



**LIETUVOS BANKAS
BANK OF LITHUANIA**

Mr Francesco Mazzaferro
Head of the ESRB Secretariat
European Systemic Risk Board

24 November 2015

Regarding notification on Article 131(7) of the Directive 2013/36/EU

Dear Mr Mazzaferro,

In accordance with Article 131(7) of the Directive 2013/36/EU which states that Member States, before setting or resetting an O-SII buffer, shall notify the Commission, the ESRB, EBA, and the competent and designated authorities of the Member States concerned before the publication of the decision, the Bank of Lithuania would like to notify of its intention to impose an additional capital requirement on Lithuanian systemically important institutions.

The Bank of Lithuania, as the designated authority, intends to set the O-SII capital buffer for 4 identified systemically important institutions in Lithuania:

- AB SEB bankas — 2.0%;
- „Swedbank“, AB — 2.0%;
- AB DNB bankas — 2.0%;
- AB Šiaulių bankas — 0.5%.

The decision is intended to be taken on 15 December 2015. The designated banks will be required to hold the buffer effective from 31 December 2016.

The Lithuanian banking system is concentrated on a consolidated basis. In terms of assets, in Q2 2015 the market share of the 4 largest banks comprised around 79 per cent of the total assets of the Lithuanian banking system. The failure of a systemic institution could have a severe negative impact on the stability of the Lithuanian financial sector and on the real economy. Therefore, the loss absorbing capacities of systemic banks have to be improved. Higher capital requirement for systemically important institutions will also help limit possibly misaligned incentives of systemically important financial institutions.

Based on the information available to us, the Bank of Lithuania does not foresee any significant impact on the internal market.

Yours sincerely,

Tomas Garbaravičius
Member of the Board