LIETUVOS BANKAS
BANK OF LITHUANIA

Mr Francesco Mazzaferro
Head of the Secretariat
European Systemic Risk Board

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Notification regarding the exemption of small and medium-sized investment firms from the requirement to maintain an institution-specific countercyclical capital buffer

Pursuant to the Directive 2013/36/EU (CRD-IV) Article 130(2), a Member State may exempt small and medium-sized investment firms from the requirements set out in Article 130(1), if such an exemption does not threaten the stability of the financial system of that Member State.

The Bank of Lithuania, as a designated authority, has taken a decision to exempt small and medium-sized investment firms in Lithuania from maintaining an institution-specific countercyclical capital buffer pursuant to Article 130(2).

Lithuanian small and medium-sized firms are defined according to the criteria set out in the Law on Small and Medium-Size Business Development. Consequently, an investment firm is considered a small and medium-sized investment firm if the investment firm has fewer than 250 employees and meets one of the following criteria:

- the investment firm's annual turnover does not exceed EUR 40 million or
- the investment firm's annual balance sheet does not exceed EUR 27 million.

These requirements are stricter than the ones set in the European Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises. Currently, there is one small and medium-sized investment firm in Lithuania.

The investment firms comprise only an insignificant part of the financial sector in terms of size of assets, do not actively participate in the Lithuanian credit market and therefore have very limited possibilities to contribute to the accumulation of systemic risk. Moreover, these firms have a limited range of permitted activities and could be winded up without causing considerable negative effects to the financial system. Against this background, the Bank of Lithuania considers that the exemption of the small and medium-sized investment firms from the requirement to maintain an institution-specific countercyclical capital buffer does not pose any threat to the stability of the financial system in Lithuania and will ensure a proportional application of the regulation.

Yours sincerely,

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