

BOARD OF THE BANK OF LITHUANIA

RESOLUTION No. 03-269

of 13 December 2012

**ON AMENDMENTS TO THE BOARD OF THE BANK OF LITHUANIA RESOLUTION
No. 149 OF 25 SEPTEMBER 2008 ON THE REGULATIONS FOR THE ORGANISATION
OF INTERNAL CONTROL AND RISK ASSESSMENT (MANAGEMENT)**

Vilnius

The Board of the Bank of Lithuania has resolved:

1. To amend Regulations for the Organisation of Internal Control and Risk Assessment (Management) approved by the 25 September 2008 Board of the Bank of Lithuania Resolution No. 149 On the Regulations for the Organisation of Internal Control and Risk Assessment (Management) (*Valstybės žinios* (Official Gazette), 2008, No. 127-4888):

- 1.1. To word Paragraph 10 as follows:

“10. The bank must have in place an approved credit risk management strategy (policy). The credit risk management strategy shall elaborate all strategic elements mentioned in General Regulations for the Internal Capital Adequacy Assessment Process approved by the Board of the Bank of Lithuania Resolution No. 145 of 23 November 2006 (*Valstybės žinios* (Official Gazette), No. 143-5456) and calculation of the demand for additional capital requirement.”

- 1.2. To word Paragraph 18 as follows:

“18. For the purpose of assessing credit risk of borrowers and/or exposures and attributing them to risk categories (grades, risk groups), a bank must use appropriate, clearly defined and documented criteria, as well as in cases when credit risk of a bank is transferred to other persons (entities) due to securitisation or hedging. A bank must take into account financial standing of the borrower, its ability to repay funds, including the assessment of a possible impact of changes in the interest rate and currency exchange rate on contributions of credit beneficiary and where appropriate, received security and cash flows of the object of security. Assessing corporate credit risk when in the opinion of a bank the amount of exposure is material, the bank must also assess:”

- 1.3. To supplement Paragraph 24¹ and word it as follows:

“24¹. For the purpose of assessing credit risk, the bank must assess risk associated with the credit beneficiary’s competence, as well as assess credit beneficiary’s understanding about assumed credit liabilities. When loans are granted in foreign currency and/or fluctuating interest rates, the bank:

- 24¹.1. Prior to granting credit in a foreign currency, shall notify the credit beneficiary about risk associated with changes of the foreign currency exchange rate and a possible impact of a material change of the foreign currency exchange rate on the credit beneficiary’s contributions and possibilities to repay the credit in due time;

- 24¹.2. Prior to granting credit with fluctuating interest rates, must perform the analysis of the credit beneficiary’s possibilities to repay the credit in due time in the case of an unfavourable interest rate

shock and notify credit beneficiaries about the impact of an interest rate shock on credit contributions;

24¹.3. In order to implement requirements provided for in Paragraphs 24¹.1 and 24¹, the bank must calculate and notify the credit beneficiary about future credit contributions by applying the interest rate base and currency exchange rate present at the moment of granting the credit, as well as about possible credit contribution changes resulting from an interest rate increase by interest rate changes forecast by the bank and possible material changes of the foreign currency exchange rate.

2. To establish that this Resolution shall come into effect on 1 April 2013.