup> of this Law or according to the opinion of the supervisory authority conditions set out in Article 67(3) of this Law are satisfied and it is necessary to increase the authorised capital, the general meeting of shareholders may decide by not less than 2/3 of all the votes carried by the shares held by the shareholders attending the meeting that a notice convening a general meeting of shareholders regarding the increase of the authorised capital may be given within a shorter period of time than provided for in Article 26(4),(5) and (6) or Article 26<sup>1</sup>(3),(4) and (5) of the Law on Companies in order to avoid the terms of conversion provided for in Article 42 of the Law on Financial Sustainability, or adopt a decision regarding the amendments to the articles of association which would provide for a shorter period of notice. However, in any case a notice convening a general meeting of shareholders must be given not later than ten days before the general meeting of shareholders.

2. In case specified in paragraph 1 of this Article, when the general meeting of shareholders is convened at a shorter notice, the following shall not apply: provisions of Article 21(1) of the Law on Companies regarding the accounting day of the general meeting of shareholders; provisions of Article 25(3) of the Law on Companies regarding the term by which the shareholders are entitled to submit proposals to supplement the agenda of the general meeting of shareholders and the obligation to notify the shareholders of the supplements to the agenda of the general meeting of shareholders not later than ten days before the general meeting of shareholders set in Article 25(5) of the Law on Companies; requirement set in Article 26(7) to receive a written agreement of all shareholders in order to convene the general meeting of shareholders in derogation of the time limits set in Article 26(4), (5) and (6) of the Law on Companies.

## **CHAPTER SIX**

## CAPITAL OF A BANK AND APPROPRIATION OF PROFIT

**Article 37.** *Repealed as of 1 May 2015*

**Article 38.** *Repealed as of 1 May 2015*

**Article 39.** *Repealed as of 1 May 2015*

### **Article 40. Minimum Capital of a Bank**

1. The total amount of the constituent parts of the bank's equity capital specified in items a-e of Article 26(1) of the Regulation (EU) No 575/2013 must be not less than EUR 5 million.

2. *Repealed as of 1 January 2012*

3. Where it transpires that a bank's capital has fallen below the minimum capital of the bank, the board of the bank must forthwith notify thereof the supervisory authority and immediately convene an extraordinary general meeting of the shareholders. The general meeting of the bank's shareholders must take decisions which would allow to restore the bank's capital to the minimum amount of the bank's capital as quickly as possible. The board of the bank shall notify the supervisory authority of the decisions taken at the general meeting of the shareholders on the restoration of the capital within three working days.

### **Article 41. Authorised Capital of a Bank and Shares of a Bank**

1. The authorised capital of a bank shall be formed, increased and reduced according to the procedure set forth by the Republic of Lithuania Law on Companies, except where this Law provides otherwise.

2. A bank shall be prohibited from issuing bearer shares and employee shares.

3. Shares of a bank being established may be paid in money's worth only.

4. When increasing the authorised capital of a bank by additional contributions, new shares of the bank may be paid only in money's worth or by the rights of claim according to the bank's payment obligations, except when the bank's authorised capital is increased in the course of the reorganisation of the bank. A person subscribing for the shares must fully pay-up for the bank's shares not later than until the day when the bank applies to the supervisory authority for the granting of an authorisation to register amendments to the bank's articles of association related to the increase of the bank's authorised capital.

5. A decision of the general meeting of the bank's shareholders on the increase of the authorised capital, with the exception of a decision on the issuance of convertible debentures, shall be deemed to be void where the amended articles of association of the bank have not been submitted to the Register of Legal Entities within 12 months of the general meeting of the shareholders which took a decision on the increase of the authorised capital.

6. Retained earnings, capital reserves (share premium), reserve capital and other reserves may be used to increase the authorised capital of a bank by a decision of the general meeting of the shareholders, except for the reserves referred to in paragraph 7 of this Article, by issuing new shares which are sold free of charge to the shareholders or by increasing the nominal value of the shares issued previously.

7. The mandatory reserve or the reserve capital, the special undistributed reserve, the tangible fixed assets revaluation reserve, the financial assets revaluation reserve may not be used to increase the authorised capital of a bank.

8. The funds paid for the bank's shares shall be accumulated in an account opened for this purpose in a credit institution entitled to provide financial services in the Republic of Lithuania. The bank shall have the right to use the accumulated funds only upon the establishment of the bank or upon the registration of amendments to the articles of association related to the increase of the authorised capital.

9. A bank shall have the right to acquire its shares according to the procedure set forth by the Law on Financial Institutions and the Law on Companies.

**Note in the Register of Legal Acts.** *Where the State acquires the shares of a bank or takes them for public needs, provisions of Article 5(2) to (8), Article 23(1), Articles 24, 25 and **Article 41(4) and (8)** of the Law on Banks shall not apply.*

#### **Article 42. Reduction of the Authorised Capital of a Bank**

1. A bank shall have the right to reduce the authorised capital only upon obtaining an authorisation from the supervisory authority.

2. An authorisation to reduce the authorised capital of a bank shall be granted by the supervisory authority according to the procedure set forth by this Law and legal acts of the supervisory authority. An authorisation to reduce the authorised capital shall be granted where the supervisory authority makes sure that the reduced authorised capital of the bank will not fall below the minimum capital of a bank established by this Law and will be sufficient to ensure safe and sound activities of the bank.

#### **Article 43. *Repealed as of 1 May 2015***

#### **Article 44. Procedure of Formation and Use of Bank Capitals and Reserves**

1. The reserve capital of a bank shall be formed by the additional contributions of the bank's shareholders or deductions from the bank's earnings. The purpose of the bank's reserve capital shall be to guarantee the financial stability of the bank. The annual general meeting of the shareholders may also take a decision on the use of the reserve capital of the bank to cover losses of activities of the bank in the case referred to in Article 41(6) of this Law.

2. The capital reserves (share premium) of a bank shall be formed from a difference in the earnings obtained after selling new shares at issue price above their par value or from other cash contributions by the bank's owners to obtain the right to the bank's shares.

3. At the close of the financial year, the annual general meeting of a bank's shareholders may take a decision on the use of the capital reserves (share premium) to cover the losses incurred by the operations related to the sale of own issued shares and on inclusion thereof in the profit available for appropriation or on use thereof to increase the bank's authorised capital.

4. The revaluation reserve of tangible fixed assets shall be the amount of the increase in the value of tangible fixed assets resulting after the revaluation of the assets. The revaluation reserve of tangible fixed assets shall be reduced in the event the revaluated assets are written off, depreciated, written down or transferred into the ownership of third parties. A part of the reserve which is left unused after the writing off, depreciating or transferring into the ownership of third parties of the tangible fixed assets may be included in the profit available for appropriation at the close of the financial year. The revaluation reserve of tangible fixed assets may not be directly used to cover losses of the activities of a bank.

5. The revaluation reserve of financial assets shall be changes in the value of the bank's available-for-sale financial assets which have been appreciated and revaluated at their fair value.

6. The mandatory reserve or reserve capital shall be formed from the profit deductions of the bank. Allocations to the mandatory reserve or reserve capital shall be compulsory and may not be less than 1/20 of the profit available for appropriation. The mandatory reserve or the reserve capital may, by a decision of the annual or extraordinary general meeting of the bank's shareholders, be used only to cover losses of the activities of the bank.

7. Other bank reserves shall be the reserves the formation of which has been provided for in the articles of association of the bank and which may be used in accordance with the procedure provided for in the articles of association of the bank and/or Regulation 575/2013 (EC).

#### **Article 45. Retained Earnings (Loss)**

The procedure for using retained earnings (loss) shall be set forth by the Law on Financial Institutions.

#### **Article 46. Profit and Appropriation Thereof**

1. The profit of a bank and appropriation thereof shall be managed according to the procedure set forth by the Law on Financial Institutions.

2. The profit of a bank which is net of compulsory deductions from profit and transfers to the reserve capital and other reserves and capitals provided for by the bank's articles of association may not be allocated for the payment of dividends and for other purposes where after taking a

decision of the general meeting of the shareholders, the adequacy of capital or the minimum capital of the bank falls below the amounts set by this Law and legal acts of the supervisory authority.

## **CHAPTER SEVEN**

### **THE BANK'S OPERATIONAL RISK AND PRUDENTIAL TREATMENT THEREOF, PROTECTION OF INTERESTS OF THE BANK'S CLIENTS**

#### **Article 47. Taking of Operational Risk and Prudential Treatment Thereof**

1. Requirements for the taking of a bank's operational risk and prudential treatment thereof shall be set by the Law on Financial Institutions.

2. A bank must make provisions to reduce its operational risk on the basis of legal acts of the supervisory authority and taking account of the risk of every transaction it concludes on the provision of financial services, the financial and economic condition of a client, the performance of the obligations related to the transactions on the provision of financial services, the available means of ensuring the performance of these obligations as well as other circumstances influencing the value of the bank's assets.

#### **Article 48. Prudential Requirements and Capital Reserves of Banks**

1. Prudential requirements for banks shall be set in the Regulation 575/2013 (EC).

2. Banks shall calculate and form the following capital buffers:

- 1) capital conservation buffer;
- 2) countercyclical capital buffer;
- 3) global systemically important institutions' buffer;
- 4) other systemically important institutions' buffer;
- 5) systemic risk buffer.

3. The ratios of prudential requirements and capital reserves for banks, their calculation methodology shall be set in accordance with Regulation 575/2013 (EC) and legal acts of the supervisory authority. The supervisory institution shall have the right to set individual prudential ratios for a bank.

4. Limits on allocations from capital reserves shall be established by the supervisory authority in accordance with the legal acts of the European Union.

**Article 49.** *Repealed as of 1 May 2015*

**Article 50.** *Repealed as of 1 May 2015*

#### **Article 51. Lending**

1. In Articles 52-54 of this Law, lending shall be considered to be the conclusion of transactions wherefrom a monetary claim of a bank or irrevocable monetary commitment of the bank arises.

2. The following limits on lending shall be applied to a bank:

- 1) internal lending;
- 2) lending to the persons related to the bank;
- 3) lending to acquire holdings in the authorised capital and/or voting rights of a legal person.

#### **Article 52. Limits on Internal Lending**

1. Lending to the heads of a bank and to the persons related to the heads of the bank by blood as well as by marriage may not exceed the amounts set by the bank's supervisory board. The terms of and the procedure for lending must be approved by the bank's supervisory board.

2. The terms of lending set for the persons referred to in paragraph 1 of this Article may not be more favourable than the terms of lending set for other clients of a bank.

#### **Article 53. Limits on Lending to the Persons Related to a Bank**

1. The persons related to a bank shall be:



- 1) the persons having a qualifying holding in the bank's authorised capital and/or voting rights;
  - 2) the legal persons whose qualifying holding in the authorised capital and/or voting rights is held by the bank;
  - 3) the heads of the legal persons referred to in points 1 and 2 of paragraph 1 of this Article and the persons related to them by blood as well as by marriage;
  - 4) the natural persons related by blood as well as by marriage to the natural persons referred to in point 1 of paragraph 1 of this Article;
  - 5) the undertakings controlled by the persons referred in point 1 of paragraph 1 of this Article.
2. (Repealed)
  3. (Repealed)
  4. The terms of and the procedure for lending to the persons related to a bank must be approved by the bank's supervisory board.

#### **Article 54. Limits on Lending to Form a Bank's Capital**

A bank shall not have the right to lend for the purposes of the acquisition of holdings in its authorised capital and/or voting rights, granting of a subordinated loan to itself and the acquisition of the non-equity securities issued by the bank and having all characteristics of a subordinated loan.

#### **Article 55. Secret of a Bank**

1. The secret of a bank shall be all information known to the bank regarding:
  - 1) the fact that a person is a bank client, and types of financial services provided to him, as well as the numbers of his accounts;
  - 2) balances on the client's accounts, payment transactions performed or being executed, the bank client's liabilities to a bank, circumstances of providing financial services to the client,
  - 3) the financial situation and assets of the bank's client, activities, operating plan, liabilities to third parties or transactions concluded with the third parties, commercial (industrial) or professional secrecy of the client.
2. A bank, bank staff and any other persons who know the information comprising a bank secret must not divulge such information to other persons for an indefinite period of time, except in the cases referred to in paragraphs 3 to 7 of this Article, the Law on Prevention of Money Laundering and Terrorist Financing, laws regulating the provision of payment and other financial services and cases specified in Article 58(2) of this Law.
3. The information which is considered a secret of a bank may be provided only to the bank's client to whom the information which is considered a secret of the bank is related or upon the client's written request or written agreement to other persons specifying to whom and what information may be provided.
4. Information specified in point 1 of paragraph 1 of this Article shall be provided to state institutions and other persons, if they are entitled to receive such information under law.
5. The bank on its own initiative shall have the right to divulge the information which constitutes a secret of the bank to court or arbitration, where this is necessary to protect the legitimate interests of the bank and only to the extent this is necessary to protect the bank's interests, as well as to state institutions for the purpose of crime prevention.
6. A bank shall provide the information which is considered a secret of a bank to:
  - 1) institutions performing functions of pre-trial investigation, criminal intelligence, intelligence, tax administration, the Deposit Insurance Fund and the Fund of Insurance of Liabilities to Investors, supervision of personal data processing, supervision of financial market, disputes' settlement between the consumers and financial market participants out of court in accordance with the Republic of Lithuania Law on the Bank of Lithuania, money laundering and/or terrorist financing prevention, if it is necessary for performance of the functions specified in this point;
  - 2) notaries and bailiffs, if it is necessary for performance of the functions of notaries and bailiffs provided for by laws.

7. In other cases than provided for in paragraphs 2 to 6 of this Article, information comprising a secret of a bank shall be provided by a reasoned court ruling, where the court establishes that such information is considered to be necessary because of the legitimate interest pursued by the court or the person requesting information comprising a secret of a bank, unless they are overridden by the interests of a bank client.

8. Unless the laws or the data provision contract concluded with the bank provide otherwise, in accordance with paragraphs 4, 6 and 7 of this Article information may be provided only on the basis of the written document submitted to the bank stating:

- 1) identifying data on the person seeking to obtain information;
- 2) the bank customer identification data and/or exact description of financial services, regarding provision of which information is requested;
- 3) the extent of the information requested;
- 4) purpose of the use and legal basis for the receipt of information.

9. When the written document specified in paragraph 8 is provided by means of electronic communication, they must be coordinated with the bank.

10. The bank must submit the requested information no later than within 20 days or give a reasoned refusal to submit it no later than five days from the receipt of the document referred to in paragraph 8, unless the laws provide for another deadline for submitting the information.

11. According to the provisions of paragraphs 4 to 7 of this Article the information comprising a secret of a bank may be used only for those functions for performance of which information comprising a secret of a bank may be obtained in accordance with this Article, it may not be processed longer than it is necessary to achieve the goals for the purposes of which the information was collected and processed, and adequate information security measures must be ensured for the storage period of such information.

12. The provisions of this Article shall apply to the extent they do not contradict the provisions of laws regulating activities of institutions that perform functions specified in Article 6(1). Provisions of other laws regulating provision of information comprising a bank secret shall apply as far as they do not contradict the provisions of this Article.

#### **Article 56. Protection of the Interests of Clients**

1. At the places where a bank provides financial services to clients, the bank's name and the financial services which the bank has the right to provide must be indicated in an easily accessible place, to every prospective client; conditions must also be provided for public access to the information referred to in paragraph 2 of this Article.

2. Prior to concluding a contract on the provision of financial services, a bank must provide a client with detailed information on the terms of the provision of the financial services, price of the services, duration of the provision of the services, possible consequences thereof and other information which may influence the client's decision to enter into the contract.

3. A bank must provide to each current or prospective client, upon his request, its sets of annual financial statements and an auditor's report, which, under legal acts, the bank must provide to the public.

4. The clients' applications (claims) concerning the performance of credit agreements concluded with the bank or actions of the bank whereby the latter could have violated the terms and conditions of the credit agreement concluded with a client or the requirements of legal acts shall be examined by the bank. The bank must examine written applications (claims) of the client and respond to the client in writing not later than within 30 calendar days of the receipt thereof. If a case is complicated, the bank must allow the client to participate in the hearing, notify the client in writing about the extended time limit for examination, however the time limit may not exceed 45 calendar days of the receipt of an application (claim). If the client's application (claim) is not related with the credit agreement of the client, the bank must respond to the client not later than within 30 calendar days of the receipt of the application (claim), unless laws establish otherwise. The bank shall examine the applications (claims) of clients free of charge.

### **CHAPTER EIGHT SUPERVISION OF FINANCIAL GROUPS ON A CONSOLIDATED BASIS**

### **Article 57. Scope of Supervision on a Consolidated Basis**

1. Supervision on a consolidated basis shall be exercised in respect of a financial group which consists of a parent bank or a parent financial holding company (hereinafter in this Chapter: 'parent institution of the group') and the financial institutions which are controlled by the parent institution of the group or in which the parent institution of the group participates in management of the capital.

2. Legal acts of the supervisory authority shall provide for the conditions and procedure of exercising consolidated supervision of a mixed-activity financial holding company as defined in the Republic of Lithuania Law on the Supplementary Supervision of Entities in a Financial Conglomerate, the cases when supervision on a consolidated basis shall not be exercised in respect of the financial institutions belonging to a financial group, as well as the cases when supervision on a consolidated basis of a financial group shall be exercised also in respect of the undertakings not belonging to the financial group.

### **Article 58. Drawing up of Sets of Consolidated Financial Statements for Supervision Purposes**

1. A bank which is the parent institution of a group or a bank belonging to a financial group (where the parent institution of the group is a financial holding company) must prepare and submit to the supervisory authority consolidated financial statements and the reports meant for supervision of the whole financial group. These reports must be submitted quarterly within the time limits set by the supervisory authority.

2. The undertakings subject to supervision on a consolidated basis, the mixed-activity holding companies and the undertakings controlled by them, also the undertakings controlled by the parent institutions of a group not subject to supervision on a consolidated basis must submit to the bank indicated in paragraph 1 of this Article the reports, data and information required for the drawing up of sets of consolidated financial statements and the exercise of supervision on a consolidated basis.

### **Article 59. Supervision on a Consolidated Basis**

1. The supervisory authority specified in Article 64 of this Law shall exercise supervision of the whole financial group on a consolidated basis, except in the cases referred to in paragraphs 2 and 3 of this Article.

2. Where a bank holding the licence issued by the supervisory authority belongs to a financial group consisting of at least one foreign bank licensed in another Member State of the European Union, the institution exercising supervision of the whole financial group on a consolidated basis shall be determined by the agreements concluded with the supervisory authorities of other Member States of the European Union or the criteria set by legal acts of the supervisory authority.

3. Where a bank holding the licence issued by the supervisory authority belongs to a financial group wherein the parent institution of the group falls under the jurisdiction of a state other than a Member State of the European Union, the supervisory authority specified in Article 64 of this Law shall supervise on a consolidated basis only the part of the financial group wherein the bank holding the issued licence is the parent institution of the group.

4. The supervisory authority exercising supervision of a financial group on a consolidated basis may, for the purposes of consolidated supervision and by addressing directly or via the bank under supervision, request that the persons indicated in paragraph 2 of Article 58 of this Law submit, and the latter must submit, the reports, data or information necessary for the supervisory authority. The financial statements submitted upon the request of the supervisory authority must be approved by an auditor. The supervisory authority shall enjoy the same right to obtain information also in the case when it does not exercise supervision of the financial group on a consolidated basis itself, but the information is requested by the supervisory authority of another Member State of the European Union exercising supervision of the financial group on a consolidated basis. The right to obtain information as specified in this paragraph shall not mean that the supervisory authority exercises supervision of activities of the persons which are indicated in Article 58(2) of this Law and which are not banks.

5. Prudential requirements set for a bank in accordance with Article 48 of this Law and Regulation (EU) No 575/2013 shall, on a consolidated basis, be applied to the whole financial group.

6. A financial group which is subject to supervision on a consolidated basis must have a risk management and internal control system, including sound procedures for keeping of accounts and drawing up of accounts, which would ensure access to all statements, data and information of members of that financial group which are relevant for the drawing up of sets of consolidated financial statements and for the exercise of supervision on a consolidated basis.

7. Where the parent undertaking of a bank is a mixed-activity holding company, the supervisory authority shall have the right to exercise the supervision of the transactions concluded between the bank and the mixed-activity holding company as well as between the bank and other undertakings whose parent undertaking is the company by assessing their risk management and the internal control system.

8. If a bank holding a license issued by the supervisory authority belongs to a financial group subject to supervision on a consolidated basis, the supervisory authority must closely co-operate and exchange the information required for performing the supervisory function with the supervisory authorities of other Member States of the European Union exercising supervision of the activities of the undertakings which are subject to supervision on a consolidated basis. Where the supervisory authority is responsible for supervision, on a consolidated basis, of a financial group including the foreign banks licensed in other Member States of the European Union, it shall form a college of supervisory authorities for the purpose of ensuring co-operation and exchange of information among supervisory authorities of the Republic of Lithuania and other Member States of the European Union and the European Banking Authority and, where appropriate, other foreign supervisory authorities. Moreover, in the case of an emergency situation in the Republic of Lithuania, including the case provided for in Article 18 of Regulation (EU) No 1093/2010 or adverse developments in financial markets which may seriously jeopardise the liquidity of the market and the stability of the financial system in any other Member State of the European Union where licensed entities belonging to a financial group operate or branches recognised as significant by virtue of Article 70<sup>1</sup> of this Law are established, the supervisory authority exercising supervision of the financial group on a consolidated basis shall, having regard to provisions of Article 65 of this Law, inform without delay the European Banking Authority, the European Systemic Risk Board, central banks of the European System of Central Banks and the Ministry of Finance of the Republic of Lithuania as well as the central government bodies of another Member State which participate in the drafting of legal acts related with the supervision of credit institutions, financial institutions, investment and insurance undertakings, and shall provide the entire information relevant for the performance of their functions. Co-operation with the supervisory authorities of other Member States of the European Union, formation of colleges of supervisory authorities and the activities thereof as well as other additional tasks shall be regulated by legal acts of the supervisory authority.

9. The parent undertaking established in a country other than the European Union State may be exempted from prudential requirements provided for in this Law and legal acts of the supervisory authority, and established on a consolidated basis, if the parent institution of the group or a mixed-activity financial holding company proves to the supervisory authority that compliance with these requirements would violate the legal regulation of the country where a parent institution is established or compliance with these requirements may not be possible due to other reasons.

## **CHAPTER NINE**

### **ACCOUNTING, SETS OF FINANCIAL STATEMENTS AND AUDIT OF A BANK**

#### **Article 60. Accounting**

1. A bank must keep accounts in compliance with laws of the Republic of Lithuania and other legal acts as well as the accounting policy selected by the bank, which is implemented by taking account of specific circumstances, the nature of the business pursued and in conformity with the international accounting standards.

2. Accounting policy must cover general accounting principles, accounting methods and regulations designed to keep the accounts of a bank and to draw up and submit sets of financial

statements. Where supervision on a consolidated basis is exercised of a financial group, the bank must ensure that the common accounting policy of the financial group is formulated.

3. The accounting organisation of a bank must be such that:

1) sets of financial statements reflect the actual financial situation and results of the activity of the bank;

2) it provides conditions for the heads of the bank to safely and soundly use and manage the bank's assets and to dispose thereof;

3) it provides conditions for shareholders of the bank and the institutions authorised by law to carry out verifications and to control the activities and financial situation of the bank, heads and other employees thereof having the right to take decisions which give rise to the bank's obligations to other persons.

4. Repealed as of 3 May 2011

#### **Article 61. Sets of Financial Statements**

1. A bank and a financial group shall draw up sets of interim financial statements and sets of annual financial statements.

2. A set of interim financial statements shall be a set of financial statements drawn up after summarising the data of a time period shorter than the financial year. The composition and periodicity of submitting of interim financial statements to the supervisory authority shall be established by the legal acts of European Union and of the supervisory authority.

3. A set of annual financial statements shall consist of:

1) balance sheet;

2) profit and loss account;

3) cash flow statement;

4) statement of changes in equity capital;

5) explanatory note.

4. At the close of the financial year, a bank must:

1) not later than ten days prior to the ordinary general meeting of shareholders, provide access for the shareholders of the bank and the supervisory authority to the set of annual financial statements audited by an audit firm and a draft decision on the appropriation of profit and the auditor's report;

2) within four months of the close of the financial year, approve the set of annual financial statements by a decision of the general meeting of the bank's shareholders and take a decision on the appropriation of profit;

3) within four months of the close of the financial year, provide to the public the set of annual financial statements and an auditor's report;

4) within four months of the close of the financial year, the parent bank of other financial institutions and insurance undertakings belonging to a financial group must publish a set of annual consolidated financial statements.

5. The general meeting of a bank's shareholders may not consider and approve a set of annual financial statements which has not been audited.

6. The general meeting of the bank's shareholders may not take a decision on the appropriation of profit where a set of annual financial statements has not been audited.

7. Branches of the foreign banks licensed in states other than the Member States of the European Union shall provide the sets of annual financial statements to the supervisory authority and publicly announce them in the same way as the banks holding a licence issued according to the procedure set forth by this Law. Branches of the foreign banks licensed in a state other than the Member States of the European Union shall also provide to the supervisory authority the set of financial statements and the set of annual consolidated financial statements of the foreign bank which has established the branch and publicly announce them.

8. A branch of the foreign banks licensed in a state other than the Member States of the European Union must publicly announce the set of financial statements and the set of annual consolidated financial statements of the foreign bank which has established the branch, as well as the auditor's report.

9. The composition, intervals for submission and other requirements for the sets of financial statements of foreign bank branches referred to in this Article may be determined in the legal acts of the European Union and the supervisory authority.

#### **Article 62. Audit**

1. An audit firm must audit annual financial statements and consolidated financial statements (where they must be drawn up) of a bank and, on the basis of the audit, provide an auditor's opinion on these reports and an auditor's report. In an auditor's report, an auditor must present information as to whether a bank and a financial group:

- 1) has accurately and in a qualified manner valued the assets;
- 2) has made mandatory adjustments of the value of the assets and performed write-offs;
- 3) has formed mandatory and required capitals, reserves and provisions to reduce the operational risk;
- 4) comply with capital requirements set by this Law and legal acts of the supervisory authority;
- 5) efficiently and soundly manage assets and ensure safe and sound activities of the bank;
- 6) has adequate internal control and information systems.

2. The general meeting of the bank's shareholders shall select an audit firm to perform the audit of annual financial statements. An auditor, also another person participating together with the auditor in the performance of audit may not perform the audit of the same bank for more than three successive financial years.

3. A bank must, until the end of the first half of the current financial year, conclude an agreement with the audit firm selected at the general meeting of the bank's shareholders on carrying out of the audit of annual financial statements and submit it to the supervisory authority.

#### **Article 63. Requirements for an Auditor and an Audit Firm, Duties and Liability Thereof**

The requirements set for an auditor and an audit firm, duties and liability thereof shall be set by the Law on Financial Institutions.

### **CHAPTER TEN SUPERVISION OF BANKS**

#### **Article 64. The supervisory authority**

1. The European Central Bank or the Bank of Lithuania shall be the supervisory authority according to the distribution of functions specified in the Regulation (EU) No 1024/2013. The Bank of Lithuania shall perform the function provided for the supervisory authority and exercise the rights granted to it to the extent it has not been assigned to the European Central Bank according to the provisions of Regulation (EU) No 1024/2013.

2. The supervisory authority shall exercise supervision of the banks holding a licence issued according to the procedure set forth by this Law, including establishments thereof in the Republic of Lithuania and in foreign states, as well as of the branches of the foreign banks holding a licence issued according to the procedure set forth by this Law. Where a bank holding a licence issued according to the procedure set forth by this Law is controlled by a foreign bank licensed in a Member State of the European Union, the supervisory authority shall have the right, under a bilateral agreement and in compliance with Article 28 of Regulation (EU) No 1093/2010, to transfer powers to exercise supervision of such a bank to the supervisory authority of the Member State of the European Union which has issued to the parent foreign bank a licence and which exercises supervision of the parent foreign bank in such a manner that responsibility is assumed for supervision of the bank holding the licence issued according to the procedure set forth by this Law.

3. The supervision of the branches of banks in foreign states and of the branches established in the Republic of Lithuania by the foreign banks licensed in a state other than a Member State of the European Union shall be exercised under the agreements concluded with the supervisory authority of the relevant foreign state.

4. The supervision of the foreign banks licensed in the Member States of the European Union and providing services in the Republic of Lithuania without establishing a branch as well as

of the branches established in the Republic of Lithuania by the foreign banks licensed in the Member States of the European Union shall be exercised in compliance with the provisions of Article 70 of this Law.

5. For the purpose of performing the functions of supervision, the supervisory authority shall:

1) on the basis of the information available during the respective period, have regard, in particular in emergency situations, to the likely impact of its decisions on the stability of the financial system in other Member States of the European Union;

2) take care of the measures and practice of supervision in applying laws and other legal acts adopted in implementing Directive 2013/36/EU and in accordance with Regulation (EU) No. 575/2013, the convergence between the Member States of the European Union. To that end, the supervisory institution shall participate in the activities of the European Banking Authority and act in observance of guidelines and recommendations of the European Banking Authority or provide to the parties concerned the motives of non-observance of such guidelines and recommendations, as well as cooperate with the supervisory authorities of other Member States of the European Union and the European Systemic Risk Board and be guided by the announced recommendations and warnings;

3) be guided by the Regulation (EU) No. 575/2013, other legal acts of the European Union adopted on the basis of this Regulation and carry out the functions specified therein.

6. Supervision shall be exercised in compliance with this Law, the Law on Financial Institutions, the Law on the Bank of Lithuania and legal acts of the European Union and the supervisory authority regulating banking activities and their supervision.

#### **Article 65. Protection of the Information Obtained for Supervision Purposes**

1. Information obtained for supervision purposes may not be publicly announced, divulged or made otherwise accessible, except in the cases specified by in this Law.

2. The supervisory authority, current or former employees thereof, the auditors acting on behalf thereof or third parties as well as any other persons whereto the information obtained for supervision purposes has been communicated must comply with the requirement set in paragraph 1 of this Article.

3. Paragraph 1 of this Article shall not be applied to the information which has already been publicly announced or made accessible or on the basis whereof data on specific persons cannot be directly or indirectly established.

4. The supervisory authority shall have the right to use the information obtained for supervision purposes, including the information obtained from the supervisory authorities of foreign states, for the purpose of exercising supervisory functions, including the imposition of sanctions, also where, according to the procedure set forth by laws, a decision of the supervisory authority has been appealed against or an action of the supervisory authority on the forced sale of the bank's shares is being considered in court.

5. The supervisory authority shall have the right to publish the results of stress testing carried out in accordance with the procedure provided for in the legal acts of the supervisory authority or Article 32 of the Regulation (EU) No 1093/2010 and communicate them to the European Banking Authority.

6. The information obtained for supervision purposes may be communicated:

1) on the grounds laid down in the Code on Criminal Proceedings, where it is required to conduct a pre-trial investigation or to hear a criminal case in court, also in the cases and according to the procedure set forth in the Law on the Prevention of Money Laundering and Terrorist Financing;

2) to courts, where it is required in the course of bank's bankruptcy proceedings or proceedings for the compulsory winding up of a bank;

3) to the ad hoc investigation commissions of the Seimas of the Republic of Lithuania acting in compliance with the Republic of Lithuania Law on Ad Hoc Investigation Commissions of the Seimas, where it is required for the exercise of functions thereof;

4) to the institutions exercising the supervision of the provision of services of the credit institutions of foreign states and other financial services, insurance activities and the financial markets, where it is required for the exercise of the supervisory function;

5) to the state undertaking Deposit and Investment Insurance, bodies of other Member States of the European Union administering deposit-guarantee schemes or investment guarantee schemes, where it is required for the exercise of functions thereof;

6) to the auditors of a bank or the undertakings of the financial group whereto the bank belongs, where it is required for the exercise of functions thereof;

7) to the central banks of the European System of Central Banks as well as to other institutions performing similar functions, where it is required for the performance of functions thereof stipulated in legal acts, including the implementation of monetary policy and ensuring of liquidity, supervision of payment, clearing and settlement systems and securing the stability of the financial system;

8) to the institutions of the Member States of the European Union who are responsible for conducting macroprudential supervision, where such information is required for the exercise of functions thereof;

9) to the entities conducting bank restructuring, reorganisation, bankruptcy and winding up procedures, where it is required for the exercise of functions thereof;

10) to the institutions that entered into contractual or statutory liability arrangements specified in Article 113(7) of the Regulation (EU) No 575/2013;

11) to other State institutions, where such information is required for the performance of functions thereof and where this is necessary for the purposes of supervision of credit institutions, prevention of violation or restructuring of banks;

12) in emergency situations, as specified in paragraph 8 of Article 59 and paragraph 5 of Article 70<sup>1</sup> of this Law, to the Ministry of Finance of the Republic of Lithuania and to central government bodies of other Member States of the European Union which participate in the drafting of legal acts related with the supervision of credit institutions, financial institutions, investment and insurance undertakings, where this information is relevant for the performance of their functions;

13) to the European Banking Authority, as specified in this Law and Regulation (EU) No 1093/2010;

14) to the European Systemic Risk Board, where such information is relevant for the performance of its functions under Regulation (EU) No 1092/2010;

15) to the European Securities and Markets Authority as provided for in the Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ 2010 L 331, p. 84);

16) the European Insurance and Occupational Pensions Authority where such information is relevant for the performance of its functions under Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ 2010 L 331, p. 48).

7. The information obtained for supervision purposes may be communicated to the institutions referred to in points 3-11 of paragraph 6 of this Article where the requirements set for them on the protection of the information are not lower than provided for under this Law.

8. Pursuant to point 4 of paragraph 6 of this Article, information may be communicated to the supervisory authority of a foreign state which is not a Member State of the European Union where an agreement has been concluded therewith providing for the exchange of the information obtained for supervision purposes and where under the laws of that state, the requirements set for the supervisory authority of the foreign state on the protection of the information are not lower than provided for under this Law.

9. The information obtained for supervision purposes by an institution exercising the supervision of the provision of financial services, insurance activities and the financial markets from the supervisory authority of a foreign state which is a Member State of the European Union or the information obtained in another Member State of the European Union during an inspection (verification) may be communicated pursuant to points 11 and 12 of paragraph 6 of this Article or paragraph 8 of this Article upon the receipt of a consent of the institution which has submitted the



information or of the supervisory authority of the Member State of the European Union in which the inspection (verification) has been carried out and solely for the purpose for which the consent has been granted.

10. If information received for supervisory purposes comprise personal data, the supervisory authority and other persons to whom such information was communicated shall process it in accordance with the procedure provided for in the legal acts regulating personal data protection.

11. Provisions of this Article shall apply *mutatis mutandis* to the information received for information or statistical purposes in accordance with Article 70(1) and (2) of this Law.

#### **Article 65<sup>1</sup>. Notification of Violations**

The supervisory authority shall establish the measures which would encourage to report violations of the provisions of this Law, its implementing regulations or Regulation (EU) No 575/2013. These measures must meet the following requirements:

- 1) special procedures are in place for receipt and assessment of the said violations;
- 2) confidentiality of a person reporting the actual violations is ensured, except the cases, when such information must be disclosed in the cases and according to the procedure provided by law;
- 3) personal data are managed in accordance with the procedure provided for in the legal acts regulating personal data protection;
- 4) appropriate protection from revenge, discrimination or other unlawful or unfair conduct of the staff members of the bank who report the violations is guaranteed.

#### **Article 66. Consideration of Applications for the Issuance of a Licence, Granting of an Authorisation or Consent or for Other Actions; Decisions of the Supervisory Authority**

1. Detailed terms of and the procedure for submitting and examining applications for the issuance of licences, granting of authorisations or consents provided for under this Law or for other actions (hereinafter: an 'authorisation') and issuing authorisations as well as detailed requirements for the submitted documents shall be set by Regulation (EU) No 1024/2013, its implementing legislation, and legal acts of the supervisory authority.

2. An application for authorisation shall be examined and a decision thereon shall be taken within the time limits laid down in this Law or, where the time limits have not been laid down in this Law, within the time limits laid down by legal acts of the supervisory authority. The supervisory authority shall have the right to request additional documents and information necessary to take the decision. Where the supervisory authority requests additional documents and information or where they are provided on a voluntary basis by a person applying for the application, the time limit for the examination of the application and taking of the decision shall be counted from the receipt of the additionally requested documents and information, unless otherwise provided for by this Law.

3. A supervisory authority shall have the right to refuse the granting of an authorisation where there are sufficient grounds to believe that the granting of the authorisation will violate the property interests of a bank's depositors and other creditors of the bank or will pose a threat to the stability and soundness of the bank or the entire banking system, also in the presence of other grounds for refusing to grant an authorisation as specified by law.

4. The supervisory authority shall notify applicants of a decision taken on the granting of an authorisation within five working days of the taking of the decision, unless otherwise provided for by this Law. Reasons must be given whenever the supervisory authority refuses to grant an authorisation.

#### **Article 67. Duties and Rights of the Supervisory Authority**

1. In addition to other duties and rights laid down in this Law and other legal acts, the supervisory authority shall have the right:

- 1) to provide to a bank compulsory instructions specified in paragraphs 2 and 3 of this Article, and the bank must implement them within the time limit laid down by the supervisory authority and immediately give a written notice thereof to the supervisory authority;

2) where the decisions taken by bodies of a bank pose a threat to the stability and soundness of activities of the bank, to apply to the courts, according to the procedure set forth by law, to declare them void on the statutory grounds;

3) to conclude agreements on the verification of a bank with audit firms, property appraisers or other persons holding appropriate qualifications in order to determine the value of the bank's assets, financial situation of the bank, to assess the risks taken or verify other areas of the bank's activities. The bank shall pay for the work of these persons and cover other expenses related thereto. The persons acting in accordance with the agreements concluded with the supervisory authority and referred to in this point shall have the rights referred to in Article 69(2) and (3) of this Law.

4) to demand that an audit firm auditing the bank's sets of financial statements is changed, where it or the auditor does not meet (comply with) the requirements set forth by law;

5) to demand in accordance with Article 68<sup>1</sup> of this Law to provide information necessary for the performance of supervisory function and carry out investigations necessary for the performance of supervisory function as well as conduct inspections (verifications) in accordance with Article 69 of this Law;

6) to appoint a permanent representative of the supervisory authority for the supervision of the activities of a bank. The permanent representative of the supervisory authority shall *mutatis mutandis* have the rights provided for in Article 69 of this Law.

2. The supervisory authority, upon discovering infringements of legal acts or shortcomings in activities of a bank, or having data that legal acts may be violated within the period of the coming 12 months, or where activities of the bank pose a threat to the stability and soundness of activities of the bank, shall have the right to provide in writing to the bank the following instructions:

1) to eliminate the infringements of the legal acts or shortcomings in the activities of the bank within the time limit laid down by the supervisory authority;

2) to have capital that would exceed the capital ratios provided for in this Law and Regulation 575/2013 (EC) and/or form appropriate capital buffers;

3) to improve the processes of internal controls and/or risk management;

4) to make proper assessment of the reduction of loan value and to form additional special provisions or to improve the procedure for asset management;

5) not to carry out certain activities, not to conclude certain transactions or to reduce the scope of such activities or transactions, including transactions on the purchase of ancillary services of the bank, acquisition of holdings in other legal persons' authorised capital and/or voting rights or real estate, or to reduce investments in the activities that cause excessive risk to the reliability of the bank;

6) to reduce the risks related to the activities of the bank, products and systems;

7) to limit a variable component of remuneration paid to the heads and staff of the bank when it is inconsistent with the maintenance of a sound capital base;

8) to use the net profit to strengthen the bank's own capital;

9) to limit or terminate the payment of dividends to the shareholders of the bank or the payment of interest to the holders of non-equity securities issued by the bank that are included into the capital of the bank if such limitation does not mean default on obligations of the bank;

10) to provide to the supervisory authority additional information or provide information on a more frequent basis that is necessary for the performance of the supervisory function;

11) to meet special requirements for liquidity;

12) to publicly disclose additional information;

13) to carry out an audit of a set of interim financial statements of the bank within the time limit laid down by the supervisory authority;

14) to prepare and implement, within the time limit laid down by the supervisory authority, an acceptable action plan for the restructuring of operation of the bank and/or the elimination of discovered infringements and/or shortcomings;

15) to convene the general meeting of the bank's shareholders or a meeting of the bank's supervisory board or the board and to discuss at it the issues proposed by the supervisory authority. If the bodies of a bank do not comply with an instruction to convene the general meeting of shareholders, the supervisory authority shall have the right to convene the general meeting of

shareholders herself, to the agenda of a meeting, and to require to discuss at the meeting the issues proposed by the supervisory authority;

16) for the heads of the bank to appear before the supervisory authority and provide clarifications. The supervisory authority shall have the right to publicly announce its instruction for the heads of the bank to appear before the supervisory authority;

17) to meet additional prudential requirements for activities of the bank or carry out other actions or not to carry out certain actions in order to bring violations of legal acts to an end or to eliminate shortcomings in activities of the bank or to ensure the stability and soundness of activities of the bank.

3. Having established that the bank is in breach of the requirements of this Law, Regulation (EU) No 575/2013, Articles 3, 4, 5, 6, 7, 14, 15, 16, 17, 24, 25 and 26 of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ 2014, L 173, p. 84), or having data that in the short run due to the deteriorating financial condition the bank will breach them, the supervisory authority shall have the right to provide to the bank the instructions specified in points 14 and 15 of paragraph 2 of this Article and the following instructions:

1) to implement one or more of the procedures or measures specified in the recovery plan prepared in accordance with provisions of Articles 4 to 11 of the Law of the Republic of Lithuania on Financial Sustainability or to update the recovery plan, when the conditions that led to the application of instructions specified in this paragraph differ from the assumptions made in the recovery plan in effect, and implement one or more of the procedures or measures specified in the renewed recovery plan by the supervisory authority within a specified period ensuring that the conditions that led to the application of instructions specified in this paragraph are eliminated;

2) to remove or change one or more of the members of the bank's supervisory board, members of the bank's board, heads of the bank's administration or persons from the bank's senior management where it is recognised that this person (persons) do not comply with the requirements provided for in Article 34 of this Law;

3) in accordance with the recovery plan, to prepare the plan for the negotiations regarding debt-restructuring with some or all its creditors;

4) to change the bank's business strategy;

5) to change the bank's legal and organisational or operational structure.

4. The instructions referred to in paragraph 2 of this Article may also be given by simultaneously imposing sanctions. Instructions set in paragraph 3 of this Article may be set together with the instructions set in paragraph 2 of this Article and/or when applying the sanctions.

5. In accordance with paragraph 2 of this Article, when imposing adequate individual capital requirement or adequate capital reserve requirements, as well as special liquidity requirements consideration shall be taken of the quantitative and qualitative criteria for supervisory review and evaluation, evaluation of systemic risk, management structure of the bank, processes of risk identification, management, and internal control.

6. Having established that the bank meets the conditions set in paragraph 3 of this Article, the supervisory authority shall immediately notify thereof the resolution authority of financial sector entities (hereinafter: 'resolution authority'). In such case the supervisory authority shall have the right (including the cases when it carries out on-site inspections (verifications) in accordance with Article 69 of this Law) to obtain all information necessary for the renewal of restructuring plan prepared in accordance with the Law of the Republic of Lithuania on Financial Sustainability, preparation for a potential bank restructuring and evaluation of the bank's assets and liabilities. The supervisory authority must submit this information to the resolution authority.

7. The employees of the supervisory authority shall have the right, according to the procedure set forth by the supervisory authority, to participate in the work of bodies of the bank and committees of the bank – to attend meetings or sittings in the capacity of observers or otherwise observe activities of the bodies, committees and heads of the bank.

8. The supervisory authority, according to the procedure set forth by it and in compliance with the legal acts regulating the protection of personal data, shall have the right to store and otherwise process data on debtors of banks. Banks must provide to the supervisory authority data on debtors of a bank and shall have the right to use these data according to the procedure set forth by legal acts of the supervisory authority.

9. In case restrictive measures are under this Law applied in respect of the bank's activities or the bank's winding-up procedures are initiated within the meaning of Article 121 of the Law on Financial Sustainability, the supervisory authority shall have *mutatis mutandis* the rights and obligations established for the resolution authority in accordance with Chapter Seven of the Law of the Republic of Lithuania on Financial Sustainability.

10. The supervisory authority shall also have the rights referred to in this Article in respect of a branch of a foreign bank holding a licence issued according to the procedure set forth by this Law.

11. The supervisory authority shall exercise the rights provided for in this Law:

- 1) directly;
- 2) in collaboration with other supervisory authorities;
- 3) with the assistance of other persons to carry out certain actions;
- 4) with the assistance of law enforcement institutions.

12. Before adopting a decision regarding issuing of compulsory instructions in accordance with paragraph 3 of this Article, the supervisory authority must also follow the applicable legal acts of the European Union.

#### **Article 68. Appeal against Decisions, Acts (Omissions) of the Supervisory Institution**

1. The persons whose rights or interests protected under the law have been violated shall have the right to file an appeal to court against decisions, acts (omissions) of the supervisory authority according to the procedure set forth by law.

2. Filing of an appeal to court shall not have suspensory effect on a decision or an action appealed against until its resolution.

#### **Article 68<sup>1</sup>. The Right to Require to Submit Information and the Right to Carry out Investigations**

1. The supervisory authority shall have the right to require that all information necessary for the performance of the supervisory function is submitted by:

- 1) banks established in the Republic of Lithuania;
- 2) financial holding companies established in the Republic of Lithuania;
- 3) the mixed-activity financial holding companies established in the Republic of Lithuania;
- 4) the mixed-activity holding companies established in the Republic of Lithuania;
- 5) persons controlled by the entities specified in points 1–4 of this paragraph;
- 6) persons with whom the bank has concluded transactions regarding the purchase of the bank's ancillary services, as well as other persons whom the entities indicated in points 2–4 of this paragraph have transferred their functions or activities.

2. Persons indicated in points 1–4 of paragraph 1 of this Article must submit the information required by the supervisory authority even in those cases when such information constitutes secret of the bank, commercial secret or is treated confidentially due to other reasons.

3. The supervisory authority shall have the right to carry out any investigation necessary for the performance of the supervisory function on the persons indicated in Paragraph 1 of this Article, including the right:

- 1) to require to submit the documentation;
- 2) to check accounting registers, documents, information stored in computers and on any other media, other sources of information needed for the carrying out of the inspection of the persons indicated in points 1–4 of paragraph 1 of this Article, to obtain copies of and extracts from such documents;
- 3) to interview and receive oral or written clarifications from any person indicated in points 1–4 of paragraph 1 of this Article or their representatives or staff;
- 4) to interview all other persons not indicated in point 3 of this paragraph who agree to be interviewed in order to obtain information related to the subject of investigation.

#### **Article 69. Inspection (Verification) of a Bank**

1. A bank shall be inspected (verified) by the employees of the supervisory authority.

2. A bank must provide the following facilities to carry out an inspection (verification):

1) to supply to inspecting (verifying) persons all information and documents requested by them;

2) to provide an opportunity for the inspecting (verifying) persons to use data of the information systems of the bank;

3) to provide the inspecting (verifying) persons with separate premises equipped with a telephone network.

3. Inspecting (verifying) persons shall have the right:

1) to have unimpeded access to the premises of a bank and establishments thereof during the office hours of the bank under inspection (verification);

2) to request and obtain the information and documents (originals or certified copies thereof) required to carry out an inspection (verification), oral or written clarifications of the heads and other employees of the bank;

3) to request copies of submitted documents or to make copies thereof themselves at the expense of the bank;

4) to have other rights laid down by legal acts.

4. After carrying out an inspection (verification) of a bank, its results shall be provided to the bank in writing. Members of the bank's supervisory board and the board, the head of the administration must familiarise themselves with the results of the inspection (verification) by affixing their signature thereto.

5. Legal acts of the supervisory authority shall set forth a detailed procedure for inspecting (verifying) and recording results thereof.

6. According to the procedure set forth by this Article, the supervisory institution shall also have the right to inspect (verify) the establishments set up in the Republic of Lithuania by a foreign bank, as well as the persons referred to in Article 68<sup>1</sup>(1)(2) to (6) of this Law, and for the purposes of supervision on a consolidated basis – the persons referred to in Article 58(2) of this Law. Where, for the purposes of supervision on a consolidated basis, it is required to verify the persons referred to in Article 58(2) of this Law falling under the jurisdiction of another Member State of the European Union, the supervisory authority shall request that the verification be carried out by the supervisory authority of this Member State of the European Union or, subject to a consent of this supervisory authority, the verification shall be carried out by the Lithuanian supervisory authority or by the persons referred to in paragraph 9 of this Article in compliance with law of that other Member State of the European Union.

7. The supervisory authority of a foreign state which is a Member State of the European Union or the auditors or experts specified by it shall have the right to inspect (verify) an establishment set up in the Republic of Lithuania by a foreign bank falling under the jurisdiction of the said state upon giving prior notice to the Lithuanian supervisory authority. Where, for the purposes of supervision on a consolidated basis, the supervisory authority of another Member State of the European Union needs to verify the persons referred to in Article 58(2) of this Law as well as a mixed-activity holding company and the undertakings controlled by it falling under the jurisdiction of the Republic of Lithuania, the said verification shall, upon its request, be carried out by the supervisory authority of the Republic of Lithuania or, subject to a consent of the Lithuanian supervisory authority, by the requesting supervisory authority of another Member State of the European Union or the auditors or experts specified by it. Where, upon the request of the supervisory authority of another Member State of the European Union, the verification is carried out by the Lithuanian supervisory authority, the requesting supervisory authority of another Member State of the European Union shall have the right to participate in the carrying out of the said verification.

8. The supervisory authority of a foreign state other than a Member State of the European Union shall have the right to inspect (verify) the establishments set up in the Republic of Lithuania by a foreign bank and the persons falling under the jurisdiction of the Republic of Lithuania and referred to in Article 58(2) of this Law as well as a mixed-activity holding company and the undertakings controlled by it falling under the jurisdiction of the Republic of Lithuania where an agreement has been concluded between it and the Lithuanian supervisory authority providing for such a right and regulating the procedure for organising inspection (verification).

9. The supervisory authority shall have the right to conclude agreements on the verification or audit of a bank and other persons referred to in paragraph 6 of this Article with audit firms or

other persons holding appropriate qualifications. Where verification or an audit is carried out by the said persons, the provisions of paragraphs 2 and 3 of this Article shall be applied.

**Article 70. Supervision of Foreign Banks Licensed in the Member States of the European Union and Providing Services in the Republic of Lithuania without Establishing a Branch and of the Branches Established in the Republic of Lithuania by Foreign Banks Licensed in the Member States of the European Union**

1. The supervision of foreign banks licensed in the Member States of the European Union and providing services in the Republic of Lithuania without establishing a branch and of the branches established in the Republic of Lithuania by foreign banks licensed in the Member States of the European Union shall be exercised by the supervisory authority of the Member State of the European Union under whose jurisdiction a foreign bank falls. However, this shall not restrict the rights of the Lithuanian supervisory institution to require that foreign banks licensed in the Member States of the European Union and having branches in the Republic of Lithuania periodically provide information about their activities in the Republic of Lithuania necessary for the assessment of conditions specified in Article 70<sup>1</sup>(1) or performance of supervision with regard to the provisions of this Law, also to perform supervision of foreign banks licensed in the Member States of the European Union and providing services in the Republic of Lithuania without establishing a branch and of the branches established in the Republic of Lithuania by foreign banks licensed in the Member States of the European Union with regard to the provisions of this Article.

2. The supervisory authority shall inspect (verify) the branches established in the Republic of Lithuania by the foreign banks licensed in the Member States of the European Union and ask them to provide for supervisory purposes information about their activities and compliance with the requirements set by the legal acts, when, in the opinion of the supervisory authority, it is important for the stability and soundness of the Lithuanian financial system. Prior to performing inspections of the branches established in the Republic of Lithuania by the foreign banks licensed in the Member States of the European Union, the supervisory authority shall consult with the supervisory authorities of the Member States of the European Union under whose jurisdiction foreign banks which established the branches fall, and shall after the inspections transfer to these authorities the received information and conclusions that are important for the risk assessment of the foreign bank or for the stability and soundness of the Lithuanian financial system.

3. Where on the basis of the received information, the supervisory authority identifies that foreign banks licensed in the Member States of the European Union and providing services in the Republic of Lithuania without establishing a branch, branches established in the Republic of Lithuania by the foreign banks licensed in the Member States of the European Union do not adhere to this Law, legal acts of the supervisory authority or other legal acts regulating provision of financial services or there is a reason to believe, that they will not do so, the supervisory authority shall inform about that the supervisory authority of a foreign state under whose jurisdiction this bank or a branch of this bank established in the Republic of Lithuania falls requesting to take all possible measures to bring the actual or potential violations to an end.

4. If the supervisory authority of the Member State of the European Union under which has jurisdiction the foreign bank or the branch of the foreign bank established in the Republic of Lithuania fails to take action, or, the Lithuanian supervisory authority considers that the actions are not sufficient to remove the infringements specified in paragraph 3 of this Law, the Lithuanian supervisory authority may refer the matter to the European Banking Authority.

5. Where, disregarding actions of the supervisory authority of a foreign state, a foreign bank or a branch of the foreign bank established in the Republic of Lithuania continues in failing to comply with the requirements of legal acts of the Republic of Lithuania referred to in paragraph 3 of this Article, the supervisory authority, upon giving prior notice thereof to the supervisory authority of the foreign state and the European Banking Authority, shall have the right to impose the sanctions provided for by this Law.

6. In cases of urgency, when there is a serious threat to the collective interests of depositors and other creditors, the supervisory institution shall have the right to impose sanctions disregarding the provisions of paragraphs 3 to 5 of this Article. These sanctions must be proportionate to the aim to ensure safety and reliability of the financial system. The supervisory

authority shall without delay inform the European Commission, the European Banking Authority, and the respective supervisory authority of a foreign state about the sanctions imposed. The supervisory authority shall discontinue the application of sanctions when institutions of respective Member States of the European Union start applying sanctions provided for in Article 88(1) of this Law.

**Article 70<sup>1</sup>. Provision of Information and Co-operation with Supervisory Authorities  
of Other Member States of the European Union for the Purposes  
of Supervision of Significant Branches**

1. The supervisory authority may apply for recognition as significant of the branch established in the Republic of Lithuania by a foreign bank licensed in the Member State of the European Union to the supervisory authority responsible for supervision of a financial group on a consolidated basis, if a foreign bank which is licensed in the European Union Member State and has established a branch in the Republic of Lithuania belongs to such a financial group, or the supervisory authority of a Member State of the European Union in which a foreign bank which has established a branch in the Republic of Lithuania is licensed. Such a request shall specify the reasons why the branch established in the Republic of Lithuania by the foreign bank licensed in the Member State of the European Union should be considered significant, primarily having regard to:

- 1) whether deposits kept with the branch account for more than 2 per cent of all deposits of the Lithuanian banking system;
- 2) potential effects of the suspension or termination of activities of the foreign bank licensed in the Member State of the European Union which has established the branch on the liquidity, payment, clearing and settlement systems of the banking system of Lithuania;
- 3) the size of the branch of the foreign bank licensed in the Member State of the European Union and its relevance according to the number of customers in the banking system or the Lithuanian financial system.

2. The supervisory authority shall also decide on recognition as significant of a branch established in another Member State of the European Union by a bank licensed in the Republic of Lithuania upon receipt of an appropriate request of the supervisory authority of another Member State of the European Union wherein the bank has established the branch. When taking a decision on this issue, the supervisory institution shall have regard to the same circumstances as indicated in paragraph 1 of this Article and seek, together with the supervisory authority of the Member State of the European Union that submitted the application, that a decision on the recognition of a branch as being significant is adopted.

3. In case within a period of two months of receipt of the application, the joint decision in accordance with paragraph 2 of this Article is not adopted, the supervisory authority shall within an addition period of two months adopt a final decision on the recognition of a branch as being significant. When adopting this decision, the supervisory authority shall take into consideration the opinion and reservations of the supervisory institution responsible for supervision of a financial group on a consolidated basis, if a foreign bank which has established a branch in the Republic of Lithuania belongs to such a financial group, or the supervisory institution of a Member State of the European Union in which a foreign bank that has established a branch in the Republic of Lithuania is licensed. A decision on the designation of a branch of a foreign bank licensed in the Member State of the European Union as being significant must be reasoned. Relevant supervisory authorities of the Member States of the European Union shall be informed about the decision.

4. In order to cooperate when performing supervision of the bank having significant branches in other Member States of the European Union and to exchange information in accordance with paragraphs 5 and 6 of this Article, the supervisory authority shall establish a college of supervisory authorities (if the college of supervisory authorities of the entire financial group in accordance with Article 59 (8) of this Law has not been formed that would comprise the branch of a bank recognised as significant). The college of supervisory authorities shall be set up and shall operate in accordance with the agreements concluded with the supervisory authorities of the Member States of the European Union where significant branches are established. A supervisory authority shall decide which supervisory authorities shall participate in the meetings of a college or activities of a respective college. When planning and coordinating activities of the college of supervisory authorities, the supervisory authority shall take into account the importance

of the decisions adopted and their possible impact on the supervisory authorities participating in the college of supervisory authorities, first of all, the potential impact on the stability of the financial system of other interested Member States of the European Union and the duties specified in paragraphs 5 and 6 of this Article. All members of the college of supervisory authorities shall be informed in advance of the organization of the college meetings, the main issues and activities that will be discussed during the meeting, and after the meeting - of all the actions taken during the meeting or of the measures adopted.

5. Having recognised as significant the branch established in another Member State of the European Union by a bank licensed in the Republic of Lithuania, the supervisory authority shall provide information and co-operate with the supervisory authority of another Member State of the European Union wherein the bank has established the branch recognised as significant, and perform other additional tasks. The supervisory authority shall plan and coordinate the activities of the branches recognized as significant with the supervisory authorities of all Member States of the European Union where significant branches are established and, where appropriate, with the central banks of the European System of Central Banks in preparing for emergencies and their event, including adverse developments in banks and financial markets. Planning and coordination of supervision shall include providing of information about negative developments in the bank or other undertakings under its control, sanctions imposed on the bank in accordance with the procedure established by this Law or other exceptional sanctions (including additional capital requirement in accordance with Article 67(2)(2) of this Law, and imposition of any limitation when calculating capital adequacy requirement in accordance with Article 312 of Regulation (EU) No 575/2013), as well as supervisory review and evaluation. Having found out about an emergency situation related with a bank licensed by the supervisory authority the branch of which established in another Member State of the European Union has been recognised as significant, where the emergency situation may jeopardise the liquidity of the market and the stability of the financial system in that Member State of the European Union, the supervisory authority shall inform without undue delay, having regard to the provisions of Article 65 of this Law, the European Banking Authority, the European Systemic Risk Board, central banks of the European System of Central Banks, the Ministry of Finance of the Republic of Lithuania and central government bodies of another Member State of the European Union wherein the bank has established the branch recognised as significant which participate in drafting of legal acts related with the supervision of credit institutions, financial institutions, investment and insurance undertakings, and shall provide the entire information relevant for the performance of their functions.

6. The supervisory authority shall forward information to the supervisory authority of another Member State of the European Union where significant branches are established on the results of the supervisory review and evaluation, as well as compulsory instructions given by the supervisory authority in accordance with Article 67(2) of this Law and individual prudential requirements or additional prudential requirements, provided they are relevant to the significant branches.

7. The supervisory authority shall consult with the supervisory authorities of the Member States of the European Union where significant branches are established regarding the plan of the recovery of bank liquidity provided it is important for the assessment of liquidity risk in the currency of another Member State of the European Union.

8. If the supervisory authority of the Member State of the European Union under whose jurisdiction a foreign bank or a branch of a foreign bank established in the Republic of Lithuania falls does not consult with the supervisory authority of Lithuania or the supervisory authority of Lithuania considers that the actions set in the bank's plan of business reorganization and/or measures for elimination of violations and/or shortcomings are inadequate, the supervisory authority of Lithuania may refer the matter to the European Banking Authority.

9. Upon recognising a branch as significant, supervision thereof shall be exercised in compliance with the provisions of this Law and other legal acts concerning supervision of branches.

## **Article 70<sup>2</sup>. Provision of Information and Co-operation with Institutions of Other Member States of the European Union for the Purposes of**



### **Supervision of the Banks Licensed in the Republic of Lithuania and Providing Services in another Member State of the European Union without Establishing a Branch or through a Branch Established in another Member State of the European Union**

1. The supervisory authority of Lithuania shall provide information to and cooperate with the supervisory authority of another Member State of the European Union in which the bank licensed in the Republic of Lithuania provides services without establishing a branch or through a branch established in another Member State of the European Union. Having received the information or conclusions from the supervisory authority of another Member State of the European Union that are relevant to the bank's risk assessment or stability and reliability of the financial system of another Member State of the European Union, the supervisory authority must give due consideration to this information when preparing a supervision program. The supervisory authority shall define the contents and the preparation procedure of a supervision program.

2. The supervisory authority shall without delay, as soon as it is practically possible, provide to the relevant supervisory authorities of the Member States of the European Union all information related to the bank's liquidity and consolidated supervision and the findings made in accordance with Part Six of Regulation (EU) No. 575/2013 on the activities performed by the bank through the branches established in a Member State of the European Union, provided such information or findings are important for the protection of depositors or investors in the host Member State, as well as inform them about the critical situation which poses or may pose a threat to the market liquidity and stability the financial system. Along with this information, all the details about the restructuring of the bank activities and/or preparation and implementation of the plan of measures for elimination of identified violations and/or shortcomings, as well as all information on any measures which the supervisory authority intends to apply in these circumstances shall be provided.

3. At the request of the supervisory authorities of the Member States of the European Union, the supervisory authority shall explain how the information provided by them was taken into consideration.

4. In case based on the information received, the supervisory authority identifies that a bank licensed in the Republic of Lithuania and providing financial services in another Member State of the European Union without establishing a branch or through a branch established in another Member State of the European Union does not comply with or there are grounds for believing that it will fail to comply with the legal acts regulating provision of financial services, or the supervisory authority receives such a notification from the supervisory authority of another Member State of the European Union, the supervisory authority shall take all possible measures to bring the actual or potential violations to an end.

### **Article 71. Co-operation with the European Commission, the European Banking Authority and the Supervisory Authorities of the Member States of the European Union**

1. The supervisory authority shall notify the European Banking Authority of the licences issued according to the procedure set forth by this Law by indicating the deposit insurance scheme which the credit institution that was issued the licence participates, of the sanctions imposed and complains lodged regarding those sanctions as well as their proceedings, the European Commission and the European Banking Authority – of the licences withdrawn and provide them and the supervisory authorities of the Member States of the European Union with other information. The cases of and procedure for providing notifications and information shall be set forth by legal acts of the supervisory authority.

2. The supervisory authority shall co-operate with the European Banking Authority and provide the latter with all the information necessary for the achievement of its tasks under Regulation (EU) No 1093/2010.

### **Article 72. Sanctions**

1. The supervisory authority shall have the right to impose on persons the following sanctions:

1) to make public the information about the person who has violated this Law and other legal acts;

2) to warn over the violation of this Law and other legal acts and instruct to bring this violation to an end within the specified time limit and ensure that it is not repeated;

3) to impose penalties provided for under this Law;

4) to temporarily remove from office a member (members) of the bank's supervisory board, a member (members) of the bank's board, head (heads) of the bank's administration, head (heads) of the branch of the foreign bank, one or several persons from the bank's senior management, or to remove from office a member (members) of the bank's supervisory board, a member (members) of the bank's board, head (heads) of the bank's administration, head (heads) of the branch of the foreign bank, one or several persons from the bank's senior management and to require that they are removed from office and/or a contract concluded therewith be terminated or they are divested of their powers;

5) to temporarily prohibit the provision of one or several financial services;

6) to temporarily or permanently prohibit activities of one or several branches of the bank or other establishments of the bank or the foreign bank. Where the supervisory authority takes a decision on the temporary prohibition of activities of a branch or other establishment, the branch or other establishment shall not have the right to provide financial services, and where a decision is taken to permanently prohibit activities of a branch or other establishment, a bank must additionally forthwith take a decision on the termination of the activities of the branch or other establishment;

7) to suspend (limit) the voting right of the member of the bank;

8) to appoint the temporary administrator;

9) to announce a restriction (moratorium) on activities of a bank or a branch of a foreign bank;

10) to temporarily restrict the right to dispose of the funds in accounts in the Bank of Lithuania and in other credit institutions and of other assets;

11) to withdraw the issued licence or to temporarily suspend validity thereof until the grounds for the suspension of the licence exist. When the grounds for suspension of the license cease to exist, the supervisory authority shall without delay, and not later than within five working days of satisfying itself on the cessation of the grounds, restore the validity of the licence.

2. The supervisory authority shall have the right to impose the following sanctions on the representative office of a foreign bank:

1) to warn the representative office of infringement of this Law and legal acts of the supervisory authority;

2) to prohibit activities of the representative office in the Republic of Lithuania. Upon imposing this sanction, a decision must be taken forthwith on the termination of the activities of the representative office.

3. The supervisory authority shall have the right to impose the following sanctions on a foreign bank licensed in a Member State of the European Union and providing financial services in the Republic of Lithuania without establishing a branch or a branch established in the Republic of Lithuania by a foreign bank licensed in a Member State of the European Union:

1) to warn of infringement of this Law and other legal acts regulating safe and sound activities of banks or shortcomings in the activities;

2) to temporarily restrict the right of the branch of the foreign bank to dispose of the funds in accounts in the Bank of Lithuania and in other credit institutions and of other assets;

3) to temporarily or permanently prohibit the provision of financial activities in the Republic of Lithuania;

4) to impose penalties provided for under this Law.

4. The supervisory authority must take a decision on the imposition of the sanctions referred to in points 2 and 3 of paragraph 3 of this Article on a foreign bank licensed in a Member State of the European Union providing financial services in the Republic of Lithuania without establishing a branch or on a branch established in the Republic of Lithuania by a foreign bank licensed in a Member State of the European Union on its own initiative and where this is requested by the supervisory authority of the said Member State of the European Union.

5. The supervisory authority shall have the right to impose sanctions specified in points 1-4 of paragraph 1 of this Article on financial holding companies, the mixed-activity financial holding companies, the mixed-activity holding companies and/or their heads for the violation of Chapters Eight and Ten of this Law and the violation of other legal acts regulating the consolidated supervision of a financial group.

6. When taking a decision on the imposition of a sanction and selecting a specific sanction/sanctions, the supervisory authority shall take account of the gravity of the shortcomings of activities, duration, recurrence thereof, their influence on the interests of depositors and other creditors, the guilt, financial standing, violations and sanctions previously imposed on the person subject to a sanction, cooperation with the supervisory authority, the amount of income received as a result of the violation, other pecuniary advantage, the amount of losses avoided or damage incurred, where it is possible to establish, preparedness of founders, shareholders and heads as to eliminate violations found and activity shortcomings, consequences of the violations found and activity shortcomings as well as sanction/sanctions to be imposed on the stability and soundness of the banking system and other important circumstances.

7. The supervisory authority shall have the right to impose one or several sanctions. A decision of the supervisory authority on the imposition of a sanction/sanctions on a bank shall come into force on the day following taking of the decision, except where this Law or the decision provides otherwise.

8. A decision of the supervisory authority on the imposition of a sanction/sanctions must be substantiated and may be, according to the procedure set forth by law, appealed against to court. An appeal against the decision, with the exception of a decision on the imposition of the penalties provided for under this Law, shall not have suspensory effect on the decision. A court shall not give its opinion on and resolve a dispute over the selection of the type of a sanction and appropriateness of imposition thereof.

9. The cases involving examination of claims/requests concerning the decision of the Bank of Lithuania to impose sanctions specified in points 8-11 of paragraph 1 and points 2 and 3 of paragraph 3 of this Article, the measures securing the claim as provided for in Article 71(3)(1) and (3) of the Law on Administrative Proceedings may not apply.

10. Having examined the claim/request concerning the decision of the Bank of Lithuania to impose sanctions specified in points 8-11 of paragraph 1 and points 2 and 3 of paragraph 3 of this Article, the court shall have the right to award damages, but in satisfying the claim/request may not cancel the contested decision and impose on the Bank of Lithuania the obligation to carry out any action as a result of which the validity of the contested decision would be suspended or terminated or the condition which existed before the adoption of the decision would be otherwise restored.

11. Provisionally imposed sanctions shall remain in force until the expiry of the time limit referred to in a decision of the supervisory authority on the imposition of the sanctions. This time limit may be defined by a specific date, period or related to the rise of certain circumstances/disappearance of circumstances, except where the supervisory authority takes a decision on the lifting of the sanctions before the expiry of the fixed time limit.

12. Having regard to the circumstances indicated in paragraph 6 of this Article and acting in compliance with the criteria of fairness, reasonableness, transparency, and proportionality the supervisory authority may not impose any sanctions where a violation is minor and no substantial damage to the interests protected by law and other legal acts is made or where there are grounds for believing that supervisory purpose may be achieved by other measures, not only by imposing sanctions.

### **Article 73. Basic Principles of and Procedure for Imposing Sanctions**

1. The supervisory authority shall impose the sanctions specified by this Law in the presence of any of the following grounds:

1) engagement in receiving of deposits and other repayable funds from non-professional participants of the market, other financial services are provided without the powers granted in accordance with the procedure laid down by this Law or where such power is restricted under this Law, or other acts or activities prohibited by this Law are performed;

2) a bank or a branch of a foreign bank has been issued a licence or other authorisation provided for by this Law after it submitted misleading information or by other illegal means;

3) a qualifying holding in a bank's authorised capital and/or voting rights is acquired or increased without prior notice thereof to the supervisory authority in accordance with paragraph 1 of this Article or prior to the expiry of the time limit specified in Article 25(4) of this Law (with the exception of the case when the supervisory authority adopts a decision not to oppose the proposed acquisition prior to the expiry of the time limit specified in Article 25(4) of this Law) or in the event of the supervisory authority opposes the proposed acquisition, also where the acquirer fails to meet the requirements set by this Law or there is a reason to believe that he can make a negative impact on the prudential and safe management of a bank;

4) a qualifying holding in the bank's authorised capital and/or voting rights is transferred and/or reduced without prior notice thereof to the supervisory authority in accordance with Article 24(2) of this Article;

5) management requirements for a bank or a branch of a foreign bank established by this Law and other legal acts are not met or only partly met;

6) the information defined by this Law or other legal acts or requested by the supervisory authority is not submitted within the specified time limits or incomplete, the submitted information is incomplete;

7) there is a failure to execute or properly execute the compulsory instructions of the supervisory authority in accordance with Article 67(2) or (3) of this Law;

8) the requirements set for the issuance of a licence for a bank or a branch of a foreign bank are no longer met;

9) the Law on the Prevention of Money Laundering and Terrorist Financing or the Law on Insurance of Deposits and Liabilities to Investors are violated;

10) one or several persons are appointed or hold the position of the heads of a bank who do not meet the requirements of qualification, repute, and experience set in this Law and other legal acts for holding such position;

11) other violations of laws, other legal acts the compliance of which supervision is within the remit of the supervisory authority are made or activities or the financial situation of a bank or a branch of a foreign bank pose a threat to public interests and/or interests of clients or the functioning of the banking system of the Republic of Lithuania.

2. The supervisory authority, prior to considering the imposition of a sanction, shall give notice, within a reasonable time limit, to a person subject to the sanction of the venue and time of the consideration of the issue and supply him with information on the discovered facts forming the basis for the imposition of the sanction or grant access with the said facts to the heads of a person subject to the sanction. The person who has received the notification shall have the right to provide written clarifications prior to the consideration of the issue. The issue of the imposition of the sanction shall be considered in the presence of the heads of a person who is subject to the sanction. Failure to appear or to provide clarifications shall not preclude the consideration of the imposition of the sanction. In cases of urgency, the supervisory authority shall have the right to resolve the issue on the imposition of the sanction regardless the provisions of this paragraph. After imposition of the sanction a person who is subject to the sanction submits written motivated clarifications that there was no basis for the imposition of the sanctions, the supervisory authority shall consider the lifting of the sanction.

3. Sanctions may be imposed after the lapse of not more than two years from the day of committing an infringement, in the event of a continuous infringement – from the day of the commission of the last acts of the continuous infringement or from the day of the termination of the continuous infringement.

4. The decision to impose the sanction not later than within three working days from its adoption shall be communicated to a person who is subject to the sanction. Information about the sanctions imposed, including the information about the nature of the violation of the legal act and the identity of the person who made it shall be made public on the website of the supervisory authority without delay after the person on whom the sanction was imposed is informed about the decision to impose the sanction. If a decision on imposition of a sanction is appealed, the information about the appeals submitted regarding the imposed sanctions and their proceedings is also made public on the website of the supervisory authority. Where public announcement of the

sanctions imposed may have a detrimental effect on the stability of financial market, pre-trial investigation or would incur disproportionate damage to natural or legal persons, disclosure of such information shall be suspended until these circumstances cease to exist or it is made public without disclosing the information about the person who committed the violation. The supervisory authority shall ensure access to the published information for at least five years after its disclosure.

5. The supervisory authority shall adopt a decision on imposition of a sanction which, according to the Law on Insurance of Deposits and Liabilities to Investors, is considered to be an insured event, not later than within five working days from the day when it establishes that a bank holding a licence issued by the supervisory authority or a branch of the foreign bank is unable to settle a reasonable claim to return a deposit and there are grounds to believe that it will not be able to settle it soon.

6. Application of sanctions against legal persons shall not release heads or employees thereof from civil, administrative and criminal liability.

#### **Article 74. Fines**

1. The supervisory authority shall have the right to impose:

1) a fine to legal persons and branches of foreign banks established in the Republic of Lithuania in the amount of up to 10 per cent of the aggregate annual revenue;

2) a fine to natural persons in the amount of up to five million euros.

2. If a legal person or a foreign bank branch belongs to the parent institution of the group, the amount of a fine is determined from the total annual income of a major parent institution of the group indicated in the consolidated financial statement for the previous year.

3. Where the violations listed in Article 73(1) result in illegally received income, other pecuniary advantage, losses avoided or damage incurred, and the amount of such income, other pecuniary advantage, losses avoided or damage incurred, where it is possible to establish, exceeds the amounts of fines referred to in paragraph 1 of this Article, the supervisory authority shall have the right to impose a pecuniary penalty in the amount up to the double amount of the illegally received income, other pecuniary advantage, losses avoided or damage incurred.

4. Penalties shall be paid into the State budget within one month of the receipt of a decision of the supervisory authority on the imposition of a penalty. Where the penalty is not paid within the fixed time limits or, where the decision of the supervisory authority has been appealed against to court, within ten days from entering into force of the decision, it shall be recovered, upon a decision of the supervisory authority, without suit (without an instruction by a person who is subject to the penalty to debit funds) from the funds held in credit institutions by the person who is subject to the sanction, or the decision of the supervisory authority shall be implemented according to the procedure set forth by the Code of Civil Procedure.

#### **Article 75. Removal from Office of a Member/Members of a Bank's Supervisory Board, a Member/Members of the Bank's Board, Head/Heads of the Bank's Administration, Head/Heads of a Branch of a Foreign Bank or Persons from the Bank's Senior Management**

1. As of the day of the delivery to a bank of a decision by the supervisory authority to temporarily remove from office a member/members of the bank's supervisory board, a member/members of the bank's board, head/heads of the bank's administration, head/heads of a branch of a foreign bank, persons from the bank's senior management, the person removed from office shall not have the right to exercise his functions and all decisions taken by him after entering into force of the said decision shall be void.

2. Where the supervisory authority takes a decision to remove a member/members of a bank's supervisory board, a member/members of the bank's board, head/heads of the bank's administration, head/heads of a branch of a foreign bank, one or several persons from the bank's senior management and to require that they be removed from office and/or a contract concluded therewith be terminated or they be divested of their powers, a body of the bank which has such a right or the foreign bank which has established the branch must, within the time limit laid down in the decision of the supervisory authority, remove the person from office and/or terminate the contract concluded therewith or divest him of his powers.

3. A decision taken to remove a member/members of a bank's supervisory board, a member/members of the bank's board, head/heads of the bank's administration, head/heads of a branch of a foreign bank, one or several persons from the bank's senior management shall be communicated to the bank and to the Register of Legal Entities and published on the website of the supervisory authority.

#### **Article 75<sup>1</sup>. Temporary administrator**

1. The supervisory institution shall have the right to appoint one or several temporary administrators for a bank or a licensed branch of a foreign bank. A legal person, another organisation or their branch or a natural person who is not an employee of a supervisory authority may be appointed a temporary administrator.

2. A natural person, a head of a legal person, another organisation or their structural unit appointed a temporary administrator shall be subject *mutatis mutandis* to the requirements of good repute as well as qualification and experience as set forth in Article 34, he must not be bound by a conflict of interest with the bank and the supervisory authority.

3. The conditions, functions, and restrictions of activities of the temporary administrator shall be defined in the temporary administrator's agreement concluded between the supervisory authority and the temporary administrator. Such agreement must establish obligations of the supervisory authority concerning the indemnification of damage inflicted on third parties by actions of the temporary administrator to the extent that it does not contradict the provisions of the Civil Code. Remuneration and other costs (including the costs of service providers) of the temporary administrator and his assistants, according to the volume of activity of the temporary administrator, qualifications and performance terms, shall be determined in the temporary administrator's agreement. Remuneration and expenses (including the costs of service providers) shall be paid from the bank funds before any other bank payments. In the event when bankruptcy proceedings are initiated for the administered bank, payments for the temporary administrator shall also be paid before any other bank payments. If the bank fails to pay on time to the temporary administrator, the supervisory authority must pay to the temporary administrator and has the right to claim the amounts paid from the bank.

4. The temporary administrator shall not be liable for damages resulting from actions taken in accordance with the instructions of the supervisory authorities, in such case, the supervisory authority shall be liable for damages subject to the conditions set forth in laws exist.

5. The temporary administrator according to its own discretion shall have the right to use service providers (including legal, accounting, auditing, management consultants) necessary in order to properly carry out its functions.

6. When adopting a decision to appoint a temporary administrator the supervisory authority may provide that:

1) powers of the bank supervisory board, the bank board and heads of administration are temporarily suspended and they are temporarily taken over by the appointed temporary administrator. In this case, decisions of the bank supervisory board, the bank board and the heads of the administration taken after the entry into force of the decision to appoint a temporary administrator shall be void and unenforceable, or

2) powers of the bank supervisory board, the bank board and the heads of administration are not suspended, and the appointed temporary administrator shall temporarily act jointly with the following bank bodies.

7. In its decision on the appointment of the temporary administrator, the supervisory authority must determine the term of appointment of the temporary administrator, powers, functions and actions that the temporary administrator may perform only subject to prior approval of the supervisory authority.

8. If the temporary administrator is appointed in accordance with point 1 of paragraph 6 of this Article, he may receive some or all of the powers of the bank supervisory board, the bank board and the heads of administration provided for in the Law on Companies, other legal acts and the articles of association of a bank. The temporary administrator may be authorised to identify and assess the bank's financial condition, to lead the bank's activities(or part thereof) in order to preserve or restore the bank's financial position and to ensure safe and sound management of the activities of the bank and (or) to perform other functions.

9. If the temporary administrator is appointed in accordance with point 1 of paragraph 6 of this Article, the supervisory authority must specify in its decision on the appointment of the temporary administrator what types of decisions and actions of the supervisory board of a bank, the board of a bank, and heads of administration must obtain the approval of the temporary administrator.

10. The temporary administrator shall be appointed for a maximum period of one year. In exceptional cases, the appointment term of the temporary administrator may be extended by a reasoned decision of the supervisory authority. The supervisory authority's decision on the extension of the appointment term of the temporary administrator shall be submitted for the shareholders.

11. Having regard to the provisions of this Article, the supervisory authority may at any time change the provisions of the decision on the appointment of the temporary administrator, as well as at any time and for any reason, may remove the temporary administrator. The temporary administrator shall have the right to resign in accordance to the procedure set in the agreement concluded between the supervisory authority and the temporary administrator. If the temporary administrator resigns, the supervisory authority shall decide without delay on the appointment of a new temporary administrator.

12. The supervisory authority shall in writing communicate to the bank, the manager of the Register of Legal Entities and publish on the website of the supervisory authority about the adoption of the decision to appoint a temporary administrator or remove him in accordance with Article 6(1) of this Law not later than on the next working day after the adoption of a decision.

13. The temporary administrator may convene a general meeting of the bank's shareholders and set the agenda of such meeting only with the prior approval of the supervisory authority.

14. The appointment of the temporary administrator does not restrict the statutory rights of shareholders of the bank.

15. The supervisory authority may require that the temporary administrator within the set time limits provide the supervisory authority information on the bank's financial condition and the actions taken during the term of appointment of the temporary administrator.

16. The temporary administrator must perform his functions prudently and in good faith. The temporary administrator may not exercise the rights granted to him for his personal needs or those of third parties. Trust relationship between the temporary administrator and the bank which he is appointed to administer shall not exist, the temporary administrator of the bank shall not be obliged to act in the interests of the bank and its shareholders.

#### **Article 75<sup>2</sup>. Issuance of mandatory instructions and appointment of a temporary administrator for the bank belonging to a financial group**

1. If the supervisory authority is responsible for the consolidated supervision of the financial group, before applying sanctions to the bank which is a parent undertaking in the European Union in accordance with Article 67(3) and Article(72)(1)(8) of this Law, the supervisory authority shall inform about that the European Banking Authority and consult with other supervisory authorities of the Member States of the European Union at the college of supervisors. After providing the informing and conducting the consultations, the decision on the application of such sanctions shall be taken considering the effect of these sanctions on the entities of the group in other Member States of the European Union. The decision of the supervisory authority shall be communicated to other supervisory authorities of the Member States of the European Union participating in the college and the European Banking Authority.

2. Before applying sanctions specified in Article 67(3) or Article 72(1)(8) to a bank which is a parent undertaking of the parent undertaking of the European Union, the supervisory authority shall inform about that the European Banking Authority and consult with the supervisory authority responsible for the consolidated supervision of the financial group. If the supervisory authority responsible for the consolidated supervision of the financial group shall, within three days from the date of the referral of the supervisory authority, communicates its assessment to the supervisory authority, it shall having due regard to the assessment take the decision. The supervisory authority shall inform of the taken decision the supervisory authority responsible for the consolidated

supervision of the financial group as well as the supervisory authorities of other Member States of the European Union participating in the relevant college and the European Banking Authority.

3. If the supervisory authority is responsible for the consolidated supervision of the financial group and receives from the other supervisory authority of the Member State of the European Union a notice about the intention to appoint a temporary administrator to the entity belonging to the group or apply the sanctions specified in the legal acts of that country and analogous to those specified in Article 67(3), it shall have the right to assess the potential impact of such sanction to the entity, the financial group or the group entities in Lithuania and other Member States of the European Union and, within three days, to provide the results of such assessment to the supervisory authority of the Member State of the European Union that submitted the notice.

4. When the supervisory authority intends to apply sanctions to the bank which is the parent undertaking of the European Union or the parent undertaking of the parent undertaking of the European Union in accordance with Article 67(3) and Article(72)(1)(8) of this Law, and at least one other supervisory authority of the Member State of the European Union intends to appoint a temporary administrator or apply the sanctions specified in the legal acts of that country and analogous to those specified in Article 67(3) to at least one entity of the same group, the supervisory authority together with other respective supervisory authorities of the Member State of the European Union shall assess whether it would be more appropriate to appoint the same temporary administrator for all relevant entities or coordinate the application of the analogous sanction to any of those specified in Article 67(3) to more than one entity of the group in order to facilitate the implementation of decisions seeking to restore the financial position of the respective entity. Assessment results shall be recorded by adopting a reasoned joint decision of the supervisory authority responsible for the consolidated supervision of the group and other relevant supervisory authorities. If the joint decision is not adopted within five days from the submission or receipt of the notice referred to in paragraphs 1 or 2 of this Article, the supervisory authority shall have the right to take an individual decision regarding application of the sanctions specified in Article 67(3) or Article 72(1)(8) to the bank. The supervisory authority may call on the European Banking Authority that it would help supervisory authorities to agree in accordance with the provisions of Article 31 of Regulation (EU) No. 1093/2010.

5. If the supervisory authority is notified about the decision of the supervisory authority of another Member State of the European Union to apply the sanctions specified in the legal acts of that country and analogous to those specified in Article 67(3) to the parent undertaking of the European Union or to the parent company of the parent undertaking of the European Union and the supervisory authority disagrees with the decision, or if, as provided for in paragraph 4 of this Article, a joint decision is not taken, the supervisory authority may call on the European Banking Authority that it would help supervisory authorities to agree in accordance with the provisions of Article 31 of Regulation (EU) No 1093/2010. However, such an approach is possible only where the intention is to apply one or more analogous sanctions to those specified in Article 67(3)(1), (3) or (5) of this Law and provided for in the legal acts of the relevant Member State of the European Union.

6. If the supervisory authority in accordance with the provisions of paragraph 5 of this Article calls on the European Banking Authority or the supervisory authority of another Member State of the European Union calls on the European Banking Authority regarding the decision of the supervisory authority to apply relevant sanctions specified in Article 67(3) of this Law and the period of three days for supervisory authorities consultations has not expired yet or the joint decision has not been taken yet and the period of five days to adopt a decision has not expired yet, the supervisory authority does not take its decision until the European Banking Authority takes its decision in accordance with Article 19(3) of Regulation (EU) No. 1093/2010. When the European Banking Authority adopts its decision within three days, the supervisory authority must act in compliance with it.

7. If the period of five days specified in paragraph 4 of this article has expired or the joint decision has been taken, the supervisory authority may not apply to the European Banking Authority that it would help supervisory authorities to agree in accordance with the provisions of Article 19(3) of Regulation (EU) No. 1093/2010.



8. Decisions of the supervisory authority specified in this Article must be reasoned. Decisions must be taken with regard to opinions and reservations of the supervisory authorities of other Member States of the European Union, as well as the potential impact of decisions on the financial stability of other relevant Member States of the European Union. If the supervisory authority is responsible for the consolidated supervision of the group, it shall submit the document which sets out the joint decision regarding the parent undertaking of the European Union to the parent undertaking of the European Union. The supervisory authority shall also submit to the parent undertaking of the parent undertaking of the European Union the decision taken in its regard.

#### **Article 76. Moratorium on Activities of a Bank**

1. Moratorium of the activities of a bank is a temporary partial restriction of the activities of a licensed bank or a foreign bank branch. Restrictions on the activities of a bank shall be set by this Law and the decision of the supervisory authority on the announcement of a moratorium on the activities of a bank.

2. The time limit for a moratorium on activities of a bank shall be set by the supervisory authority. This time limit may not exceed six months. In exceptional cases, when it is identified that consequences for announcement of a moratorium are still valid / have not disappeared, the time limit for the moratorium on the activities may be extended.

3. A decision taken on the announcement of a moratorium on activities of a bank shall, on the working day following that of taking of the decision at the latest, be communicated to the bank and the Register of Legal Entities and published on the website of the supervisory authority.

4. From the moment when the decision is taken to declare a moratorium on the activities:

1) if not provided otherwise in the decision of the supervisory authority on the moratorium on the activities of the bank, it shall be prohibited from performing payment obligations or transfer assets of the bank where these obligations result from the transactions concluded or other legal facts arising prior to the announcement of the moratorium on the activities of the bank, except for the payments necessary to ensure restricted activities of the bank during the moratorium. During the moratorium on the activities of the bank, penalties for nonfeasance or misfeasance of an obligation of the bank shall not be calculated and paid. Interest on the bank's obligations shall be calculated, but shall be paid only after the expiry of the time limit for the moratorium on the activities of the bank;

2) it shall be prohibited to set off any claims of the bank and clients thereof;

3) cases pending in court in which material claims have been filed to the bank, also execution cases or recoveries made otherwise where the bank is the debtor, shall be suspended.

5. The prohibitions referred to in points 1 and 2 of paragraph 4 of this Article shall not be applied where laws of the Republic of Lithuania regulating the functioning of the payment and securities settlement systems as well as other laws establish that a bank must perform obligations also when its activities are restricted.

#### **Article 76<sup>1</sup>. Repealed as of 3 December 2015.**

#### **Article 77. Temporary Restriction on the Right to Dispose of Funds and Other Assets**

1. Upon the imposition by the supervisory authority of a sanction referred to in Article 72(1)(9) or in Article 72(3)(2) of this Law, a person who is subject to the sanction shall not have the right to dispose of funds in his accounts in the Bank of Lithuania and in other credit institutions and of other assets specified in the decision of the supervisory authority.

2. The supervisory authority may temporarily restrict the right to dispose of all funds in accounts in the Bank of Lithuania and in other credit institutions and of all other assets or of part of the funds and other assets.

3. A decision of the supervisory authority to temporarily restrict the right to dispose of funds in accounts in the Bank of Lithuania and in other credit institutions established in the Republic of Lithuania and of other assets in the territory of the Republic of Lithuania shall be considered a property seizure act. In the cases and according to the procedure set forth by legal acts, it shall be registered in the Register of Property Seizure Acts. The decision of the supervisory

authority must include the data required to register the decision of the supervisory authority in the Register of Property Seizure Acts. In the cases specified by the legal acts regulating the Register of Property Seizure Acts, the decision of the supervisory authority may be temporarily registered in the Register of Property Seizure Acts.

## **CHAPTER ELEVEN TERMINATION OF A BANK**

### **Article 78. Legal Regulation of Procedure for the Reorganisation, Restructuring and Winding up of a Bank**

1. A bank shall be reorganised, restructured and wound up according to the procedure set forth by the Civil Code, this Law, the Law on Financial Institutions and, except where this Law provides otherwise, the Law on Companies.

2. The provisions of this Chapter, unless they contradict the essence of a branch of a foreign bank and except where this Law provides otherwise, shall also be applied to terminate activities of a branch of a foreign bank established in the Republic of Lithuania, except for a foreign bank licensed in a Member State of the European Union.

### **Article 79. Reorganisation of a Bank**

1. When reorganising a bank by way of merger, another entity participating in the reorganisation or undergoing reorganisation may only be a bank or another financial institution.

2. When reorganising a bank by way of division, at least one of the legal persons whereto bank's rights and obligations are transferred or who are established must be a bank.

3. Where a new bank is established as a result of the reorganisation of a bank, the new bank must obtain a licence according to the procedure set forth by this Law. In such a case, an application for the issuance of the licence, the documents and data required to issue the licence shall be submitted to the supervisory authority together with the application for the granting of an authorisation to reorganise the bank. Alongside a decision on the granting of an authorisation to reorganise the bank, a decision on the issuance of the licence shall be taken.

4. The banks participating in a reorganisation or undergoing reorganisation must, in the cases specified by this Law, obtain the consent of the supervisory authority to reorganise and an authorisation of the supervisory authority to reorganise the bank.

### **Article 80. Consent to Reorganise a Bank**

1. Where a bank is to be reorganised by way of merger, the supervisory authority must be notified of the planned reorganisation, and its consent to reorganise the bank must be obtained.

2. In order to obtain a consent to reorganise the bank, the banks participating in the reorganisation or undergoing reorganisation must submit to the supervisory authority an application and the documents specified by legal acts of this institution. A consent to reorganise a bank shall be granted by the supervisory authority according to the procedure set forth by this Law and legal acts of the supervisory authority. A decision on the granting of a consent shall be adopted by taking account of the criteria for the assessment of a systemic risk level laid down by legal acts of the supervisory authority.

3. The supervisory authority shall take a decision on the granting of a consent within one month of the receipt of an application for granting the consent.

### **Article 81. Authorisation to Reorganise a Bank**

1. The reorganisation of a bank may be completed only upon obtaining an authorisation of the supervisory authority to reorganise the bank.

2. An authorisation to reorganise a bank shall be granted by the supervisory authority according to the procedure set forth by laws and legal acts of the supervisory authority.

3. Upon taking a decision on the reorganisation of a bank, the bank participating in the reorganisation or undergoing reorganisation, in order to obtain an authorisation to reorganise the bank, shall submit to the supervisory authority an application and the documents and data specified by legal acts of the supervisory authority, including:

1) terms of the reorganisation (a reorganisation project);

- 2) a report of the bank board;
  - 3) assessment of the terms of the reorganisation (the reorganisation project);
  - 4) a decision of a body of the bank on the reorganisation of the bank;
  - 5) the documents and data evidencing that the bank meets the requirements set for obtaining of a licence to establish a bank where a new bank is to be established as a result of the reorganisation;
  - 6) the documents and data evidencing that the bank meets the requirements set for obtaining a licence where the bank is to continue its activities after the reorganisation.
4. The supervisory authority must examine submitted documents and take a decision on the granting of an authorisation to reorganise the bank within three months of the receipt of an application.
5. The supervisory authority shall refuse to grant an authorisation to reorganise the bank where:
- 1) submitted documents do not meet the requirements set by this Law and legal acts of the supervisory authority, not all the data specified by the legal acts or additionally requested have been submitted or they are incorrect;
  - 2) there are grounds provided for in Article 9(13) of this Law.
6. The supervisory authority shall give a written notice to the Register of Legal Entities of a decision taken to grant or not to grant an authorisation to reorganise a bank.

## **Article 82. Winding up of a Bank**

1. A bank may be wound up by a decision of shareholders or on other statutory grounds.
2. The general meeting of the bank's shareholders may take a decision on the termination of activities and winding up of the bank only upon obtaining an authorisation of the supervisory authority to wind up the bank.
3. An authorisation to wind up the bank shall be granted by the supervisory authority according to the procedure set forth by laws and legal acts of the supervisory authority.
4. In order to obtain an authorisation to wind up a bank, the bank shall submit to the supervisory authority an application and the documents and data specified by legal acts of the supervisory authority as well as a plan prepared by the bank's board and agreed with the bank's supervisory board on the winding up of the bank and settlement with creditors and setting out, *inter alia*, the time limits and sources of settlement with the creditors as well as conclusions of experts on the value of the bank's assets. An application to withdraw a licence must be attached thereto.
5. The supervisory authority must examine submitted documents and take a decision on the granting of an authorisation to wind up a bank within three months of the receipt of an application.
6. A bank may be wound up by a decision of the general meeting of the bank's shareholders only where it is able to fully settle with its creditors.
7. The supervisory authority may refuse to grant an authorisation to wind up a bank where:
  - 1) submitted documents do not meet the requirements set by this Law and legal acts of the supervisory authority, not all the data specified by the legal acts or additionally requested have been submitted or they are incorrect;
  - 2) a conclusion may be made that the bank is unable to fully settle with creditors (the bank's assets are insufficient to satisfy all claims of the creditors).
8. The supervisory authority shall give a written notice to the Register of Legal Entities of a decision taken to grant or not to grant an authorisation to wind up a bank.
9. A bank must, within three working days, notify the supervisory authority of a decision taken at the general meeting of the bank's shareholders on the winding up of the bank and the appointment of the liquidator of the bank.
10. Where a licence is withdrawn by a decision of the supervisory authority, the general meeting of the bank shareholders must take a decision on the termination of activities of the bank. In this case, paragraph 2 of this Article shall not apply.
11. A bank shall be wound up upon a decision of the court, where the bank's licence is withdrawn and the general meeting of shareholders thereof does not take a decision on the termination of activities of the bank within the time limit laid down by the supervisory authority.

The right to apply to the courts on the winding up of a bank shall be vested in the supervisory authority, the supervisory board, the board or a shareholder of the bank. The court must take a decision on the winding up of a bank within 15 days of the receipt of an application.

12. Prior to taking a decision on the winding up of a bank on the grounds other than those referred to in paragraph 11, a court must notify thereof the supervisory authority and obtain its conclusion on the winding up of the bank.

13. In all cases, a court, upon taking a decision on the winding up of a bank, must notify thereof the supervisory authority within three working days of the taking of the decision.

## **CHAPTER TWELVE BANKRUPTCY OF A BANK**

### **Article 83. Legal Regulation of the Bank Bankruptcy Procedure**

Bankruptcy procedures of banks shall be regulated by the Law on Enterprise Bankruptcy, unless this Law, the Law on Financial Sustainability and the Law on Financial Institutions do not provide otherwise.

### **Article 84. Conditions for the Recognition of a Bank Insolvent**

1. A bank may be declared insolvent where there is at least one of the following conditions:

1) due to the fact that a bank has suffered or is likely to suffer losses for compensation of which a bank will need all of its own funds or a large part of own funds, or due to other reasons related to its financial situation or based on the objective factors supporting such an assessment that in the near future a bank will violate requirements applicable for the issue of the license so that the supervisory authority would have grounds for revocation of the license;

2) the amount of the bank assets is or, on the basis of objective factors, it is established that in the near future it will be less than its liabilities;

3) the bank either cannot or, on the basis of objective factors supporting such assessment, in the near future will not be able to cover its debts according maturities or will not be able to meet other liabilities.

2. Bank bankruptcy proceedings shall be initiated by the court on the initiative of a resolution authority only or in case other persons specified by law apply to the court and the conditions specified in Article 102 of the Law on Financial Sustainability are fulfilled. If the resolution authority does not provide any information to the court about its intentions to take restructuring actions in accordance with Article 102 of the Law on Financial Sustainability, the court shall decide on the opening of bankruptcy proceedings for the bank only after receiving a conclusion of the supervisory authority on the insolvency of the bank.

### **Article 85. Bank Bankruptcy Proceedings**

1. Upon the handing down of a ruling on the opening of a bank's bankruptcy proceedings, creditors of the bank shall be forthwith notified thereof in the manner prescribed in the court's ruling, and the court hearing the bankruptcy case, case number, requisites of the bank in bankruptcy and time limits for the acceptance of creditors' claims shall be published in the two daily national newspapers with the largest circulation. The court or a judge may authorise the bank's administrator to carry out the actions referred to in this paragraph.

2. The time limit laid down by the court for the lodging of claims by the bank creditors shall not exceed three months of the entry into force of the court's ruling on the opening of bankruptcy proceedings.

3. Upon the handing down of a ruling on the opening of bank bankruptcy proceedings:

1) the administrator shall commence the exercise of his functions, and powers of bodies of the bank shall be suspended. Where a court of appeals reverses the ruling on the opening of the bank bankruptcy proceedings, the bodies of the bank shall continue to exercise their functions;

2) performance of all financial obligations not performed prior to the opening of bankruptcy proceedings, including the payment of interest, penalties, taxes and other mandatory payments as well as recovery of debts from the bank in bankruptcy through court or without suit shall be prohibited;

3) calculation of penalties and interest on all obligations of the bank, including on a default in payments related to employment relationship, shall be terminated. Judicial mortgage may not be imposed.

4. The prohibitions referred to in point 2 of paragraph 3 of this Article shall not be applied in the cases specified by the laws regulating the functioning of the payment and securities settlement systems and by other laws where a bank has been directly instructed to perform its obligations after the initiation of bankruptcy proceedings.

5. The administrator of a bank must, within five days of the handing down of a court's ruling to open bank bankruptcy proceedings, submit to the court for approval the amount of the bank's funds which the administrator has the right to use to cover administration expenses pending the approval of an estimate of administration costs.

6. Where the number of creditors of a bank against which bankruptcy proceedings have been opened, according to the list approved by the court, exceeds 50, the creditors' committee shall alone enjoy all the rights granted by the Enterprise Bankruptcy Law to the creditors' meeting, with the exception of the right to form and change the composition of the creditors' committee. The creditors' committee shall have not more than 15 members. The state undertaking Deposit and Investment Insurance must be one of the members of the creditors' committee.

7. The administrator must regularly provide the supervisory authority, according to the procedure and within the time limits laid down by it, with information on the progress of the bank's bankruptcy proceedings.

8. Upon the opening of the bank's bankruptcy proceedings, a settlement agreement may not be concluded.

*9. Repealed as of 3 December 2015*

#### **Article 86. Winding up of a Bankrupt Bank**

1. The court shall declare a bank bankrupt and hand down a ruling on the winding up of the bank within three months of the entering into force of a ruling to satisfy creditors' claims.

2. The bank's rights of claim not sold in the prescribed manner and not taken over by creditors shall be gratuitously transferred to the institution specified by the Government.

3. Prior to each settlement with creditors, the administrator of a bank shall submit to the court for approval a plan of settlement with the creditors. The plan shall indicate the dates when a payment is due, amounts to be paid and the scope of the creditors' claims to be satisfied in respect of transferring of the assets, including rights of claim, to the creditors.

4. The claims of the bank creditors in a foreign currency shall be satisfied in euros according to the indicative exchange rate of the euro and the foreign currency on the day of a ruling of the court on the opening of the bank bankruptcy proceedings, and when the indicative official exchange rate of the euro and the foreign currency is not announced by the European Central Bank, then, according to the last indicative exchange rate of the euro and the foreign currency announced by the Bank of Lithuania.

#### **Article 87. Order of Satisfaction of Creditors' Claims**

1. The claims of employees related to employment relationship, the claims to compensate for damage done due to mutilation or other bodily injury, contraction of an occupational disease or death as a result of an accident at work shall be satisfied first.

2. The claims on the insured deposits, as well as the claims of the state undertaking Deposit and Investment Insurance on the expenses related to the use of the resources of the Deposit Insurance Fund in accordance with the Law on Insurance of Deposits and Liabilities to Investors and/or the Law on Financial Sustainability shall be satisfied second.

3. The claims related to the payment of taxes and making other payments to the budget and benefits of compulsory state social insurance and compulsory health insurance as well as to the granted loans received on behalf of the State and with the guarantee of the State shall be satisfied third.

4. The claims of natural persons, micro, small and medium-size enterprises as provided for in the Law on Small and Medium-Size Business Development, claims regarding part of the deposits exceeding the amount covered by insurance provided for in Article 4 of the Law of the Republic of Lithuania on Insurance of Deposits and Liabilities to Investors, claims of natural

persons, micro, small and medium-size enterprises regarding deposits that would be considered as deposits fulfilling the requirements if they were kept with banks established in the Republic of Lithuania, but not with their branches located in third countries shall be satisfied fourth.

5. Other claims of the bank's creditors, with the exception of the claims referred to in paragraphs 1, 2, 3, 4, 6, 7 and 8 of this Article, shall be satisfied fifth.

6. The claims of creditors related to subordinated loans granted to the bank and non-equity securities issued by the bank which have all characteristics of a subordinated loan, excluding claims specified in paragraph 7 of this Article, shall be satisfied sixth.

7. The claims of creditors related to non-equity securities issued by the bank which have all characteristics of a subordinated loan and whose acquisition transactions provide that claims in respect of them shall be satisfied only after the claims of other bank creditors, including claims over subordinated loans granted to the bank and other non-equity securities issued by the bank which have all characteristics of a subordinated loan, shall be satisfied seventh.

8. The claims of the bank's shareholders holding a qualifying holding in the bank's authorised capital and/or voting rights, members of the bank's supervisory board, members of the bank's board and the heads of the administration shall be satisfied eighth.

## **CHAPTER THIRTEEN** *Repealed as of 3 December 2015*

## **CHAPTER FOURTEEN** **FINAL PROVISIONS**

### **Article 95. Entry into force of the Law**

This Law shall enter into force on 01 May 2004.

### **Article 96. Application of the Law to Banks in Operation and Establishments of Foreign Banks**

1. Where this Law sets stricter or additional requirements for banks in operation or for establishments of foreign banks compared with the legal acts in force prior to the entering into force of this Law and where, on the basis of these requirements, activities of a bank or an establishment of a foreign bank must be restructured, these requirements must be complied with within one year of the entering into force of this Law. Until activities of the bank are restructured in accordance with all requirements of this Law, the bank shall not have the right, according to the procedure set forth by this Law, to establish a branch or to provide financial services without establishing a branch in another Member State of the European Union.

2. The provisions of this Law regulating the reorganisation, restructuring, winding up and bankruptcy of banks shall be applied to the proceedings opened after the entering into force of this Law. The Law on Commercial Banks in force prior to the entering into force of this Law shall be applied to bank reorganisation, winding up and bankruptcy procedures where decisions on the reorganisation, winding up or bankruptcy of a bank were taken prior to the entering into force of this Law.

3. Where prior to the entering into force of this Law the supervisory authority has received applications for the granting of authorisations, they shall be examined and decisions shall be taken according to the procedure set forth by the legal acts in force at the time of submitting of the application.

4. Upon entering into force of this Law, it shall be held that the banks holding a bank licence and branches of the foreign banks licensed in states other than the Member States of the European Union, where the branches hold an authorisation granted by the Bank of Lithuania to operate in the Republic of Lithuania, shall have the right to provide all financial services, unless this right is restricted by the issued bank licence or authorisation to operate or unless this right is otherwise restricted prior to the entering into force of this Law. Upon entering into force of this Law, a licence or authorisation held by the banks holding a bank licence and branches of the foreign banks licensed in states other than the Member States of the European Union, where the branches hold an authorisation granted by the Bank of Lithuania to operate in the Republic of Lithuania, shall be replaced by a licence of a new format according to the procedure set forth and the time limits laid down by the supervisory authority without requiring additional documents.

5. Upon entering into force of this Law, branches of the foreign banks licensed in the Member States of the European Union, where the branches hold an authorisation granted by the Bank of Lithuania to operate in the Republic of Lithuania, shall have the right to provide financial services and shall be supervised in the same manner as the branches of foreign banks established pursuant to Article 20 of this Law, and the authorisation granted by the Bank of Lithuania to operate in the Republic of Lithuania shall become invalid. Where, taking account of the decisions taken by institutions of the European Union, legal acts of the supervisory authority do not provide otherwise, such a foreign bank licensed in a Member State of the European Union must, within six months of the entering into force of this Law, carry out the actions to ensure compliance with the provisions of Article 20(2) of this Law.

#### **Article 97. Repealed Laws**

Upon the entry into force of this Law, the following laws shall be repealed:

- 1) Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 2-33, 1995);
- 2) Republic of Lithuania Law Supplementing the Republic of Lithuania Law on Commercial Banks (Official Gazette, 1995, No. 107-2411);
- 3) Law Amending and Supplementing Article 34 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 19-495, 1996);
- 4) Law Amending Articles 40 and 47 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 41-989, 1996);
- 5) Law Amending and Supplementing Articles 2, 6, 7, 10, 11 and 14 of the Republic of Lithuania Law on Commercial Banks (Official Gazette, 1996, No 57-1337);
- 6) Law Amending and Supplementing Articles 34 and 40 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 65-1535, 1996);
- 7) Law Amending and Supplementing Article 37 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 105-2397, 1996);
- 8) Law Amending and Supplementing Article 30 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 33-811, 1997);
- 9) Law Amending Article 31 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 64-1504, 1997);
- 10) Law Supplementing the Law of the Republic of Lithuania on Commercial Banks with Article 53<sup>(1)</sup> and Amending Articles 17, 37, 39, 40, 53 and 54 of the Law (Official Gazette, No 66-1595, 1997);
- 11) Law Amending Article 6 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 84-2092, 1997);
- 12) Law Amending Article 28 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 117-3004, 1997);
- 13) Law Amending and Supplementing Articles 6, 53 and 54 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 66-2119, 1999);
- 14) Law Amending Article 6 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 28-768, 2000);
- 15) Law Amending and Supplementing Articles 6 and 26 of the Republic of Lithuania Law on Commercial Banks (Official Gazette, 2000, No. 29-804);
- 16) Law Amending Articles 6, 7, 8 and 34 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 61-1836, 2000);
- 17) Law Amending Articles 2, 6, 7, 14, 18, 24, 27, 33 and 34 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 16-492, 2001);
- 18) Law Amending Articles 40 and 47 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 21-695, 2001);
- 19) Law Amending Article 53 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 23-761, 2001);

- 20) Law Amending Articles 6 and 8 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 28-896, 2001);
- 21) Law Amending Articles 10 and 11 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 39-1354, 2001);
- 22) Law Amending Articles 44, 46, 47, 53 and 53<sup>(1)</sup> of the Republic of Lithuania Law on Commercial Banks and Repealing Articles 50, 51 and 52 of the Law (Official Gazette, 2001, No. 60-2140);
- 23) Law Amending Article 54 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 13-476, 2002);
- 24) Law Amending Article 31 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 33-1253, 2002);
- 25) Law Amending Article 1 of the Law Amending Article 54 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 65-2637, 2002);
- 26) Law Amending Article 53 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 65-2638, 2002);
- 27) Law Amending Article 14 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 38-1691, 2003);
- 28) Law Amending and Supplementing Article 46 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 61-2756, 2003);
- 29) Law Amending Article 34 of the Law of the Republic of Lithuania on Commercial Banks (Official Gazette, No 4-50, 2004).

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

ACTING

PRESIDENT OF THE REPUBLIC     ARTŪRAS PAULASKAS



**LEGAL ACTS OF THE EUROPEAN UNION IMPLEMENTED BY THIS LAW**

1. Seventh Council Directive 83/349/EEC of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts (OJ 2004 special edition, Chapter 17, Volume 1, P. 58).
2. Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ 2004 special edition, Chapter 6, Volume 1, P. 157).
3. Council Directive 89/117/EEC of 13 February 1989 on the obligations of branches established in a Member State of credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents (OJ 2004 special edition, Chapter 6, Volume 1, P. 213).
4. *Repealed as of 3 December 2015*
5. *Repealed as of 1 January 2012*
6. Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions (OJ 2004 special edition, Chapter 6, Volume 4, P. 15).
7. Directive 2001/65/EC of the European Parliament and of the Council of 27 September 2001 amending Directives 78/660/EEC, 83/349/EEC and 86/635/EEC as regards the valuation rules for the annual and consolidated accounts of certain types of companies as well as of banks and other financial institutions (OJ 2004 special edition, Chapter 17, Volume 1, P. 245).
8. *Repealed as of 1 May 2015*
9. *Repealed as of 1 May 2015*
10. Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector (OJ 2007 L 247, P. 1).
11. Directive 2009/14/EC of the European Parliament and of the Council of 11 March 2009 amending Directive 94/19/EC on deposit-guarantee schemes as regards the coverage level and the payout delay (OJ 2009 L 68, P. 3).
12. Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ 2009 L 302, P. 1), as last amended by Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013 (OJ 2013 L 146, P. 1).
13. Directive 2013/36/EC of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ 2013 L 176, P. 338).
14. 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).
15. 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 (OL 2014 L 173, P. 190).