

Notification template for Article 131 of the Capital Requirements Directive (CRD) – Other Systemically Important Institutions (O-SIIs)

Template for notifying the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) of the setting or resetting of an O-SII buffer under Article 131(7) CRD and of the identity of O-SIIs under Article 131(12) CRD

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation¹);
- [DARWIN/ASTRA](#) when notifying the ESRB.

The ESRB will forward this notification to the European Commission, to the European Banking Authority (EBA) and to the competent and designated authorities of the Member States concerned without delay and will publicly disclose the names of the O-SIIs on its website. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure².

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority			
1.1 Name of the notifying authority	Bank of Lithuania (BoL)		
1.2 Country of the notifying authority	Republic of Lithuania		
2. Description of the measure			
2.1a Institution or group of institutions concerned	Name of institution	LEI	Consolidation level
	AB SEB banks	549300SBPFE9JX7N8J82	sub-consolidated level
	„Swedbank“, AB	549300GH3DFCXVN BHE59	sub-consolidated level
	AB Šiaulių bankas	549300TK038P6EV4 YU51	highest level of consolidation
	Revolut Bank UAB	485100NUOK3CEDC UTW40	highest level of consolidation

¹ 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 L 287, 29.10.2013, p. 63).

² On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2.1b Changes to the list of institutions concerned	Revolut Bank UAB has been identified as a new O-SII in Lithuania.																							
2.2 Level of the buffer applied	<table border="1"> <thead> <tr> <th>Name of institution</th> <th>New O-SII buffer</th> <th>Previous O-SII buffer</th> </tr> </thead> <tbody> <tr> <td>AB SEB bankas</td> <td>2 %</td> <td>2 %</td> </tr> <tr> <td>„Swedbank“, AB</td> <td>2 %</td> <td>2 %</td> </tr> <tr> <td>AB Šiaulių bankas</td> <td>1 %</td> <td>1 %</td> </tr> <tr> <td>Revolut Bank UAB</td> <td>1 %</td> <td>N/A</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>			Name of institution	New O-SII buffer	Previous O-SII buffer	AB SEB bankas	2 %	2 %	„Swedbank“, AB	2 %	2 %	AB Šiaulių bankas	1 %	1 %	Revolut Bank UAB	1 %	N/A						
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3. Timing for the measure																								
3.1 Timing for the decision	20/12/2022																							
3.2 Timing for publication	21/12/2022																							
3.3 Disclosure	The decision will be published on the BoL's website.																							
3.4 Timing for application	<p>O-SII buffers for AB SEB bankas, „Swedbank“, AB and AB Šiaulių bankas are already in force, which is why there will be no reason to set a particular timing of application.</p> <p>It is planned that O-SII buffer of 1% for Revolut Bank UAB will be applicable as of 1 July 2023.</p>																							

3.5 Phasing in	<p>The buffer requirements for AB SEB bankas, “Swedbank“, AB and AB Šiaulių bankas have been fully phased in. Revolut Bank UAB is currently not subject to O-SII buffer requirement, but 1% buffer will be required from 1 July 2023.</p> <table border="1" data-bbox="571 304 1439 427"> <thead> <tr> <th>Name of institution</th> <th>Date1</th> <th>Date2</th> <th>Date3</th> <th>Date4</th> <th>Date5</th> </tr> </thead> <tbody> <tr> <td>Revolut Bank UAB</td> <td>1 %</td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> <td>%</td> </tr> </tbody> </table>	Name of institution	Date1	Date2	Date3	Date4	Date5	Revolut Bank UAB	1 %	%	%	%	%		%	%	%	%	%																																										
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3.6 Review of the measure	<p>The list of the identified O-SIIs and the O-SII buffer rates are reviewed at least annually as provided in Point 44.2 of the Rules for the Formation of Capital Buffers approved by the Resolution No 03-51 of the Board of the BoL of 9 April 2015.</p>																																																												
4. Reason for O-SII identification and activation of the O-SII buffer																																																													
4.1 Scores of institutions or group of institutions concerned, as per EBA guidelines on the assessment of O-SIIs (Article 131.3 CRD)	<table border="1" data-bbox="571 651 1439 1211"> <thead> <tr> <th>Name of institution</th> <th>Size</th> <th>Substitutability</th> <th>Complexity</th> <th>Interconnectedness</th> <th>Overall Score</th> </tr> </thead> <tbody> <tr> <td>AB SEB bankas</td> <td>2,463</td> <td>1,979</td> <td>2,705</td> <td>1,943</td> <td>2,273</td> </tr> <tr> <td>Swedbank“, AB</td> <td>3,539</td> <td>2,769</td> <td>2,631</td> <td>2,736</td> <td>2,919</td> </tr> <tr> <td>AB Šiaulių bankas</td> <td>860</td> <td>2,083</td> <td>469</td> <td>3,372</td> <td>1,696</td> </tr> <tr> <td>Revolut Bank UAB</td> <td>570</td> <td>217</td> <td>1,567</td> <td>111</td> <td>616</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>AB SEB bankas</td> <td>2,463</td> <td>1,979</td> <td>2,705</td> <td>2,915</td> <td>2,516</td> </tr> <tr> <td>Swedbank“, AB</td> <td>3,539</td> <td>2,769</td> <td>2,631</td> <td>4,104</td> <td>3,261</td> </tr> <tr> <td>AB Šiaulių bankas</td> <td>860</td> <td>2,083</td> <td>469</td> <td>489</td> <td>975</td> </tr> <tr> <td>Revolut Bank UAB</td> <td>570</td> <td>217</td> <td>1,567</td> <td>166</td> <td>630</td> </tr> </tbody> </table> <p>BoL uses a slightly adjusted method to calculate O-SII scores to inform our decision regarding the capital buffer ratios. More detailed information is provided in Section 4.2. The scores, as calculated strictly in accordance with the EBA Guidelines, are provided above in regular font, while those estimated according to the adjusted methodology are indicated in bold font</p>	Name of institution	Size	Substitutability	Complexity	Interconnectedness	Overall Score	AB SEB bankas	2,463	1,979	2,705	1,943	2,273	Swedbank“, AB	3,539	2,769	2,631	2,736	2,919	AB Šiaulių bankas	860	2,083	469	3,372	1,696	Revolut Bank UAB	570	217	1,567	111	616							AB SEB bankas	2,463	1,979	2,705	2,915	2,516	Swedbank“, AB	3,539	2,769	2,631	4,104	3,261	AB Šiaulių bankas	860	2,083	469	489	975	Revolut Bank UAB	570	217	1,567	166	630
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4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p><i>Please provide information on:</i></p> <p>a. <i>whether you followed the EBA guidelines on the assessment of O-SIIs;</i></p> <p>For the most part, we did follow the EBA guidelines on the assessment of O-SIIs. Our adjusted methodology differed only in the sense that the indicator of the outstanding debt securities was excluded. The rationale for such an adjustment is based on the fact that debt securities outstanding are of negligible size (constituting only 0.18% of total assets), thus taking this indicator into account distorts the overall results to a great degree. By eliminating the indicator of debt securities outstanding, we allocate greater weights to the two remaining indicators in the category of interconnectedness, i.e. intra-financial system liabilities and intra-financial system assets each receive weights of 12.5%. Accordingly, adjusted O-SII scores that we use for informing our decision regarding the capital buffer ratio are as follows: AB SEB bankas – 2,516, “Swedbank“, AB – 3,261; AB Šiaulių bankas – 975, Revolut Bank UAB – 630. More detailed information on adjusted scores is annexed to this form.</p>																																																												

	<p><i>b. which threshold score has been set to identify O-SIIs;</i></p> <p>350</p> <p><i>c. whether relevant entities with relative total assets not in excess of 0.02% have been excluded from the identification process;</i></p> <p>No institutions were excluded from the computations in the identification process with a view to obtaining an accurate total sum of respective indicators.</p> <p><i>d. the names and scores of all relevant entities not excluded from the identification process (could be sent in a separate Excel file, see 4.1);</i></p> <p>The Excel file is attached to the present Notification form.</p> <p><i>e. whether non-bank institutions have been included in the calculations.</i></p> <p>Yes, institutions such as credit unions, central credit unions and central credit union groups were included in the calculations.</p>
<p>4.3 Supervisory judgement</p>	<p><i>Have any of the institutions listed in 2.1 been identified by applying supervisory judgement as laid down in EBA guidelines on the assessment of O-SIIs?</i></p> <p>No.</p>
<p>4.4 Calibrating the O-SII buffer</p>	<p>Designation of O-SIIs in Lithuania was carried out in line with EBA Guidelines EBA/GL/2014/10, excluding only the indicator of debt securities outstanding (see Section 4.2 a.).</p> <p>The BoL did not use any optional indicators based on the fact that participants of the Lithuania’s financial system are rather homogeneous in terms of financial services and their importance for the financial system is, for the most part, fully characterised by the mandatory indicators. The BoL has decided to maintain the 350-basis points threshold as a limit of systemic importance defined by the Guidelines.</p> <p>As the Guidelines do not specify any buffer calibration methods, the calibration was based on 2 approaches: “expected impact” and “expected losses” (detailed below). The quarterly returns on risk weighted assets (RoRWA) of banks operating in Lithuania were used for both methods. However, the data is available only from 2002, and the sample is contaminated by large negative returns during only one crisis episode (in 2009–2010). Institution-specific O-SII capital buffers were calculated as an average of the results from both approaches.</p> <p>1. The goal of the “expected impact” approach is to determine particular O-SII capital buffers so that the expected impact of failure of systemically important banks (SIBs) would equal that of a reference non-SIB (a reference non-SIB is defined as an institution with the systemic importance score of 350 basis points).</p> <p>Since SIBs have higher economic costs of failure than non-SIBs, the probability of default (PD) of SIBs must be lower than the PD of the reference non-SIB in</p>

	<p>order to achieve an equal expected impact of failure. Additional O-SII capital buffers for SIBs lower their PDs and thus limit their economic costs of failure.</p> <p>The defined O-SII score of each SIB was used as the relative measure of the economic costs of failure, while the threshold of 350 basis points was used as the relative measure of the economic costs of failure of the reference non-SIB. The PD of a reference non-SIB was determined using the empirical distribution of the RoRWA of banks operating in Lithuania.</p> <p>2. The “expected losses” calibration is based on determining the required loss absorbing capacity of SIBs. It was assumed that a larger than 2.5% loss of the capital adequacy ratio would render a SIB insolvent. The 2.5% capital adequacy threshold for losses was chosen to proxy the capital conservation buffer. The amount of additional capital buffer needed for each SIB is determined by its systemic importance score with the intention to increase its ability to withstand a loss that equals the historical average of Lithuanian bank losses in excess of 2.5% of the capital adequacy ratio.</p> <p>The amount of additional capital needed was calculated proportionally to the SIB score in excess of 350 basis points using the average of historical losses exceeding 2.5% of the capital adequacy ratio and the probability of such event.</p>
<p>4.5 Effectiveness and proportionality of measure</p>	<p>Lithuania’s banking system is highly concentrated. In terms of assets, in Q2 2022 the market share of the 3 largest banks comprised around 69% of the total assets of Lithuania’s banking system. The failure of a systemically important institution could have a severe negative impact on the stability of the Lithuanian financial sector and on the real economy. A higher capital requirement for systemically important institutions improves the overall banking sector resilience against negative shocks and helps limiting the possibility of misaligned incentives of systemically important financial institutions.</p> <p>Lending activities of AB SEB bankas, „Swedbank“, AB, AB Šiaulių bankas should not be affected by this intended O-SII decision because the buffers remain unchanged compared to the previous notification period.</p> <p>Conversely, since the O-SII buffer requirement for Revolut Bank UAB is intended to be introduced for the first time, a phase-in period (see section 3.5) is set for Revolut Bank UAB. Capital adequacy ratio of Revolut Bank UAB in Q2 2022 was 34.2% and significantly exceeded the existing capital requirements. Although bank’s O-SII score is relatively lower than AB Šiaulių bankas’ score, given the substantial increase in bank’s size in 2022 after the change in the related group’s structure and expecting that bank will grow further, 1% buffer is deemed proportional.</p>
<p>5. Sufficiency, consistency and non-overlap of the policy response</p>	
<p>5.1 Sufficiency of the policy response</p>	<p>Lithuanian banking sector is primarily oriented to financial services provided locally and is highly concentrated.</p> <p>In case of AB Šiaulių bankas, the measure is deemed sufficient by the BoL, taking into account its relatively more moderate size and importance in various financial services. For AB SEB bankas and „Swedbank“, AB, the measure is presently deemed sufficient within the current legal framework: the maximum O-SII buffer rate allowed by the provision of Art. 131.8(a) of CRD is set (it is worth noting that our buffer calibration method (see Section 4.4) suggests somewhat higher O-SII capital buffers). The two banks currently account for 22% and 30% of Lithuanian banking sector in terms of their assets respectively. In case of any of them facing with financial difficulties it could cause significant negative consequences for the entire financial sector, as well as for the real economy.</p>

	In case of Revolut Bank UAB, the measure is deemed sufficient by the BoL, taking into account its growth in 2022. After the change in the related group's structure, Revolut Bank UAB became the third biggest bank in Lithuania in terms of total assets (16%). Bank's O-SII score increased substantially in Q2 2022, indicating that 1% buffer rate would be sufficient.												
5.2 Consistency of application of the policy response	The measure is consistent with the aim of limiting the potential negative impact systemically important banks could have in terms of the higher risk they pose. In application of the measure the BoL adheres to the common principles set out in Article 131 of CRD and EBA Guidelines EBA/GL/2014/10.												
5.3 Non-overlap of the policy response	There are no other policy instruments used to address the same endogenous risk stemming from the systemic importance of particular institutions. A sectoral Systemic Risk Buffer (SyRB) (see Section 7.2), effective from 1 July 2022, is aimed at increasing the resilience of the financial sector to residential real estate sector risks in the light of continued rapid growth of housing loan portfolio, potential overvaluation of housing prices and their accelerated growth, as well as the increased share of mortgage loans in banks' loan portfolios.												
6. Cross-border and cross-sector impact of the measure													
6.1 Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2³)	Cross-border effects and the impact on the internal market are expected to be non-material as the cross-border activities of AB SEB bankas, „Swedbank“, AB, AB Šiaulių bankas within the EU are limited and the business model of Revolut Bank UAB is primarily focused on payment services.												
6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	As the measure is institution-specific and applied at the highest consolidation level in Lithuania, a possibility of any leakages nationally is minimal.												
7. Combinations and interactions with other measures													
7.1 Combinations between G-SII and O-SII buffers (Article 131.14)	N/A <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Name of institution</th> <th style="width: 25%;">O-SII buffer</th> <th style="width: 25%;">G-SII buffer</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">%</td> <td style="text-align: center;">%</td> </tr> <tr> <td></td> <td style="text-align: center;">%</td> <td style="text-align: center;">%</td> </tr> <tr> <td></td> <td style="text-align: center;">%</td> <td style="text-align: center;">%</td> </tr> </tbody> </table>	Name of institution	O-SII buffer	G-SII buffer		%	%		%	%		%	%
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7.2 Combinations with systemic risk buffers (SyRBs) (Article 131.15 CRD)	<p>a. <i>What is/are the systemic risk buffer rates(s)?</i></p> <p>A sectoral SyRB rate of 2 % to retail (natural persons) exposures in Lithuania which are secured by residential property is effective from 1 July 2022. All banks, central credit unions and central credit union groups are subject to the sectoral SyRB if their exposure to the relevant sector is above a set materiality threshold.</p>												

³ Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

	<p>b. <i>At what level is/are the systemic risk buffer rate(s) applied (i.e. consolidation level and/or individual)?</i></p> <p>The buffer rate is applied at the national consolidation level.</p> <p>c. <i>Is the sum of the systemic risk buffer rate(s) and the O-SII buffer rate (or the higher of the G-SII and O-SII buffer rates, if a group is subject to a G-SII buffer and to an O-SII buffer at consolidated level) to which the same institution is subject over 5%?</i></p> <p>No.</p> <table border="1" data-bbox="571 573 1422 1214"> <thead> <tr> <th>Name of institution</th> <th>SyRB rate</th> <th>SyRB application level</th> <th>Sum of G-SII/O-SII and SyRB rates</th> </tr> </thead> <tbody> <tr> <td>AB SEB bankas</td> <td>2 %</td> <td>Sub-consolidated</td> <td>4 %</td> </tr> <tr> <td>„Swedbank“, AB</td> <td>2 %</td> <td>Sub-consolidated</td> <td>4 %</td> </tr> <tr> <td>AB Šiaulių bankas</td> <td>2 %</td> <td>Highest level of consolidation</td> <td>3 %</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> <tr> <td></td> <td>%</td> <td></td> <td>%</td> </tr> </tbody> </table>	Name of institution	SyRB rate	SyRB application level	Sum of G-SII/O-SII and SyRB rates	AB SEB bankas	2 %	Sub-consolidated	4 %	„Swedbank“, AB	2 %	Sub-consolidated	4 %	AB Šiaulių bankas	2 %	Highest level of consolidation	3 %		%		%		%		%		%		%		%		%		%		%
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<p>7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)</p>	<p>Our buffer calibration method suggests slightly higher O-SII capital buffers for AB SEB bankas and “Swedbank”, AB than is allowed by Art. 131.8(a) of CRD.</p> <table border="1" data-bbox="571 1303 1422 1554"> <thead> <tr> <th>Name of O-SII subsidiary</th> <th>Name of the EU parent of the O-SII subsidiary</th> <th>Buffer applicable to O-SII EU parent</th> </tr> </thead> <tbody> <tr> <td>AB SEB bankas</td> <td>Skandinaviska Enskilda Banken AB</td> <td>1 %</td> </tr> <tr> <td>„Swedbank“, AB</td> <td>Swedbank AB</td> <td>1 %</td> </tr> <tr> <td></td> <td></td> <td>%</td> </tr> </tbody> </table>	Name of O-SII subsidiary	Name of the EU parent of the O-SII subsidiary	Buffer applicable to O-SII EU parent	AB SEB bankas	Skandinaviska Enskilda Banken AB	1 %	„Swedbank“, AB	Swedbank AB	1 %			%																								
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<p>8. Miscellaneous</p>																																					
<p>8.1 Contact person(s)/mailbox at notifying authority</p>	<p>Nijolė Valinskytė, Head of the Macroprudential Policy Division, +370 650 40605 (nvalinskyte@lb.lt)</p>																																				
<p>8.2 Any other relevant information</p>	<p>N/A</p>																																				
<p>8.3 Date of the notification</p>	<p>21/11/2022</p>																																				

