

REPUBLIC OF LITHUANIA
LAW
ON THE AMENDMENT OF THE LAW ON THE BANK OF LITHUANIA

1 December 1994 No I-678
Vilnius

(As new version by 13 March 2001 No. IX-205)
(As amended by 15 April 2004 No. IX-2139)

Article 1. A Revised Version of the Law of the Republic of Lithuania on the Bank of Lithuania

The Law on the Bank of Lithuania shall be amended and set forth to read as follows:

“REPUBLIC OF LITHUANIA
LAW
ON THE BANK OF LITHUANIA

CHAPTER 1
GENERAL PROVISIONS

Article 1. The Bank of Lithuania

1. The central bank of the Republic of Lithuania shall be the Bank of Lithuania, belonging by the right of ownership to the State of Lithuania. The Bank of Lithuania shall form a part of the European System of Central Banks. The regulation of the activities of the Bank of Lithuania has been harmonised with the legal acts of the European Union, specified in the Annex to this Law.

2. The Bank of Lithuania shall manage, use and dispose of assets to the extent, in the manner and according to the terms prescribed by this Law.

3. The Bank of Lithuania shall be established and liquidated by the Seimas.

Article 2. Legal Status of the Bank of Lithuania

1. The Bank of Lithuania shall be a legal person.

2. The Bank of Lithuania shall have a seal bearing the State Emblem of Lithuania and words “Lietuvos bankas” (“Bank of Lithuania”).

3. The registered office of the Bank of Lithuania shall be at 6 Gedimino Avenue, Vilnius.

4. The State of Lithuania shall not be liable for the obligations of the Bank of Lithuania, and the Bank of Lithuania shall not be liable for the obligations of the State of Lithuania.

Article 3. Independence of the Bank of Lithuania

1. The Bank of Lithuania shall be governed by the Treaty Establishing the European Community, the Protocol on the Statute of the European System of Central Banks and of the European Central Bank annexed to the Treaty Establishing the European Community, as well as other legal acts of the European Union. The Bank of Lithuania shall be also governed by laws and other legal acts of the Republic of Lithuania in as much as they are in compliance with the Treaty Establishing the European Community and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank annexed to the Treaty Establishing the European Community. In the event of a conflict between the legal acts and the international treaties of the Republic of Lithuania, the international treaties shall take precedence.

2. When implementing the objectives and performing its functions as well as pursuing the activities necessary for that, neither the Bank of Lithuania, nor the Chairperson of the Board of the Bank of Lithuania, the Deputy Chairpersons, the Board members nor other members of the staff of the Bank of Lithuania (hereinafter referred to as the “Bank of Lithuania staff”) must seek and take instructions from the institutions and bodies of the European Union, the governments of the Member States of the European Union or any other institutions or bodies. The Government of the Republic of Lithuania and State institutions must respect the independence of the Bank of Lithuania and must not seek to influence the Bank of Lithuania and its staff in discharge of their duties.

Article 4. Branches, Representative Offices, Institutions and Enterprises of the Bank of Lithuania

The Bank of Lithuania shall have the right to establish branches, representative offices, institutions and enterprises, to be a shareholder or stakeholder in other institutions and enterprises in the Republic of Lithuania and foreign states, provided this is needed to carry out its functions.

Article 5. Foreign Relations of the Bank of Lithuania and its Representation of the State of Lithuania

1. The Bank of Lithuania shall maintain relations with foreign and international financial institutions and shall conclude agreements with them.

2. The Bank of Lithuania may represent the State of Lithuania in international financial institutions.

Article 6. The Exclusive Right of the Bank of Lithuania to Issue Currency

1. Only the Bank of Lithuania shall have the right to issue currency. It shall:

1) put into and withdraw from circulation the currency of the Republic of Lithuania according to the procedure established by law; and

2) establish denominations, distinctive, security and acceptance features of the currency of the Republic of Lithuania, withdraw banknotes and coins from circulation and replace them with other banknotes and coins by announcing this publicly, organise the production of the currency, its transportation and storage, establish procedures for withdrawing worn and damaged currency from circulation and for replacing and destroying the said currency, the arrangements for the reproduction of the banknotes and coins of the Republic of Lithuania, make up reserve funds of banknotes and coins, and perform the expert examination of the currency of the Republic of Lithuania and the banknotes and coins the European Union’s single currency.

2. The Bank of Lithuania is hereby designated as the National Analysis Centre (NAC) and the Coin National Analysis Centre (CNAC) in the Republic of Lithuania.

Article 7. The Primary Objective of the Bank of Lithuania

1. The primary objective of the Bank of Lithuania shall be to maintain price stability.

2. The Bank of Lithuania shall, within the range of its competence, support the economic policy carried out by the Government of the Republic of Lithuania, without prejudice to the primary objective of the Bank of Lithuania.

Article 8. Functions and Activities of the Bank of Lithuania

1. Implementing its primary objective, the Bank of Lithuania shall perform the following functions:

1) issue the currency of the Republic of Lithuania;

2) formulate and implement monetary policy;

3) determine the Litas exchange rate regulation system and announce the official exchange rate of the Litas;

4) manage, use and dispose of foreign reserves of the Bank of Lithuania;

5) act as a State Treasury agent;

6) in the manner and cases established by laws and other legal acts, issue and revoke licenses for credit institutions of the Republic of Lithuania as well as branches of credit institutions of foreign states, and supervise the activities thereof; it shall also perform other functions related to the activities of credit institutions, established by laws;

7) establish principles and procedures for financial accounting and reporting of credit institutions of the Republic of Lithuania and branches of credit institutions of foreign states operating in the Republic of Lithuania;

8) encourage stable and efficient operation of payment and securities settlement systems; and

9) collect monetary, banking and balance of payments statistics, as well as data on Lithuanian financial and related statistics, implement standards on the collection, reporting and dissemination of the said statistics and compile the balance of payments of the Republic of Lithuania.

2. The Bank of Lithuania shall carry out activities necessary for the implementation of the functions laid down in Paragraph 1 of this Article and for the development and maintenance of the infrastructure needed for their implementation.

Article 9. Legal Acts of the Bank of Lithuania

Within their competence, the Board of the Bank of Lithuania shall adopt resolutions, and the Chairperson of the Board of the Bank of Lithuania shall issue orders.

CHAPTER 2 ORGANISATION AND MANAGEMENT OF THE ACTIVITIES OF THE BANK OF LITHUANIA

Article 10. The Board of the Bank of Lithuania

1. The Bank of Lithuania shall be governed by the Board of the Bank of Lithuania. The Board shall be comprised of a Chairperson, two Deputy Chairpersons, and two Members of the Board.

2. Only citizens of the Republic of Lithuania may be the Chairperson, Deputy Chairpersons, and Members of the Board of the Bank of Lithuania, provided they have not reached the age of 65 by the date of their appointment.

3. The Chairperson, Deputy Chairpersons and Members of the Board of the Bank of Lithuania may participate in the management of international financial institutions of which the Republic of Lithuania or the Bank of Lithuania is a member.

4. The Chairperson of the Board of the Bank of Lithuania shall be appointed for a term of five years and dismissed prior to the expiration of his or her term of office by the Seimas on the recommendation of the President of the Republic.

5. Deputy Chairpersons and Members of the Board of the Bank of Lithuania shall be appointed for a term of nine years and dismissed prior to the expiration of their term of office by the President of the Republic of Lithuania on the recommendation of the Chairperson of the Board of the Bank of Lithuania.

6. The Chairperson of the Board of the Bank of Lithuania may be appointed to his position for unlimited number of terms of office. The Deputy Chairpersons and Members of the Board may be appointed to their respective positions for no more than two consecutive terms.

7. The Board of the Bank of Lithuania shall establish salaries of the Deputy Chairpersons and Members of the Board taking into account the salary of the Chairperson of the Board.

Article 11. Functions and Activities of the Board of the Bank of Lithuania

1. The Board of the Bank of Lithuania shall:

- 1) develop the monetary policy programme of the Bank of Lithuania;
 - 2) establish procedures for rediscount, loans, deposits, open market operations carried out at the Bank of Lithuania, and the procedures for the formation and holding of required reserves of credit institutions with the Bank of Lithuania, as well as for the application of other monetary policy instruments;
 - 3) establish the Litas exchange rate regulation system and the procedure for the calculation of the official Litas exchange rate;
 - 4) establish the procedures and principles for the management, use and disposal of foreign reserves of the Bank of Lithuania;
 - 5) establish procedures for the issue of and trading in debt securities issued by the Bank of Lithuania;
 - 6) establish prudential requirements for credit institutions, as well as their ratios and methods for calculation;
 - 7) adopt resolutions;
 - 8) decide on issues concerning the participation of the Bank of Lithuania in international banks and other international financial institutions, provided this is related to the functions of the Bank of Lithuania;
 - 9) decide on matters of issue and withdrawal from circulation of the currency and other issues related thereto, laid down in Article 6 of this Law;
 - 10) establish branches, representative offices, enterprises and institutions of the Bank of Lithuania for carrying out its functions and decide on the acquisition of shares of (stakes in) enterprises and institutions related to the functions of the Bank of Lithuania;
 - 11) approve the structure of the Bank of Lithuania;
 - 12) establish the principles of service (work) and the status of the staff of the Bank of Lithuania; approve the rules of procedure of the Board;
 - 13) apply enforcement measures established by laws to credit institutions;
 - 14) decide on issues regarding initiation of bankruptcy proceedings against credit institutions;
 - 15) approve the Bank of Lithuania budget;
 - 16) establish the financial accounting policy, approve annual financial statements and the allocation of profit for the financial year;
 - 17) establish procedures for the management, use, and disposal of the assets of the Bank of Lithuania, as well as procurement procedure;
 - 18) resolve issues pertaining to the issuance and revocation of licenses, permits, consents to credit institutions; and
 - 19) perform other activities related to the implementation of the primary objective of the Bank of Lithuania.
2. The Board may authorise the Chairperson of the Board of the Bank of Lithuania to carry out a part of its functions, except the functions provided for by items 1, 2, 3, 4, 6, 7, 9, 10, 12, 13, 14, 15, 16, 18 and 19 of Paragraph 1 of this Article.

Article 12. Dismissal of the Members of the Board of the Bank of Lithuania

1. The Chairperson of the Board of the Bank of Lithuania, Deputy Chairpersons and Members thereof shall be dismissed prior to the expiration of their term of office only if they do not fulfil the conditions required for the performance of their duties or they have been found guilty of serious misconduct.

2. A decision regarding the dismissal of the Chairperson of the Board of the Bank of Lithuania on the grounds provided for in Paragraph 1 of this Article shall be made by the Seimas of the Republic of Lithuania on the recommendation of the President of the Republic; a

decision regarding the dismissal of Deputy Chairpersons and Members of the Board shall be made by the President of the Republic on the recommendation of the Chairperson of the Board of the Bank of Lithuania.

3. A decision regarding a dismissal shall be adopted within one month from the date of submission of the recommendation thereon to the Seimas of the Republic of Lithuania or the President of the Republic. In the event a decision is not adopted within the above time limit, the person in question shall continue to perform his or her duties.

4. The Chairperson of the Board of the Bank of Lithuania shall have the right to refer to the European Court of Justice a decision regarding his dismissal prior to the expiration of his term of office within two months from the announcement of the decision or from the receipt of the notification thereof or, if the above has not occurred, from the date when the decision became known to the plaintiff on the grounds that the decision was in breach of the Treaty Establishing the European Community or any other legal provision related to the application of the above Treaty. The Deputy Chairpersons and the Members of the Board of the Bank of Lithuania shall have the right to appeal against a decision regarding a dismissal prior to the expiration of their terms of office in accordance with the procedure established by the laws of the Republic of Lithuania.

Article 13. Resignation of the Members of the Board of the Bank of Lithuania

1. The Chairperson of the Board of the Bank of Lithuania may resign from his or her post upon submitting a resignation request to the President of the Republic of Lithuania; Deputy Chairpersons and Members of the Board may resign upon submitting resignation requests to the Chairperson of the Board.

2. The resignation request submitted by the Chairperson of the Board shall be considered by the Seimas and requests of Deputy Chairpersons and Members of the Board shall be considered by the President of the Republic.

3. A decision regarding the resignation shall be adopted within one month from the date of receipt of a resignation request.

4. In the event a decision is not adopted during the time period indicated in Paragraph 3 of this Article, the Chairperson of the Board, Deputy Chairpersons and Members of the Board shall be considered to have resigned after one month from the day of filing such request.

5. In the event a decision to decline a request is adopted, the Chairperson of the Board, Deputy Chairpersons and Members of the Board shall be regarded to have resigned after one month from the date of the adoption of the above decision if they submit a request confirming their previous request within two weeks after the adoption of the decision to decline the request.

Article 14. Meetings of the Board of the Bank of Lithuania

1. Meetings of the Board of the Bank of Lithuania shall be held as necessary, but at least once a month. Procedures for the arrangement of Board meetings shall be established by the rules of procedure of the Board of the Bank of Lithuania.

2. Meetings of the Board of the Bank of Lithuania shall be considered valid if at least three members of the Board are present. Decisions of the Board shall be adopted by a simple majority vote. In the event of a tie vote, the chairperson of the meeting of the Board shall have the casting vote.

3. Meetings of the Board of the Bank of Lithuania shall be presided over by the Chairperson of the Board or by one of the Deputy Chairpersons in accordance with the procedure established by the rules of procedure of the Board.

4. Decisions of the Board of the Bank of Lithuania shall be implemented by resolutions thereof, or by orders of the Chairperson of the Board.

Article 15. Voting Right Restriction for the Members of the Board of the Bank of Lithuania

Where an issue considered during a meeting of the Board is related to the private interests of a Member of the Board, involving the conflict between public and private interests, the Member of the Board concerned shall, prior to the discussion of the above issue, present a written notice thereon and shall not have the right to participate in the discussion of the said issue and in the adoption of a decision thereon.

Article 16. Work Restriction to the Members of the Board of the Bank of Lithuania

1. The Chairperson, Deputy Chairpersons and Members of the Board of the Bank of Lithuania may only be employed at the Bank of Lithuania and may not engage in any other activities that would cause a conflict of private and public interests. The Board of the Bank of Lithuania may give them consent to engage in research and pedagogical activities.

2. The Chairperson, Deputy Chairpersons, and Members of the Board of the Bank of Lithuania must, during the first year after their duties have ceased, avoid any conflict of private and public interests that would be caused by their new activities. When intending to engage in the activities which the above mentioned persons consider might cause a conflict of private and public interests, they shall inform in writing the Board of the Bank of Lithuania and shall seek its opinion before committing themselves.

3. Upon the expiration of the term of office, the Chairperson, Deputy Chairpersons, and Members of the Board of the Bank of Lithuania shall be paid a severance pay. The pay shall amount to the number of the average monthly salaries, paid to them, corresponding to the years of their uninterrupted term of office at the Bank of Lithuania, but shall not exceed six average monthly salaries. The severance pay shall not be paid if they have stopped performing their duties because they have been found guilty of serious misconduct.

Article 17. Chairperson of the Board of the Bank of Lithuania

1. The Chairperson of the Board of the Bank of Lithuania shall:

- 1) organise the work of the Bank of Lithuania;
- 2) represent the Bank of Lithuania in the Republic of Lithuania and abroad without any special power of attorney;
- 3) conclude employment contracts with staff members and heads of the branches, representative offices, institutions and enterprises of the Bank of Lithuania, provide incentives for distinguished employees and impose disciplinary penalties;
- 4) approve the distribution of duties between the Chairperson, Deputy Chairpersons and members of the Board;
- 5) issue powers of attorney;
- 6) approve regulations of the structural divisions of the Bank of Lithuania; and
- 7) perform other functions delegated by the Board of the Bank of Lithuania.

2. In the event of the absence of the Chairperson of the Board of the Bank of Lithuania, his or her duties shall be performed by one of the Deputy Chairpersons on a mandate from the Chairperson of the Board.

3. The Chairperson of the Board of the Bank of Lithuania or his deputy shall have the right to attend sessions of the Government of the Republic of Lithuania in a deliberative capacity.

4. The salary of the Chairperson of the Board of the Bank shall be equal to six average monthly salaries of the staff of monetary intermediation institutions announced by the Department of Statistics to the Government of the Republic of Lithuania.

5. In order to finance expenses related to the representation of the Bank of Lithuania both in Lithuania and abroad, every month the Chairperson of the Board of the Bank of Lithuania shall be granted a sum accounting for 20 percent of his or her salary without justifying expenses.

Article 18. Staff of the Bank of Lithuania

1. The staff of the Bank of Lithuania shall perform the functions of the Bank of Lithuania laid down in this Law by implementing resolutions of the Board of the Bank of Lithuania and orders of the Chairperson, and by observing the regulations of a relevant structural division and employment contracts.

2. Laws regulating labour relations shall be applicable to the staff of the Bank of Lithuania.

3. The staff of the Bank of Lithuania may only be employed at the Bank of Lithuania. Upon the consent of the Board of the Bank of Lithuania, they may also be employed elsewhere.

4. The Board of the Bank of Lithuania shall have the right to delegate a staff member for temporary work at the European Union and international institutions and bodies or institutions or bodies of another state at the request of the staff member and at its own initiative, subject to the consent of such staff member, without cancelling the employment contract and suspending the counting of the period of employment at the Bank of Lithuania, without changing the terms of remuneration set in the employment contract or by changing said terms by mutual agreement between the parties of the employment contract. At the request of the staff member and subject to the consent of the Board of the Bank of Lithuania, such staff member may take up employment for a certain period of time at the institutions and bodies mentioned herein by requesting for a leave of absence, without suspending the counting of the period of employment at the Bank of Lithuania.

5. The staff of the Bank of Lithuania may be granted financial services pursuant to the procedure and terms established by the Board of the Bank of Lithuania.

6. The Bank of Lithuania shall disclose information concerning a staff member only in the cases and pursuant to the procedure provided for by law.

Article 18¹. Requirements for the Avoidance of a Conflict of Public and Private Interests Applicable to the Staff of the Bank of Lithuania

1. The Staff of the Bank of Lithuania must avoid engaging in the activities that would cause a conflict of public and private interests

2. The Board of the Bank of Lithuania, in ensuring the lawful interests of the Bank of Lithuania and in order to ascertain that the staff of the Bank of Lithuania avoid a conflict of public and private interests and do not use or allow the use by third parties of the information constituting a state, official and bank secret in their own or the third parties' interests, may establish the kinds of information on personal and family financial operations to be disclosed by the Bank of Lithuania staff to the Bank of Lithuania, and may establish restrictions on entering into certain financial transactions or engaging in certain activities.

Article 19. Responsibility in Protecting Secrets

1. The staff of the Bank of Lithuania as well as other persons, who have been granted the right of access to the information constituting state, official and bank secrets or who have come into possession of such information without such a right, shall protect the information constituting state, official and bank secrets. This obligation shall continue to exist after the end of an employment relationship with the Bank of Lithuania or after the end of any other service or function related to the Bank of Lithuania.

2. A secret of the Bank shall be information used in the activities of the Bank of Lithuania that does not constitute a state or official secret with respect to its significance, the illegal disclosure or loss of which could have negative consequences on the functioning of the Bank of Lithuania and its activities, and could harm legitimate interests of other persons.

3. Detailed lists of information constituting state, official and bank secrets shall be approved by the Chairperson of the Board of the Bank of Lithuania. Detailed lists of information constituting state and official secrets shall be approved and amended pursuant to the procedure laid down in the Republic of Lithuania Law on State and Official Secrets.

4. Access and usage procedures in relation to information constituting a bank secret shall be approved by the Chairperson of the Board of the Bank of Lithuania.

5. Protection of information constituting a bank secret in court proceedings shall be subject to the provisions of the laws of the Republic of Lithuania ensuring protection of commercial secrets.

CHAPTER 3

FINANCES OF THE BANK OF LITHUANIA

Article 20. Capital of the Bank of Lithuania

1. The capital of the Bank of Lithuania shall be comprised of its authorised capital and reserve capital.

2. The authorised capital shall be LTL 200 million. It shall be accumulated from the funds of the State of Lithuania and (or) profit of the Bank of Lithuania.

3. The reserve capital shall be accumulated from the profit of the Bank of Lithuania.

Article 21. Budget of the Bank of Lithuania

The Bank of Lithuania shall plan its annual budget taking into account the needs related to the implementation of the objectives and functions, as well as its activities prescribed by this Law. The budget shall consist of operating expenses and investment in tangible and intangible assets.

Article 22. Profit (Loss) of the Bank of Lithuania

The profit (loss) of the Bank of Lithuania for the financial year shall be calculated by deducting expenses from income.

Article 23. Coverage of the Loss and Allocation of the Profit of the Bank of Lithuania

1. Operations related to the coverage of the loss and allocation of the profit of the Bank of Lithuania shall be carried out following the approval of the annual financial statements.

2. The loss for the financial year shall be covered from the reserve capital of the Bank of Lithuania.

3. The profit for a financial year shall be allocated in the following way:

1) to cover the uncovered loss incurred during the previous financial year;

2) the contribution to the State budget shall be 50 per cent of the amount of the profit of the Bank of Lithuania for the financial year or a part thereof remaining after the allocation of the profit in accordance with the provisions of subparagraph 1 herein;

3) the part of the profit remaining after the allocations specified in subparagraphs 1 and 2 herein shall be transferred to the authorised and/or reserve capital in equal parts. If the amount required for the authorised capital to reach the amount specified in Article 20 of this Law is less than available, the required amount shall be allocated, and the residual amount shall be allocated to the reserve capital.

Article 24. Relation of the Bank of Lithuania to the State Budget

The contribution of the Bank of Lithuania shall be paid to the state budget once a year not later than by the 1st of May of the following year.

CHAPTER 4

MONETARY POLICY OF THE BANK OF LITHUANIA

Article 25. Instruments of Monetary Policy

When implementing its monetary policy the Bank of Lithuania shall choose and establish monetary policy instruments and the procedure for the application thereof.

Article 26. Rediscount Operations

1. The Bank of Lithuania, pursuant to the procedure and terms set forth by the Bank, shall have the right to rediscount bills of exchange and other debt instruments for credit institutions.

2. The Bank of Lithuania shall determine the total value of rediscount operations and the maximum rediscount value for each credit institution separately.

Article 27. Loans of the Bank of Lithuania

1. The Bank of Lithuania, pursuant to the procedure, terms and conditions laid down by the Bank, shall have the right to make loans in Litas to credit institutions registered in the Republic of Lithuania that have their accounts at the Bank of Lithuania.

2. The loans made by the Bank of Lithuania shall be secured by the pledge of the following assets of a credit institution which obtains the loan:

- 1) debt securities issued by the Government or the Bank of Lithuania;
- 2) foreign currency or precious metals; and
- 3) bills of exchange, other debt instruments and real estate which satisfy the terms established by the Bank of Lithuania.

3. Loans may also be secured by a state guarantee, or a surety or guarantee of a credit institution.

Article 28. Deposits at the Bank of Lithuania

The Bank of Lithuania, pursuant to the procedures and terms laid down by the Bank, shall have the right to accept deposits denominated in Litas from credit institutions registered in the Republic of Lithuania.

Article 29. Open Market Operations

1. Open market operations shall be the operations initiated by the Bank of Lithuania to increase or decrease reserves in the banking system by concluding transactions with banks.

2. The Bank of Lithuania, pursuant to the procedures and terms set forth by the Bank, shall carry out the following open market operations:

- 1) purchase and sell in the secondary market debt instruments of the Government and other debt instruments specified by the Bank of Lithuania, and perform other operations with them;
- 2) issue and purchase its own debt securities and carry out other operations with the said instruments, and establish procedures for their issue and trading;
- 3) accept time deposits; and
- 4) purchase and sell foreign currency and carry out other operations in foreign currency.

Article 30. Required Reserves

1. The Bank of Lithuania shall have the right to require credit institutions to hold a part of their assets calculated on the basis of their liabilities as required reserves.

2. The rate of required reserves, the procedure for the formation and holding thereof, as well as the amount of fines and penalties for violating the said ratio and procedure shall be established by the Bank of Lithuania.

Article 31. Regulation of the Exchange Rate of the Litas

In order to implement its primary objective, the Bank of Lithuania shall establish the system for the regulation of the Litas exchange rate. Governed by this system, the Bank of Lithuania shall determine and announce an official Litas exchange rate against foreign currencies.

Article 32. Other Instruments of Monetary Policy

In order to implement its primary objective, the Bank of Lithuania may establish and apply other monetary policy instruments.

CHAPTER 5

FOREIGN RESERVES AND OPERATIONS WITH FOREIGN FINANCIAL AND CREDIT INSTITUTIONS

Article 33. Foreign Reserves

The Bank of Lithuania shall manage, use and dispose of foreign reserves of the Bank of Lithuania with the view to implementing its primary objective and ensuring the reliability of the system for the regulation of the Litas exchange rate.

Article 34. The Structure of Foreign Reserves

Foreign reserves may be composed of:

- 1) gold;
- 2) foreign currency in banknotes and coins;
- 3) assets in foreign currency held abroad;
- 4) Special Drawing Rights (SDRs) and reserves in the International Monetary Fund; and
- 5) other universally recognised international reserves.

Article 35. Operations with Foreign Financial and Credit Institutions

In performance of its functions, the Bank of Lithuania shall have the right to conduct the following operations with central banks of foreign countries, foreign and international financial and credit institutions:

- 1) open accounts on its own behalf and put deposits thereon;
- 2) open and manage accounts and accept deposits in Litas;
- 3) take and make loans;
- 4) purchase and sell gold and assets in foreign currency; and
- 5) carry out other operations.

Article 36. Settlement Agreements

The Bank of Lithuania may, on its own behalf or, according to an agreement with the Government of the Republic of Lithuania, on its behalf enter into settlement agreements with foreign public and (or) private institutions.

CHAPTER 6

FUNCTIONS OF A STATE TREASURY AGENT

Article 37. Restriction of the Right to Lend and Prohibition of Privileged Access

1. Overdrafts or any type of credit facility with the Bank of Lithuania in favour of the institutions or bodies of the European Union, central governments, regional, local or other State government and administration institutions, other bodies governed by public law, or State and municipal undertakings of the Republic of Lithuania and any other Member States shall be prohibited, as shall the purchase directly from them by the Bank of Lithuania of debt instruments. These prohibitions shall not apply to credit institutions belonging to the State or public institutions by the right of ownership which, in the context of the supply of reserves by the European Central Bank and the national central banks of the Member States, shall be given the same treatment as private credit institutions.

2. The Bank of Lithuania may not provide refinancing to the financial liabilities assumed by the European Union, its institutions and bodies, the Member States of the European Union, other subjects of public law or credit institutions on behalf of the subjects of law specified in

this paragraph, with the exception where such refinancing is provided in the legal acts of the European Union.

Article 38. Opening of Accounts for State Bodies

The Bank of Lithuania shall have the right to open and manage treasury accounts of the Republic of Lithuania, and accounts of state funds established by laws or resolutions, in Litas and (or) foreign currency.

Article 39. Operations with Government Securities

On the basis of an agreement with the Ministry of Finance, the Bank of Lithuania may organise the issue and redemption of Government securities and the payment of interest thereon.

Article 40. Administration of the National Debt

On the basis of an agreement with the Ministry of Finance, the Bank of Lithuania may administer the national debt.

Article 41. Consulting the Government

The Bank of Lithuania may consult and give proposals to the Government on the issues related to financial markets and State Treasury policy.

CHAPTER 7 LICENSING AND SUPERVISION OF CREDIT INSTITUTIONS

Article 42. Credit Institution

A credit institution shall be a bank, another legal person or a subdivision of a foreign credit institution who holds a licence issued by the Bank of Lithuania to provide licensed financial services.

Article 43. Licensing of Credit Institutions

1. The Bank of Lithuania shall issue licences to credit institutions to provide licensed financial services.

2. The terms and procedure for the issue of licences shall be established by the laws which regulate the establishment and activities of credit institutions and other laws of the Republic of Lithuania, as well as legal acts issued by the Bank of Lithuania.

Article 44. Establishment of Prudential Requirements for Credit Institutions

The Bank of Lithuania shall establish prudential requirements for credit institutions, and the ratios and methods for the calculation thereof.

Article 45. Supervision of the Activities of Credit Institutions

1. The Bank of Lithuania shall supervise the activities of credit institutions holding a licence of the Bank of Lithuania according to the procedure provided for by laws and other legal acts.

2. The supervision of the activities of credit institutions which hold a licence of the Bank of Lithuania shall consist of:

1) licensing – consideration of applications for issuing licences, permits and consents established by laws, and adoption of decisions, as well as other activities related thereto;

2) collection and analysis of information obtained for the purposes of supervision in the form of reports, as well as assessments of activities of credit institutions and their financial situation on the basis of the said information, taking into account prudential and other requirements of the activities of credit institutions, established by legal acts;

3) inspection of the activities of credit institutions — verification of the correctness of the compilation of financial reports presented to the Bank of Lithuania and assessments of the activities and financial situation (capital, the quality of assets, profitability) of credit institutions, as well as assessments of the efficiency of the management of risks (credit, liquidity, market, operational, others) and of the management of a credit institution;

4) application of enforcement measures prescribed by laws against credit institutions.

Article 46. Rights of the Bank of Lithuania in Performance of the Supervision of Credit Institutions

1. In performance of the supervision of the activities of credit institutions, the Bank of Lithuania shall have the right to:

1) receive information necessary for the performance of the supervisory function from state institutions, credit institutions, their subsidiaries, as well as from other enterprises, institutions and organisations;

2) inspect (examine) credit institutions holding a licence issued by the Bank of Lithuania, and in the cases established by laws – other persons as well;

3) in the cases and manner established by laws, apply enforcement measures against credit institutions and other persons holding a licence issued by the Bank of Lithuania; and

4) take measures in order to ensure an efficient operation of the credit system.

2. The information received by the Bank of Lithuania for the purposes of supervision of credit institutions may not be disclosed publicly, released to anyone or made public in any other way, except in the cases specified by the laws regulating the activities of credit institutions.

Article 46¹. Reimbursement for the Damage Caused by the Illegal Actions of the Bank of Lithuania or Bank of Lithuania Staff, and Compensation of Expenses Incurred by Bank of Lithuania Staff in Relation to Proceedings or Actions Brought Against Them

1. The damage caused by the illegal actions of the Bank of Lithuania or Bank of Lithuania staff in relation to the performance of the supervisory function of credit institutions shall be reimbursed only in the case if the person to have suffered the damage proves the Bank of Lithuania or Bank of Lithuania staff guilty of such damage.

2. The Bank of Lithuania shall pay a compensation to its current or former staff equal to their expenses incurred due to criminal or administrative actions brought against them or due to other actions taken by law enforcement institutions in relation to such acts or omissions, or due to civil actions brought against them in relation to their acts or omissions done in the performance of the professional duties related to the supervisory function. The reimbursement procedure shall be established by the Board of the Bank of Lithuania.

3. A member or former member of the staff of the Bank of Lithuania must repay the compensation paid by the Bank of Lithuania as provided by paragraph 1 herein in the following cases:

1) when he or she, following the settlement of criminal or administrative actions against him or her, is found guilty of criminal act or violation of administrative law or is found guilty by the court of causing damage;

2) when the expenses incurred by him or her and the legal charges he or she is awarded are paid by the party ordered to pay the charges. The amount to be repaid shall be equal to the sum paid by the party ordered to pay the charges.

Article 47. Co-operation with the Authorities of Supervision of Credit Institutions of other States

In carrying out the functions of the supervision of credit institutions, the Bank of Lithuania shall have the right to exchange information with the institutions of other states performing the

supervision of credit institutions on the activities of any credit institution, and it shall have to ensure the confidentiality of such information. The information received from another institution performing the supervision of credit institutions may be communicated to other persons only in the cases provided for in laws regulating the activities of credit institutions.

CHAPTER 8

FINANCIAL ACCOUNTING AND REPORTING OF THE BANK OF LITHUANIA

Article 48. The Financial Year of the Bank of Lithuania

The financial year of the Bank of Lithuania shall begin on the first day of January and end on the thirty-first day of December.

Article 49. Financial Accounting and Annual Financial Statements

1. The Bank of Lithuania shall manage its financial accounting and prepare its annual financial statements following the recommendations of the European Central Bank for central banks participating in the European System of Central Banks.

2. The annual financial statements of the Bank of Lithuania shall include a balance-sheet, profit (loss) statement, and explanatory notes.

3. The Bank of Lithuania shall, within four months after the end of a financial year, submit its annual financial statements together with the opinion of an independent auditor to the Seimas and shall make it public.

Article 50. Audit of the Annual Financial Statements of the Bank of Lithuania

The annual audit of the Bank of Lithuania shall be carried out by an audit company selected by the Bank of Lithuania.

Article 51. Annual Report of the Bank of Lithuania

The Bank of Lithuania shall make its annual report public and issue it as a separate publication. The annual report shall provide information on basic tasks regarding monetary policy and their implementation, monetary policy operations, activities while supervising credit institutions and discharging other functions established by laws, as well as information on the national macroeconomic situation, such as analysis of the developments in the national economy and financial markets, and on the financial position of the Bank and the results of its activities.

Article 52. Reports by the Chairperson of the Board of the Bank of Lithuania on the Implementation of the Primary Objective

The Chairperson of the Board of the Bank of Lithuania shall twice a year present reports to the Seimas on the implementation of the primary objective of the Bank, performance of its functions and the situation of the banking system.

CHAPTER 9

FINAL PROVISIONS

Article 53. Recovery of Funds and Securities from Borrowers Failing to Fulfil their Obligations

1. The Bank of Lithuania shall have the right to debit, without an instruction of a financial institution, funds from the accounts of the said financial institution if it fails to fulfil its obligations to the Bank of Lithuania in due time specified in the Bank of Lithuania legal acts and contracts.

2. In the event bankruptcy proceedings are initiated against a financial institution or a decision is made concerning the prohibition to dispose of funds, the Bank of Lithuania shall have the right to use without a decision of the court or any other authorised institution, the funds from the

accounts of the financial institutions held at the Bank of Lithuania in order to fulfil its financial obligations to the Bank of Lithuania.

3. In the event the borrower fails to fulfil its obligations on the date specified in an agreement, and the performance of the said obligations has been secured by a pledge of securities or any financial assets other than the funds on the borrower's bank account, the Bank of Lithuania shall have the right to take over and realise the pledged assets in the manner prescribed by legal acts. The Bank of Lithuania may exercise such a right even if bankruptcy proceedings are initiated against the borrower or the prohibition on disposal of pledged assets is imposed on him.

Article 54. Information to the Bank of Lithuania

Bodies of state authority and administration, enterprises, institutions and organisations of the Republic of Lithuania must present to the Bank of Lithuania all information required for the performance of its functions.

Article 54¹. Sanctions for Non-Compliance with Statistical Obligations

The Bank of Lithuania shall have the right to impose fines and penalties on financial institutions for infringements with regard to submission of statistical information as established by the Bank of Lithuania. The size of fines and penalties, arrangements for their application and the terms for the storage of related material shall be determined by the Bank of Lithuania taking into account the fact that the sanctions have to be objectively justified, non-discriminatory and shall correspond to the aim pursued and the character of the infringement.

Article 55. Publication of the Data of the Bank of Lithuania

The Bank of Lithuania shall at least once a month issue information bulletins on the situation in the money and financial markets.

Article 56. Aspects of the Formation of the Reserve Capital

When this Law comes into force, the general reserve accumulated by the Bank of Lithuania shall be transferred to the reserve capital.

Article 57. Repealed on 15 April 2004

Article 58. Distribution of the Profit of the Bank of Lithuania Earned in the Year 2000

1. The profit of the Bank of Lithuania earned in the year 2000 shall be distributed in the following manner:

- 1) 10 per cent – to form the authorised capital of the Bank of Lithuania;
- 2) 50 per cent – to form the reserve capital of the Bank of Lithuania.

2. The remaining part of the profit shall be paid to the State budget of the Republic of Lithuania by 1 May 2001.“

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

PRESIDENT OF THE REPUBLIC

VALDAS ADAMKUS

Annex to
Republic of Lithuania Law
No. I-678 of 1 December 1994

IMPLEMENTED LEGAL ACTS OF THE EUROPEAN UNION

1. Treaty establishing the European Community of 25 March 1957.
2. Protocol No. 18 of 7 February 1992 on the Statute of the European System of Central Banks and of the European Central Bank.
3. Council Regulation (EC) No. 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b (1) of the Treaty.
4. Council Regulation (EC) No. 3604/93 of 13 December 1993 specifying definitions for the application of the prohibition of privileged access referred to in Article 104a of the Treaty.
5. Council Regulation (EC) No. 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting.
6. Council Regulation (EC) No. 1339/2001 of 28 June 2001 extending the effects of Regulation (EC) No. 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting to those Member States which have not adopted the euro as their single currency.