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**REPUBLIC OF LITHUANIA
LAW ON NATIONAL DEVELOPMENT BODIES**

5 June 2018 No XIII-1257
Vilnius

**CHAPTER I
GENERAL PROVISIONS**

Article 1. Aim and Purpose of the Law

1. The purpose of this Law shall be to ensure effective investment into the areas in which market-based financing is insufficient and/or sub-optimal and promote financially viable investment.

2. This Law shall regulate appointment, activities, governance, financing and supervision of national development bodies of the Republic of Lithuania and liability thereof for breaches of the operational requirements.

Article 2. Definitions

1. “**Financial intermediary**” shall mean a legal person selected for implementation of the particular promotional financial instrument.

2. “**Fund of funds**” shall mean a fund for implementation of a promotional financial instrument through a financial intermediary and/or several promotional financial instruments.

3. “**National development body**” (hereinafter referred to as the “NDB”) shall mean a financial institution to which the right to carry out promotional financing activities has been granted under the procedure prescribed in this Law.

4. “**Supervisory authority**” shall mean the Bank of Lithuania which carries out supervision of the NDBs included in the List of National Development Bodies in accordance with the procedure prescribed in this Law and other laws.

5. “**Promotional financial instrument**” shall mean a loan, guarantee, venture capital investment or another financial instrument implemented by the funds of the state and municipal

budgets, the funds of the European Union, international financial institutions and/or other funds where the funds (a part thereof) allocated for the financing and/or implementation of which pay back and are repeatedly used for achievement of the same objectives set at the moment of creation of the instrument or carrying out of promotional financing activities in other areas.

6. **“Promotional financing activities”** shall mean provision of financial services in the areas the development of which, by the decision of the government of the Republic of Lithuania, must be promoted but the market-based financing of which is insufficient and/or sub-optimal.

7. **“Head”** shall mean the head, a member of the Board and a member of the Supervisory Board of the NDB.

Article 3. Legal Form of the NDB

The legal form of the NDB may be only a public limited liability company or a private limited liability company the registered office of which is situated in the Republic of Lithuania. All shares of the NDB shall belong to the State of Lithuania by the right of ownership.

CHAPTER II

ASSIGNMENT TO CARRY OUT THE ACTIVITIES OF THE NDB

Article 4. Assignment to Carry Out the Activities of the NDB and Annulment of the Assignment

1. On the proposal of the institution authorised by the Government, the Government shall assign carrying out of the activities of the NDB including promotional financing activities to financial institutions (hereinafter referred to as the “assignment to carry out the activities of the NDB”).

2. Carrying out of the activities of the NDB may be assigned to the financial institutions which meet the requirements of Article 3 and Chapter V of this Law ensuring that the main promotional financing activities of different NDB were targeted at different areas established by the Government the development of which must be promoted. Carrying out of the activities of the NDB shall be assigned upon completion of the assessment referred to in Article 7 of this Law and in the areas of activities of the financial institution the development of which, by the decision of the Government, must be promoted in case where it is determined that market-based financing is insufficient and/or sub-optimal.

3. A financial institution to which carrying out of the activities of the NDB is assigned shall be entitled to commence such activities only when the supervisory authority includes it in the list of NDBs in accordance with the procedure established in Article 8 of this Law. NDBs shall be

entitled to engage in provision of licensed financial services only after obtaining the respective licence.

4. On the proposal of the institution authorised by the Government, the Government shall annul the assignment to carry out the activities of the NDB if:

1) upon completion of the assessment referred to in Article 7 of this Law, it is determined that market-based financing in all areas in which the NDB carried out promotional financing activities is sufficient and/or optimal;

2) the NDB has failed to carry out promotional financing activities;

3) the supervisory authority removes the NDB from the list of NDBs in accordance with the procedure prescribed in Article 9 of this Law;

4) a decision on reorganisation or liquidation of the NDB has been taken;

5) the NDB does not meet the requirements of Article 3 and Chapter V of this Law;

6) the NDB has submitted a request for annulment of the assignment to carry out the activities of the NDB to the institution authorised by the Government.

5. The institution authorised by the Government shall notify the supervisory authority of the decision on annulment of the assignment to carry out the activities of the NDB taken by the Government not later than within 3 working days from the date of taking the decision and, on the grounds set forth in paragraph 1 of Article 9 of this Law, remove the NDB from the list of NDBs.

6. After annulment of the assignment to carry out the activities of the NDB, performance of the existing contractual or other obligations in relation to promotional financing activities shall be transferred to another NDB meeting the requirements of this Law.

CHAPTER III

GOALS, OBJECTIVES, FUNCTIONS OF THE NDB

Article 5. Goals and Objectives of the NDB

1. The goals of the NDB shall be to carry out promotional financing activities in the areas identified by the Government, seek to ensure financially viable and effective investments and contribute to the national economic, social and regional development.

2. The objectives of the NDB shall be as follows:

1) to effectively invest in financially viable projects;

2) to promote long-term financing of financially viable projects from different financial sources;

3) to contribute to creation of reliable investment environment;

4) to promote the national economic, social and regional development.

Article 6. Functions of the NDB

1. The NDB shall fulfil the following functions:

1) implement the promotional financial instruments (provide guarantees which are equivalent to the state guarantees only in case if the NDB is a guarantee institution guaranteed by the State within the meaning of the Republic of Lithuania Law on State Debt) and/or is involved in implementation thereof as the manager of the fund of funds;

2) provide grants and/or subsidies contributing to the promotional financial instruments implemented by the NDB;

3) be involved in the investment platforms within the meaning of Article 2(4) of Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 concerning the European Fund for Strategic Investments (OJ 2015 L 169, p. 1) and/or set up them;

4) raise private funds for financially viable projects and regional and/or local development;

5) ensure a flow of financially viable projects;

6) be involved in drawing up of the strategies for investment in promotional financial instruments and carrying out of monitoring of effectiveness and impact of the investments;

7) put forward proposals and expert (technical and methodological) assistance to state and municipal institutions and bodies in relation to necessary decisions with a view to improving the investment environment and accessibility of financing to the entities implementing the projects;

8) other functions necessary for achievement of the objectives of the NDB set forth in Article 5 of this Law.

2. A NDB may be an incorporator and/or a member of other legal persons and/or engage financial intermediaries.

Article 7. Assessment of the Need for Promotional Financing to the NDB

1. The activities of the NDB shall be based on the assessment on the basis of which insufficiency and/or sub-optimality of market-based financing is determined, the need for investment is calculated. The assessment shall be carried out in accordance with the procedure and in the cases established by the Government.

2. Taking into account the results of the assessment referred to in paragraph 1 of this Article, the NDB shall further carry out activities in the areas in which market-based financing is sufficient and/or optimal only to the extent necessary for completion of the started activities.

CHAPTER IV
REQUIREMENTS FOR THE ACTIVITIES OF THE NDB

Article 8. List of NDBs

1. A NDB may be included in the list of NDBs only when it furnishes the supervisory authority with the following documents and information specified by the supervisory authority:

1) an application for inclusion in the list of NDBs specifying the date and number of the resolution of the Government assigning to carry out the activities of the NDB to it;

2) the documents and information evidencing that the heads of the NDB meet the requirements set forth in Article 10 of this Law and the internal control is ensured in accordance with the requirements set forth in Article 11 of this Law as specified by the supervisory authority.

2. The application for inclusion of the NDB in the list of NDBs shall be examined and a decision shall be taken in accordance with the Republic of Lithuania Law on the Bank of Lithuania. The NDB shall be included in the list of NDBs not later than within 3 working days from the date of adoption of the decision by the supervisory authority.

3. The supervisory authority shall refuse to include the NDB in the list of NDBs if it:

1) does not meet the requirements provided for in Articles 10 and 11 of this Law;

2) upon the supervisory authority's request for provision of missing or revised documents and information necessary for making the decision, fails to provide the documents and information referred to in paragraph 1 of this Article within the set time limit.

4. The NDB shall be obliged to notify the supervisory authority of any changes in the documents and information provided according to paragraph 1 of this Article not later than within 10 working days from the date on which such changes become evident. The supervisory authority must not be notified of amendments of the resolution of the Government by which carrying out of the activities of the NDB is assigned to the body included in the list of NDBs except for the cases where information on annulment of the assignment to carry out the activities of the NDB is provided in accordance with the provisions of paragraph 5 of Article 4 of this Law.

5. The supervisory authority shall publish the list of NDBs on its website.

Article 9. Removal from the List of NDBs

1. A NDB shall be removed from the list of NDBs where:

1) the assignment to carry out the activities of the NDB is annulled on the grounds set forth in paragraph 4 of Article 4 of this Law;

2) the supervisory authority takes a decision on imposition of a sanction provided for in subparagraph 4 of paragraph 1 of Article 18 of this Law on the NDB.

2. A NDB which, by the decision of the supervisory authority, is removed from the list of NDBs in the case provided for in subparagraph 1 of paragraph 1 of this Article may be included in the list again under the procedure prescribed in this Law. A NDB which, by the decision of the supervisory authority, is removed from the list of NDBs in the case provided for in subparagraph 2 of paragraph 1 of this Article may apply for inclusion in the list of NDBs not earlier than one year from the date of entry into force of the decision on its removal from the list.

3. The supervisory authority's decision on removal of the NDB from list of NDBs shall be sent to the NDB by e-mail or electronic communication means within 3 working days from the date of taking thereof.

4. The supervisory authority shall immediately but not later than within 3 working days from the date of adoption of the decision on removal of the NDB from the list of NDBs notify the Government of such decision. If a decision on removal of the NDB from the list of NDBs is taken in the case provided for in subparagraph 2 of paragraph 1 of this Article, the Government shall annul the assignment to carry out the activities of the NDB under the procedure prescribed in Article 4 of this Law.

Article 10. Requirements for the Heads of the NDBs

The heads of the NDBs shall meet the requirements set forth in paragraph 1 of Article 8 of the Republic of Lithuania Law on Crowdfunding and the provisions of paragraphs 4, 5 and 6 of Article 8 of the Republic of Lithuania Law on Crowdfunding shall *mutatis mutandis* be applicable to assessment of their suitability.

Article 11. Internal Control of the Activities of the NDB

The internal control of the activities of the NDB shall be ensured in accordance with the procedure prescribed in the Republic of Lithuania Law on Financial Institutions and the legal acts of the supervisory authority.

Article 11¹. Participation of NDBs in the Activities of Limited Partnerships

1. A NDB shall be entitled to act as a general partner of a limited partnership.

2. In cases where the Bank of Lithuania is a limited partner of the limited partnership referred to in paragraph 1 of this Article or the rights to act as a member in the advisory committee of the limited partnership on behalf of the limited partners are granted to the Bank of Lithuania, the requirements for inclusion of the NDB in the lists of the NDBs and supervision of the NDBs set forth in this Law shall not be applicable and control over the activities of the NDB acting as the general partner of the limited partnership shall be exercised by implementation of the financial

instruments set forth in the agreement on activities of the limited partnership and the partner agreement and granting the right to represent the interests of the limited partners before the advisory committee, the main functions of which shall be to assess how the internal control over the activities of the general partner of the limited partnership is ensured, establish the principles of management of the interests of new members of the bodies of the general partner of the limited partnership, put forward proposals on appointment and removal of the members of the Board and the head of the general partner of the limited partnership from office, to the Bank of Lithuania

3. The advisory committee shall consist of at least three members delegated by the limited partners in accordance with the procedure established in the agreement on activities of the limited partnership and the partner agreement. The composition of the advisory committee shall be approved and the revoked by the meeting of limited partners. A member of the advisory committee, i.e. a representative of the Bank of Lithuania, shall be appointed as the chair of the advisory committee. The advisory committee shall approve its rules of procedure.

Supplemented with Article:

No [XIII-3033](#), 9 June 2020, published in the Register of Legal Acts (TAR) on 19 June 2020, ID code 2020-13471

CHAPTER V

ORGANISATION AND MANAGEMENT OF THE ACTIVITIES OF THE NDB

Article 12. Bodies of the NDB

1. The NDB must have the following bodies: the general meeting of shareholders, the supervisory board, the board and the single-person management body, i.e. the head of the NDB.

2. The procedure for setting up of the management bodies of the NDB and the rules of procedure, competence and functions, responsibilities thereof shall be established by this Law, the articles of association of the NDB and the Civil Code of the Republic of Lithuania, the Republic of Lithuania Law on Financial Institutions and the Republic of Lithuania Law on Companies.

3. The members of the supervisory board must be not linked by employment or equivalent relationship with the NDB.

4. The supervisory board of the NDB shall ensure that the internal control system of the NDB met the requirements set forth in Article 11 of this Law.

Article 13. Sources of Financing

1. Implementation of the functions of the NDB set out in Article 6 of this Law may be financed from the state and municipal budgets, funds of the European Union, international financial institutions and/or other funds.

2. A NDB, taking into account the requirements of this Law and other laws, shall be entitled to use the funds of the equity capital, the promotional financial instruments and funds of funds held for achievement of the goals of the NDB, implementation of the objectives and fulfilment of the functions set forth in this Law.

Article 14. Minimum Equity Capital of the NDB

1. The minimum equity capital of the NDB shall be not lower than EUR 1,000,000.
2. If the equity capital of the NDB is lower than provided for in paragraph 1 of this Article, the entities set out in paragraph 1 of Article 23 of the Republic of Lithuania Law on Companies shall be obliged to immediately convene an extraordinary general meeting of shareholders of the NDB. The general meeting of shareholders of the NDB shall be obliged to take decisions allowing to restore the equity capital of the NDB up to the minimum amount referred to in paragraph 1 of this Article within 6 months from the moment of detection of a failure to comply with the minimum equity capital requirement.

Article 15. Special Capital Reserve and Profit

1. In addition to the reserves provided for in the Republic of Lithuania Law on Companies and the Republic of Lithuania Law on Financial Institutions, a NDB shall form the special capital reserve which shall be accumulated in accordance with the procedure prescribed in paragraph 2 of this Article and the amount of which must be not lower than 5 per cent of the authorised capital of the NDB.
2. The special capital reserve shall be formed on the basis of the principle of accumulation by allocating at least 10 per cent of the distributed profit of the year to such reserve every year till the established level of the reserve is achieved. By the decision of the general meeting of shareholders, the special capital reserve may be used for covering the losses of the NDB.
3. The profit of the NDB shall be used for accumulation and/or increase of the reserves provided for in this Law, the Republic of Lithuania Law on Companies, the Republic of Lithuania Law on Financial Institutions and the articles of association of the NDB, ensuring of the activities of the NDB, payment of dividends under the procedure established in the Republic of Lithuania Law on Companies.

CHAPTER VI

SUPERVISION OF THE NDB AND RESPONSIBILITY FOR BREACHES OF THE REQUIREMENTS

Article 16. Supervision of the NDB

1. The supervisory authority shall:

1) supervise how the NDBs included in the list of NDBs comply with the requirements set forth in paragraph 4 of Article 8, Articles 10 and 11 of this Law;

2) issue instructions to eliminate breaches of the legal acts or operational deficiencies under the procedure established in the Republic of Lithuania Law on the Bank of Lithuania within the set time limit which shall be binding to the NDB.

2. Supervision of the NDBs shall be carried out in accordance with this Law, the Republic of Lithuania Law on the Bank of Lithuania, other legal acts regulating the financial market and supervision of its activities.

Article 17. Right of the Supervisory Authority to Information and Protection of Information Obtained for Supervision Purpose

1. At the request of the supervisory authority, NDBs, state and municipal institutions and bodies, other natural and legal persons must furnish it with information including confidential information, data, documents, copies thereof necessary for fulfilment of its functions and implementation of its objectives.

2. Protection of information received by the supervisory authority for supervision purposes shall be subject to the Republic of Lithuania Law on the Bank of Lithuania.

Article 18. Sanctions Imposed by the Supervisory Authority, Grounds and Procedure for Imposition Thereof

1. The supervisory authority shall impose the following sanctions:

1) issue a warning about the breach of this Law and the legal acts implementing it;

2) impose fines set forth in Article 19 of this Law;

3) oblige to replace the head of the NDB;

4) remove the NDB from the list of NDBs.

2. The supervisory authority shall impose the sanctions provided for in paragraph 1 of this Article when at least one of the following grounds exists:

1) the NDB was included in the list of NDBs by providing false information to the supervisory authority or by other unlawful means;

2) the information provided for in this Law or requested by the supervisory authority is not provided within the set time limits or incomplete or inaccurate information is provided;

3) the instruction given in accordance with subparagraph 2 of paragraph 1 of Article 16 of this Law is not complied with or is improperly complied with;

4) the supervisory authority or persons authorised by it are prevented from carrying out inspections;

5) the requirements set forth in paragraph 4 of Article 8, Articles 10 and 11 of this Law are not complied with.

3. The procedure for imposition of sanctions shall be established in the Republic of Lithuania Law on the Bank of Lithuania.

Article 19. Fines

1. The supervisory authority shall impose:

1) a fine in the amount of up to 10 per cent of the total annual income of the NDB on the NDBs;

2) a fine in the amount of up to EUR 50,000 on the heads of the NDBs.

2. The total annual income of the NDB on the basis of which the amount of the fine imposed is determined shall be established in accordance with the data of the last annual financial statements drawn up (signed) by it.

3. In cases where it is difficult or impossible to establish the total annual income of the NDB or the total annual income is lower than EUR 1,000,000, the supervisory authority shall impose a fine in the amount of up to EUR 100,000 on the NDB instead of the fine provided for in subparagraph 1 of paragraph 1 of this Article.

4. In the cases provided for in subparagraph 3 of paragraph 2 of Article 18 of this Law, the supervisory authority shall impose a fine in the amount of up to one per cent of the total annual income for each day of non-compliance or improper compliance with the mandatory instruction and, in cases where it is difficult or impossible to establish the total annual income, a fine in the amount of up to EUR 1,500.

5. If any income, other property benefit, losses were avoided or damage was caused due to breaches of this Law was unlawfully received due to a breach of this Law and the amount of such income, other property benefit, avoided losses or caused damage (if it can be determined) exceeded the amounts of the fines set forth in paragraphs 1 or 3 of this Article, the supervisory authority shall impose a fine equal to double amount of the unlawfully received income, other property benefit, avoided losses or caused damage.

6. The fines shall be calculated in accordance with the Republic of Lithuania Law on the Bank of Lithuania.

CHAPTER VII FINAL PROVISIONS

Article 20. Entry into Force and Implementation of the Law

1. This Law except for paragraph 2 of this Article shall come into force as of 1 September 2018.

2. The Government of the Republic of Lithuania and the Bank of Lithuania shall adopt the legal acts implementing this Law till 31 August 2018.

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

President of the Republic

Dalia Grybauskaitė

Amendments:

1.
Seimas of the Republic of Lithuania, Law
No [XIII-3033](#), 9 June 2020, published in the Register of Legal Acts (TAR) on 19 June 2020, ID code 2020-13471
Law on Supplementing the Republic of Lithuania Law on National Development Bodies No XIII-1257 with Article
11-1 of the Law