Unofficially consolidated version

LAW ON CREDIT INSTITUTIONS
(OGM 072/19 of 26 December 2019, 082/60 of 6 August 2020, 008/21 of 26 January 2021)

I BASIC PROVISIONS

Subject Matter

Article 1

This Law governs the establishment, management, operation and supervision of credit institutions, and other matters of importance for operation of credit institutions.

Credit Institution

Article 2

(1) A credit institution shall be a business undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account.
(2) Pursuant to requirements set forth by this Law, a bank with head office in Montenegro or a branch of the credit institution with head office in the European Union Member State or a third country pursuing business within the territory of Montenegro may be established as a credit institution.
(3) The term "credit institution" when used in this Law without extension "Member State", "third-country" and "group of", shall refer to a bank with a head office in Montenegro.

Using words "Credit institution" and "Bank"

Article 3

(1) Words "credit institution", "bank" or derivatives of such words may be used in a title or in a legal transaction only by:
1) legal person granted with an authorisation to work as a bank by the Central Bank of Montenegro (hereinafter: the Central Bank);
2) a credit institution from the Member State directly providing services in Montenegro and a branch of a credit institution from the Member State and a third country providing services in Montenegro;
3) a member of a group of credit institutions;
4) a representative office of the credit institution from another State performing activities on the territory of Montenegro; and
5) another legal person in accordance with law.
(2) A credit institution shall be prohibited to use in its title the words or derivatives of words that may cause for clients of credit institutions and other persons to draw wrong conclusions on the status and/or competitive position of such credit institution, or that violate the rights of other parties, in particular the words or derivatives of the words that may be misleading in terms of:
1) scope of operations of the credit institution;
2) identity of the credit institutions or its founders;
3) links of the credit institution with other legal persons;
4) competitive advantage of such credit institution in its relationship with clients.
(3) A credit institution from another State operating in Montenegro may use the name that uses in such State; however, if a credit institution with the same or similar name already operates in Montenegro, the Central Bank may require such credit institution to change its name in such a manner as to remove the possibility of misconception.

Banking Services

Article 4

(1) Banking services, within the meaning of this Law, shall mean taking deposits or other repayable funds from the public and granting credits from such funds for its own account.

(2) Taking deposits or other repayable funds from the public referred to in paragraph 1 of this Article shall not be deemed to be funds taken by:

1) electronic money institutions in the form of payments immediately exchanged for electronic money;

2) the State of Montenegro, regional or local self-government units;

3) micro-credit financial institutions in the form of borrowings;

4) associations in the form of membership fees, voluntary contributions and similar non-repayable funds;

5) legal persons other than credit institutions from issuing debt securities, used to finance pursuit of their principal activity, provided that the principal activity of such persons is not granting of loans;

6) payment system institutions from users of payment services for the provision of payment services in accordance with a separate law.

Core and Supplemental Financial Services

Article 5

(1) Core financial services, within the meaning of this Law, shall mean:

1) taking deposits or other repayable funds;

2) lending, including: consumer credits, mortgage credits and loans for financing of commercial transactions, factoring with or without recourse, including export financing based on purchase at a discount and without recourse of long-term receivables secured by financial instruments (forfeiting);

3) financial leasing;

4) providing payment system services, in accordance with a separate law;

5) issuing guarantees or other sureties;

6) trading for own account or for the account of clients in:

- money market instruments (cheques, bills of exchange, certificates of deposit),
- transferable securities,
- foreign means of payment, including foreign exchange operations,
- financial futures and options,
- exchange and interest-rate instruments;

7) lending-related services, such as data collection, developing analysis and providing information on creditworthiness of legal persons and entrepreneurs;

8) issuing other payment instruments and administering such instruments, insofar as the provision of such service is not deemed to be the provision of services within the meaning of item 6 of this paragraph all in accordance with a separate law;

9) safe custody services;

10) money market broking;

11) participation in financial instruments issues and the provision of services relating to financial instruments issues, in accordance with regulations governing the capital markets;

12) client's asset management and advice related to such asset management;

13) custody services, in accordance with regulations governing the capital markets;

14) advice to legal persons on capital structure, business strategy and related questions and the provision of services relating to status changes, acquisition of shares and holdings in other undertakings;

15) issuing electronic money; and

16) investment and ancillary services and activities in accordance with the law governing the capital markets not being services referred to in items 1 to 15 of this paragraph.

(2) Supplemental financial services, within the meaning of this Law, shall mean:

1) operations relating to insurance brokerage and agency, in accordance with the law governing the insurance business;

2) provision of payment systems management services, in accordance with the law governing the payment system operations;

3) other services a credit institution may provide in accordance with the provisions of the law;

4) trade in gold;

5) data provision services, in accordance with regulations governing the capital markets;

6) other services or operations set by articles of association of the credit institution which, given the way of being provided and exposure to risk for a credit institution, have similar features as the core financial services referred to in paragraph 1 of this Article.

Mutually Recognised Services

Article 6

(1) Mutually recognised services, within the meaning of this Law, shall be:

1) Mutually recognised banking services, which means services referred to in Article 4 of this Law; and

2) Mutually recognised financial services, which means services referred to in Article 5 paragraph 1 of this Law.

Advertising

Article 7

The other Member State credit institution may advertise its services through all available means of information in Montenegro, subject to application of all rules governing the advertising of services carried out by credit institutions in Montenegro.

Direct Provision of Services

Article 8

(1) It shall be deemed that the Member State credit institution provides directly mutually recognised services on the territory of other Members State if it has not established a branch on the territory of that other Member State, and if it:

1) concludes legal transactions covering one or more mutually recognised services; or

2) offers such service to a natural or legal person having habitual residence or temporary residence, or head office on the territory of other Member State, through its agents, intermediaries or otherwise.

(2) The direct provision of services referred to in paragraph 1 of this Article shall be deemed to be a temporary provision of mutually recognised services by credit institutions or provision of services not performed regularly, frequently or continuously.

Parent and Subsidiary Undertaking and Control

Article 9

(1) Parent undertaking, within the meaning of this Law, shall be a business undertaking which in respect of another business undertaking (subsidiary undertaking) fulfils one of the following conditions:

1) has a majority of the voting rights in the subsidiary undertaking;

2) is a shareholder in or holder of interest and has the right to appoint or remove majority of the members of management board, supervisory board or another managing or oversight body;

3) has the right to exercise dominant influence over a subsidiary undertaking pursuant to a contract or agreement;
4) has a significant share in the subsidiary undertaking and exercises dominant influence;
5) is a shareholder in or holder of interest in the subsidiary undertaking pursuant to a contract or an agreement with other shareholders or holders of interest, in such manner as to control majority of voting rights in that undertaking; or
6) has a significant interest in the subsidiary undertaking and has concluded a contract on managing business of the undertaking with the subsidiary undertaking based on which pursues business of the subsidiary undertaking.

(2) Legal person that is a parent undertaking of another undertaking shall be deemed to be a parent undertaking of the undertakings having position of the subsidiary undertaking with respect to such other undertaking.

(3) Voting rights and rights of appointment or removal of parent undertaking shall also include voting rights and rights of appointment or removal of the subsidiary undertaking, or those acting on behalf of that parent undertaking or on behalf of subsidiary undertaking of such parent undertaking, except when such undertaking:
1) holds shares in its own name and on behalf of a person that is neither the parent nor a subsidiary undertaking; or
2) holds shares by way of a security interest and exercise its rights in accordance with the instructions received from other persons, or acquired them in connection with the granting of a loan as part of normal business activities, while the voting rights are exercised in the interest of the person who pledged shares as security interest.

(4) Parent undertaking shall also be the undertaking exercising dominant influence over another undertaking.

(5) Subsidiary undertaking, within the meaning of this Law, shall be a business undertaking controlled by a parent undertaking in one of the ways referred to in paragraph 1 of this Article.

(6) Subsidiary undertakings of subsidiary undertakings shall also deem to be subsidiary undertakings of the undertaking being its original parent undertaking.

(7) Control, within the meaning of this Article, shall mean the relationship between a parent and a subsidiary undertaking in the manner referred to in paragraph 1 of this Article, or a similar relationship between any natural or legal person and a business undertaking.

Group of Connected Persons

Article 10

(1) The group of connected persons within the meaning of this Law shall be considered to be:
1) two or more natural or legal persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other person or other persons;
2) two or more natural or legal persons between whom there is no relationship of control referred to in item 1 of this paragraph, but who are to be regarded as constituting a single risk because they are so interconnected that, if one of such persons were to experience financial problems, in particular funding or repayment difficulties, the other person or all of the other persons would also be likely to encounter funding or repayment difficulties.

(2) Notwithstanding paragraph 1 of this Article, where a central government has a direct or indirect control, or is directly interconnected with more than one person in the manner referred to in paragraph 1 item 2 of this Article, the credit institution shall not consider a group constituted of a central government and such persons as the group of connected persons.

(3) The central government referred to in paragraph 2 of this Article, within the meaning of this Law, shall mean state administration bodies, state agencies and other entities having powers relating to the entire territory of the country, and which are classified as the central government in accordance with the European System of Accounts (ESA 2010).

(4) In the event referred to in paragraph 2 of this Article, the existence of the group of connected persons constituted of a central government and other persons, the credit institution may assess separately each member where a central government has a direct control, or is connected with such persons in

the manner referred to in paragraph 1 item 2 of this Article and in relation to all legal and natural persons controlled by persons referred to in paragraph 2 of this Article in the manner referred to in paragraph 1 item 1 of this Article or persons connected with them in the manner referred to in paragraph 2 item 2 of this Article, including the central government.

(5) Provisions of paragraph 2 of this Article shall also apply to local self-government units, where they are treated as a central government when weighting risk exposures referred to in Article 134 paragraph 9 of this Law.

Undertakings Linked by Joint Directorship

Article 11

Undertakings linked by joint directorship shall be two or more persons not linked by a control relationship, where at least one of the following forms of connection exists:

1) undertakings are equal and linked by joint directorship in accordance with concluded contract or provisions of an article of association;

2) they are controlled by the same third party; or

3) majority of the board of directors' member or other relevant bodies performing a management or supervisory function in such undertaking are the same persons.

Acting in Concert

Article 12

(1) Persons acting in concert shall mean natural and/or legal persons mutually cooperating based on an agreement, explicit or tacit, oral or written, aimed at acquiring shares with voting rights or concert exercising of voting rights or other rights derived from shares of the credit institution.

(2) It shall be deemed that following are acting in concert:

1) legal persons and natural and/or legal persons when one of such persons, directly or indirectly, controls another or other persons;

2) natural persons in lineal blood kinship, and up to a third-degree of a collateral descendant;

3) persons living in statutory marriage or a domestic partnership equal to statutory marriage under the law;

4) shareholders who reach an agreement on corporate governance matters governing the corporate governance of the credit institution in such a manner as to diverge from the regulated one or an agreement on the manner of exercising other share-derived rights;

5) persons who are members of senior management, a management or a supervisory board in the credit institution for which the qualifying holding is being determined;

6) business undertakings that are members of the same group;

7) persons connected only by circumstances related to the share acquisition, including use of the same sources of funding, indicating that acting in concert is taking place in acquisition of shares or joint intention of such persons to exercise the voting right or other rights in the credit institution;

8) persons who have exercised the voting right in the credit institution for which the qualifying holding is being determined by acting in concert;

9) members of management bodies of the undertaking acting in concert;

10) members of management bodies and the undertaking where such members are the members of management bodies;

11) management company and all investment funds managed by such company;

12) persons where other circumstances similar to circumstances referred to in items 1 to 10 of this paragraph exist, if such circumstances indicate that there is acting in concert which may lead to permanent and significant change in business strategy of the credit institution.

(3) The Central Bank shall establish, by way of its decision, the existence of acting in concert if it established that circumstances referred to in paragraph 2 of this Article exist.

Application of the Law on Administrative Procedure

Article 13

(1) The provisions of the law governing the administrative procedure shall apply in the process of rendering a decision of the Central Bank, unless otherwise stipulated by this Law.
(2) In the process of rendering a decision, the Central Bank shall decide in an abridged procedure.
(3) An administrative dispute may be initiated by way of a lawsuit against the Central Bank's decision.
(4) The lawsuit referred to in paragraph 3 of this Article shall not postpone enforcement of the decision.
(5) In an administrative dispute, a competent court cannot give judgement upon merits against a Central Bank decision in an administrative dispute case for which this Law establishes a competence of the Central Bank for rending a decision.
(6) Decision on withdrawing authorisations and approvals referred to in this Law shall not abrogate legal consequences the decision on grating authorisations or issuing approval has caused, but prevents further legal consequences of such decision.

Application of the Law on Business Organisations [Undertakings]

Article 14

Provisions of the law governing the legal status of business organisations [undertakings] shall apply to the credit institutions, unless otherwise stipulated by this Law.

Use of Gender Sensitive Language

Article 15

Expressions in this Law used for natural persons in the masculine gender shall include the same expressions in the feminine gender.

Meaning of Terms

Article 16

Terms used in this Law shall have the following meaning:
1) Institution means a credit institution or an investment firm;
2) Member State credit institution means a credit institution with head office in the European Union Member State;
3) Third-country credit institution means a credit institution with head office in a country not a member of the European Union, as well as an EU Member State credit institution until Montenegro joins the European Union;
4) Investment firm means a legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or performance of investment activities on professional basis;
5) Insurance undertaking means a direct life or non-life insurance undertaking which received authorisation of a regulatory body for pursuit of insurance activity in accordance with regulations governing insurance;
6) Reinsurance undertaking means an undertaking which received authorisation of a regulatory body for pursuit of reinsurance activity, in accordance with regulations governing insurance;
7) Management body means body or bodies of the credit institution, which are empowered to set the strategy, objectives and overall direction of the credit institution, and which oversees and monitors management decision-making, and include the persons who effectively direct the business of the credit institution, and in case of credit institutions in Montenegro those are the supervisory board and the management board;
8) Senior management means persons who exercise executive functions within a credit institution and who are responsible for the day-to-day management of the credit institution, and are accountable for that to the supervisory and management boards;

9) Systemic risk means a risk of disruption in the financial system, which could have serious negative consequences for the financial system and the real economy;
10) Model risk means the occurrence of loss a credit institution may incur as a consequence of decisions that could be principally based on the output of internal models and due to errors in the development, implementation or use of such models;
11) Credit risk mitigation means a technique used by a credit institution to reduce the credit risk associated with an exposure or exposures which that credit institution continues to hold;
12) Branch means an organisational part of the credit institution, without a legal person status, and which carries out all or some of transactions inherent in the business of the credit institution;
13) Representative office of the credit institution means subsidiary part of the credit institution pursuing only activities of market research, representation, advertising and providing information about the credit institution that has established it;
14) Ancillary services undertaking means a business undertaking the principal activity of which consists of owning or managing property, managing data-processing services, or a similar activity which is ancillary to the principal activity of one or more credit institutions;
15) Asset Management Company means an undertaking acquiring capital from various investors in order to invest it in accordance with a defined investment policy on behalf of such investors, including also its parts pursuing investments, or an alternative investment fund manager from the European Union Member States, including unless otherwise provided, entities from countries other than the European Union members which carry out same or similar activities, and which are subject to supervisory and regulatory requirements equivalent to those applied in the European Union;
16) Financial holding company means a financial institution, the subsidiary undertakings of which are exclusively or mainly institutions or financial institutions, whereby at least one of such undertakings is an institution, and which is not a mixed financial holding company;
17) Mixed financial holding company means a parent undertaking in a financial conglomerate, other than a credit institution, insurance undertaking or investment firm, which together with its subsidiary undertakings, at least one of which is a credit institution, insurance undertaking or investment firm, and other entities, constitutes a financial conglomerate;
18) Mixed-activity holding company means a parent undertaking, other than a financial holding company, an institution or a mixed financial holding company, the subsidiary undertakings of which include at least one an institution;
19) Financial institution means a legal person, other than an institution, the principal or predominant activity of which is to acquire holdings in capital or to pursue one or more principal financial services set forth by this Law, including a financial holding company, a mixed financial holding company, a payment system institution, an asset management company, but excluding insurance holding companies and mixed-activity insurance holding companies;
20) Parent credit institution means a credit institution with head office in a certain State which has a credit institution or a financial institution as a subsidiary undertaking, or which holds a significant holding in such a credit or financial institution, and which is not itself a subsidiary undertaking of another credit institution authorised in the same State, or of a financial holding company or mixed financial holding company set up in the that State;
21) EU parent credit institution means a parent credit institution in a Member State which is not a subsidiary undertaking of another credit institution authorised in any Member State, or of a financial holding company or mixed financial holding company set up in any Member State;
22) EU parent credit institution with head office in Montenegro means a parent credit institution with head office in Montenegro, which is not a subsidiary undertaking of another credit institution authorised in any Member State, or of a financial holding company or mixed financial holding company set up in any Member State;
23) Parent financial holding company means a financial holding company with head office in a certain State which is not itself a subsidiary undertaking of an institution authorised in the same State, or of a financial holding company or mixed financial holding company set up in that State;
24) EU parent financial holding company means a parent financial holding company in a Member State which is not a subsidiary undertaking of an institution authorised in any Member State or of another financial holding company or mixed financial holding company set up in any Member State, other than parent financial holding company in Montenegro;

25) EU parent financial holding company with head office in Montenegro means a parent financial holding company with head office in Montenegro, which is not a subsidiary undertaking of an institution authorised in any Member State, or of another financial holding company or mixed financial holding company set up in any Member State;
26) Parent mixed financial holding company means a mixed financial holding company with head office in a certain State which is not a subsidiary undertaking of an institution authorised in the same State, or of a financial holding company or mixed financial holding company set up in that State;
27) EU parent mixed financial holding company means a parent mixed financial holding company in a Member State which is not a subsidiary undertaking of an institution authorised in any Member State or of another financial holding company or mixed financial holding company set up in any Member State, other than parent mixed financial holding company in Montenegro;
28) EU parent mixed financial holding company with head office in Montenegro means a parent mixed financial holding company with head office in Montenegro, which is not a subsidiary undertaking of an institution authorised in any Member State, or of another financial holding company or mixed financial holding company set up in any Member State;
29) Systemically important credit institution means an EU parent credit institution, an EU parent financial holding company, an EU parent mixed financial holding company or a credit institution the disruption in operation or failure or termination of operation of which could lead to systemic risk;
30) Central counterparty means a legal person that interposes itself between the counterparties to the contracts traded on one or more financial markets, and becoming the buyer to every seller and the seller to every buyer;
31) Qualifying holding means a direct or indirect investment in a business undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking;
32) Significant holding means participation in capital of another business undertaking of 20% or more, or possibility to effectively exercise significant influence over the management or business policy of that undertaking;
33) Close links means a relationship in which two or more natural or legal persons are linked in any of the following ways:
– participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking,
– control relationship,
– a fact that both or all of the persons have permanent link to the same third person by a control relationship;
34) Competent authority means a public or other authority officially recognised by national law and empowered by national law to supervise credit institutions as part of the supervisory system in operation in that State, and in Montenegro the Central Bank is the competent authority;
35) Designated authority means an authority authorised to specify countercyclical capital buffer rate, structural systemic risk buffer rate, or buffer for global systemically important credit institutions and other systemically important credit institutions, and in Montenegro the Central Bank is the designated authority;
36) Consolidating supervisor means a competent authority responsible for the exercise of supervision on a consolidated basis of parent credit institutions and of credit institutions controlled by parent financial holding companies or parent mixed financial holding companies;
37) Authorisation means a license or any other legal document issued by competent authorities, by which the right to carry out the business activity is granted;
38) Member State means the European Union Member State and a State signatory to the Agreement on the European Economic Area;
39) Third country means a foreign State other than the Member State and the Member State until Montenegro joins the European Union;
40) Home State means the State in which a credit institution has been granted an authorisation;

41) Host Member State means the Member State other than the State in which a credit institution has been granted authorisation; and in which the credit institution has a branch or in which it provides services;
42) ESCB central banks means the central banks that are members of the European System of Central Banks (ESCB), and the European Central Bank (ECB);
43) Central banks means the ESCB central banks and the central banks of third countries;
44) Own funds means a sum of Tier 1 capital and Tier 2 capital of a credit institution;
45) Own funds instruments means capital instruments issued by the credit institutions and which meet requirements for Common Equity Tier 1 instruments, Additional Tier 1 instruments, or Tier 2 instruments;
46) Eligible capital means the sum of Tier 1 capital and Tier 2 capital that is maximum one third of Tier 1 capital of the credit institution;
47) Trading book means all positions in financial instruments and commodities held by a credit institution either with trading intent, or in order to hedge positions held for trading intent;
48) Regulated market means a multilateral system managed by a market operator, which provides conditions for bringing together of multiple third-party interests in concluding contracts on buying and selling financial instruments admitted to trading under rules of such system, and which is authorised and functions continuously in accordance with the regulations governing the capital market;
49) Discretionary pension benefits means enhanced pension benefits granted on a discretionary basis by a credit institution to an employee as part of that employee's variable remuneration package, which do not include accrued benefits granted by the credit institution to an employee under the terms of the company pension scheme;
50) Indirect acquisition means investment in capital or acquiring voting rights of a legal person via a third person (direct acquirer), in such manner that the indirect acquirer is a person:
    – for whose account another person (direct acquirer) has acquired shares, participating interest or other rights in the legal person,
    – which is linked with the direct acquirer in the manner referred to in Article 22 of this Law, as well as immediate family members of such person, or
    – who is an immediate family member of the direct acquirer;
51) Group of credit institution means a group which consists of a credit institution, investment firm and financial institution, of which at least one member holds a position of:
    – parent credit institution,
    – credit institution which is linked with another credit or financial institution (another legal person from the group) through joint directorship in accordance with Article 11 paragraph 1 item 1 or 3 of this Law,
    – parent financial holding company where at least one subsidiary undertaking is a credit institution, or
    – parent mixed financial holding company where at least one subsidiary undertaking is a credit institution;
52) Capital conservation buffer means the own funds that a credit institution is required to maintain in accordance with Article 138 of this Law;
53) Credit institution-specific countercyclical capital buffer means the own fund that a credit institution is required to maintain in accordance with Article 139 of this Law;
54) Structural systemic risk buffer means the own funds that a credit institution is or may be required to maintain in accordance with Article 152 of this Law;
55) G-SI credit institution buffer means the own funds that a G-SI credit institution is required to maintain in accordance with Article 160 paragraph 1 of this Law;
56) O-SI credit institution buffer means the own funds that O-SI credit institution is required to maintain in accordance with Article 163 of this Law;
57) Combined buffer requirement means the Common Equity Tier 1 capital required to meet the requirement for the capital conservation buffer extended by the following buffers, as applicable:
    – a countercyclical capital buffer,
    – a G-SI credit institution buffer,

– an O-SI credit institution buffer,
– structural system risk buffer;

58) Distribution means payout of dividends or interests in any form.

II ESTABLISHING A CREDIT INSTITUTION

1. Initial Capital and Shares of a Credit Institution

Founders of a Credit Institution

Article 17

(1) A credit intuition may be established as a joint stock company.
(2) National and foreign legal and/or natural persons may establish a credit institution.

Initial Capital

Article 18

(1) Initial capital of a credit institution may not be less than 7,500,000 euro.
(2) The initial capital of a credit institution referred to in paragraph 1 of this Article shall be comprised of:
1) capital instruments, meeting requirements from the regulation referred to in Article 134 paragraph 9 of this Law governing the capital adequacy of credit institutions;
2) share premium accounts pertaining to instruments referred to in item 1 of this paragraph;
3) retained earnings;
4) accumulated other comprehensive income;
5) other reserves.

Shares of a Credit Institution

Article 19

(1) For the credit institution being established, shareholders capital in the amount of the initial capital referred to in Article 18 paragraph 1 of this Law must be paid fully in monetary assets before registration in the Central Registry of Business Entities.
(2) Provision of paragraph 1 of this Article, shall not apply to the credit institution being established due to implementation of restructuring by merger resulting in establishment of a new credit institution or division of a credit institution.
(3) Shareholders of the credit institution shall act in interest of the credit institution when exercising shareholders rights.
(4) If the shares of the credit institution are kept in a custody account, such account must be in the name.

Credits and Sureties for Acquiring Shares or Interests and Other Instruments of Own Funds

Article 20

(1) A credit institution shall not, directly or indirectly, lend for acquisition or issue guarantees or other sureties for acquisition of shares, or shares or participating interest in an undertaking where it holds 20% or more interest in capital, unless such acquisition of shares or participating interests would remove link in capital of the credit institution with such undertakings.
(2) Lending referred to in paragraph 1 of this Article shall also include any other legal transaction equal to a credit in terms of its economic substance.
(3) The credit institution shall not, directly or indirectly, lend for acquisition or issue guarantees or other sureties for acquisition of other financial instruments issued by it or issued by an undertaking

where it holds 20% or more interest in capital, and which is included in calculation of the own funds of such credit institution.

Preferred Shares of a Credit Institution

Article 21

Total amount of the shareholders capital pertaining to the preferred shares shall not exceed one quarter of the amount of the shareholders capital of the credit institution.

Limitation for Mutual Participation

Article 22

(1) If a credit institution has a qualifying holding in another legal person, such legal person shall not acquire qualifying holding in such credit institution.
(2) If a legal person has a qualifying holding in a credit institution, such credit institution shall not acquire qualifying holding in such legal person.
(3) Limitation referred to in paragraph 2 of this Article shall not refer to when a credit institution acquires qualifying holding in a legal person with intent to settle receivables under a debt restructure, or enforcement procedure.
(4) In the event referred to in paragraph 3 of this Article, the credit institution shall, within six months of acquiring the qualifying holding, reduce such holding to the level that does not constitute a qualifying holding.

2. Shareholders of a Credit Institution

Acquiring Qualifying Holding

Article 23

(1) Legal or natural person or persons acting in concert, intending to acquire directly or indirectly, shares of the credit institution, based on which individually or jointly, directly or indirectly acquire the qualifying holding in the credit institution (hereinafter: the proposed acquirer) shall submit a request to the Central Bank for an authorisation to be issued.
(2) Legal or natural person and persons acting in concert that obtained the authorisation of the Central Bank referred to in paragraph 1 of this Article to acquire a qualifying holding in a credit institution may acquire qualifying holding up to the level set up in the authorisation.
(3) A person having a qualifying holding in a credit institution shall not increase, directly or indirectly, level of qualifying holding which would be equal to or exceed 20%, 33%, or 50% of holding in capital or voting rights held in such credit institution without prior authorisation of the Central Bank.
(4) Notwithstanding paragraphs 1 and 3 of this Article, final acquirer of the qualifying holding may submit an application for issuing authorisation for acquiring qualifying holding in the credit institution on behalf of a person who is not a direct proposed acquirer of the qualifying holding or proposed final acquirer of the qualifying holding.
(5) A person issued with the authorisation shall acquire qualifying holding in the credit institution within 12 months as of the day a decision on authorisation for acquiring qualifying holding is issued and notify the Central Bank thereof.
(6) If the person issued with the authorisation fails to acquire the qualifying holding within the deadline referred to in paragraph 5 of this Article, it may submit a reasoned request to the Central Bank for extension of such deadline, no later than 15 days before the lapse of such deadline.
(7) The deadline referred to in paragraph 5 of this Article may be extended for no longer than six months.
(8) Provisions of the law governing the capital markets shall apply on determining the percentage of the qualifying holding in a credit institution.

(9) Voting rights or shares which a credit institution acquired as a result of providing investment services for offering or selling financial instruments on a firm commitment basis shall not be taken into account when determining the percentage of qualifying holding, provided that those rights are not used to exercise influence in the management of the issuers and that such shares are not held for a period exceeding one year for the day of the acquisition.

Special Cases of Acquiring of or Increase in Qualifying Holding

Article 24

(1) Shareholders of the credit institution where after the acquisition of shares of the credit institution a joint concert is created resulting in such persons becoming acquirers of capital held or voting rights in the credit institution that is equal to or exceeds 10%, 20%, 33%, or 50%, shall submit an application for issuing authorisation for acquiring qualifying holding within 30 days as of the acquisition.
(2) If a person individually or any of the persons acting in concert acquire or increase a qualifying holding by inheritance, gift or in case without knowing, could have not known or could have not influenced the fact that will acquire or exceed the qualifying holding, they shall submit an application for such acquisition within 30 days as of the day they have discovered or had to have known of acquisition.
(3) If holding of a person or persons acting in concert is increased, due to the reduction of Tier 1 capital of the credit institution or other reasons that they could not influence, in such a manner as it is equal to or exceeds 10%, 20%, 33%, or 50% of capital held or voting rights in the credit institution, they shall submit an application for acquiring shares in capital or voting rights within 30 days as of the day they have discovered or had to have known of their holding being increased as a result of action of the credit institution.
(4) Provisions of this Law governing the acquisition of qualifying holding shall apply to acquirers of the qualifying holding referred to in paragraphs 1, 2 and 3 of this Article.
(5) Notwithstanding Article 23 paragraph 2 of this Law and paragraph 1 of this Article, persons for which requirements referred to in Article 12 paragraph 2 of this Law have been met and which deem that no acting in concert is in place, shall submit an application to the Central Bank for determining that there is no acting in concert.
(6) If the Central Bank determines, based on the application referred to in paragraph 5 of this Article that persons referred to in Article 12 paragraph 2 of this Law are not acting in concert, such persons shall not be obliged to submit an application for acquiring the qualifying holding.
(7) If the Central Bank determines by way of its decision, based on the application referred to in paragraph 5 of this Article, that there is acting in concert:
1) persons referred to in Article 23 paragraph 2 of this Law acting in concert shall submit an application for issuing an authorisation for acquisition of qualifying holding before acquiring the qualifying holding;
2) persons referred to in paragraph 1 of this Article acting in concert shall submit an application for issuing an authorisation for acquisition of qualifying holding within 30 days as of the day of receiving the decision that the acting in concert exists.
(8) Persons that fail to submit the application referred to in paragraphs 1, 2, 3, and 7 of this Article within the stipulated deadline, shall be subject to provisions of Articles 33 and 34 of this Law.

Documents Accompanying the Application for Acquiring a Qualifying Holding

Article 25

The documentation on meeting requirements for acquiring a qualifying holding, referred to in Article 31 paragraph 5 of this Law, shall accompany the application for issuing authorisation for acquiring a qualifying holding in a credit institution.

Data Verification

Article 26

(1) In order to obtain information needed for rendering a decision upon application for issuing authorisation for acquiring a qualifying holding, the Central Bank may verify data provided by the applicant for acquiring a qualifying holding.
(2) The Central Bank shall have the powers to obtain data on misdemeanour and penal convictions of the proposed acquirer, as well as on criminal and misdemeanour proceedings that may be pending against such person from the relevant records, accompanied with a reasoned request.
(3) The Central Bank may also obtain data referred to in paragraph 2 of this Article from the European Criminal Records Information System.
(4) In the process of rendering a decision upon application for issuing authorisation referred to in paragraph 1 of this Article, the Central Bank shall, where possible, verify data on imposed penalties to the proposed acquirer from the European Banking Authority records.

Procedure for Rendering a Decision upon Application for Issuing Authorisation for Acquiring Qualifying Holding

Article 27

(1) The Central Bank shall, within two working days following the receipt of the application for issuing authorisation for acquiring or increasing a qualifying holding, issue to the applicant an acknowledgment on receipt of the application in writing.
(2) The acknowledgment referred to in paragraph 1 of this Article shall state that the application for issuing authorisation is duly submitted.
(3) When issuing the acknowledgment on receipt of dully submitted application, the Central Bank shall inform the applicant of the date of the expiry of the period for rendering a decision upon application for issuing authorisation.
(4) If the application referred to in paragraph 1 of this Article is not complete, the Central Bank shall invite the applicant to complete the application within an appropriate deadline.
(5) The Central Bank shall, within two working days following the day of the receipt of the supplemented application, issue an acknowledgment on receipt of the dully submitted application in writing and inform the applicant of the date of the expiry of the period for rendering a decision upon application for issuing authorisation.
(6) The dully submitted application referred to in paragraph 1 of this Article, shall be deemed to be an application accompanied with documentation referred to in Article 31 paragraph 5 of this Law.
(7) Exceptionally, if the Central Bank established, following a detailed analysis, shortcomings in the documentation making the application not be dully submitted after issuing the acknowledgment on receipt of dully submitted application, it may refuse the application referred to in paragraph 1 of this Article within the deadline referred to in paragraph 8 of this Article.
(8) The Central Bank shall carry out the procedure of rendering a decision upon application for issuing authorisation for acquiring qualifying holding (hereinafter: the assessment procedure) within 60 working days of the day of the dully submitted application.
(9) The Central Bank shall send the decision to the applicant within two working days, as of the day of rendering a decision upon application for approving acquiring or increasing the qualifying holding, and all within the deadline referred to in paragraph 5 of this Article.
(10) Upon a request of the applicant for issuing an authorisation for acquisition or increase of the qualifying holding, which application for acquisition or increase of the qualifying holding was refused, the Central Bank shall publish an appropriate statement and state reasons for refusal.
(11) If the Central Bank fails to render a decision on the application referred to in paragraph 1 of this Article within the deadline referred to in paragraph 5 of this Article, it shall be deemed that it has issued the authorisation for acquisition or increase of the qualifying holding.
(12) If the Central Bank has received two or more applications for acquisition of the qualifying holdings in the same credit institution, all proposed acquirers shall be treated in a non-discriminatory manner.

Additional Requirements during Assessment Procedure upon Application for Issuing Authorisation for Acquiring Qualifying Holding

Article 28

(1) During the assessment procedure, within 50 working days as of the day the application for acquiring qualifying holding was submitted, the Central Bank may request in writing for the applicant to submit additional documentation that the Central Bank deem are necessary to render a decision upon application for issuing authorisation, including also information related to the area of prevention of money laundering and terrorist financing.

(2) The applicant for acquiring qualifying holding shall submit the requested documentation within the deadline set by the Central Bank and which shall not exceed 20 working days as of the day of receiving the application referred to in paragraph 1 of this Article, during which the period referred to in Article 27 paragraph 8 of this Law shall be suspended.

(3) The Central Bank may request further completion or clarification of submitted documentation and information referred to in paragraph 1 of this Article, whereby such request shall not result in extension of the deadline referred to in Article 27 paragraph 8 of this Law.

(4) The Central Bank shall issue an acknowledgment in writing on the receipt of the documentation referred to in paragraph 1 of this Article.

(5) Notwithstanding paragraph 2 of this Article, the Central Bank may set the deadline of 30 working days as of the day of receiving the application referred to in paragraph 1 of this Article, if the proposed acquirer for the qualifying holding:

1) has a head office or habitual residence in a third country;

2) is not a subject of supervision in accordance with provisions of this Law, the law governing the capital markets, the law governing the insurance business and the law governing open-ended investment funds through a public offering; or

3) is not a subject of supervision in accordance with regulations of another Member State governing the operation of credit institutions, capital markets, insurance, and open-ended investment funds through a public offering.

Cooperation with other Competent Authorities in Montenegro

Article 29

(1) When the proposed acquirer of a qualifying holding in a credit institution is an insurance or reinsurance undertaking, an investment firm, a pension fund or a management company for undertaking for collective investment in transferable securities (hereinafter: the UCITS management company) with a head office in Montenegro, the Central Bank shall submit a request for issuing an opinion to the authority competent for oversight of the proposed acquirer, before rendering a decision upon application for issuing authorisation for acquiring the qualifying holding.

(2) In the event referred to in paragraph 1 of this Article, the Central Bank shall state the opinion of the oversight authorities in the reasoned statement for the decision on issuing the authorisation.

Cooperation with Competent Authorities outside Montenegro

Article 30

(1) The Central Bank shall obtain opinion from a competent authority of another Member State, before rendering a decision upon application for issuing authorisation for acquiring the qualifying holding in a credit institution, if the proposed acquirer is:

1) a credit institution, an insurance and reinsurance undertaking, investment firm, or a UCITS management company authorised in another Member State or another competent authority is in charge for the applicant;

2) the parent undertaking of a credit institution, insurance and reinsurance undertaking, investment firm, or UCITS management company authorised in another Member State or another competent authority is in charge for the applicant;

3) natural or legal person controlling the credit institution, insurance and reinsurance undertaking, investment firm, or UCITS management company, authorised in another Member State or another competent authority is in charge for the applicant.

(2) In the event referred to in paragraph 1 of this Article, the Central Bank shall state the opinion of other competent authorities in the reasoned statement for the decision on issuing the authorisation.

Rendering a Decision upon Application for Issuing Authorisation for Acquiring Qualifying Holding

Article 31

(1) In rendering a decision upon application for issuing authorisation for acquiring qualifying holding the Central Banks shall assess whether requirements of suitability of the proposed acquirer and financial soundness of the proposed acquisition were met in accordance with:

1) the reputation of the applicant, whereby reputation of all its shareholders is assessed, as well as of indirect acquirers of the qualifying holding and their influence on the applicant;

2) the reputation, expert knowledge, skills and experience of persons to be proposed for members of the supervisory and management boards of the credit institution;

3) expert knowledge, skills and experience required to perform executive functions for each member of senior management who will direct the business of the credit institution;

4) the financial soundness of the proposed acquirer, whereby financial soundness of its shareholders is assessed, as well as of indirect acquirers of the qualifying holding and their financial impact on the proposed acquirer, in particular in relation to the type of business pursued in the credit institution in which the qualifying holding is being acquired;

5) whether the credit institution after the acquisition will continue to comply with the provisions of this Law and other regulations governing operation of credit institutions, regulations governing operations of financial conglomerates and regulations governing the business of electronic money institutions, as well as the possibility to exercise effective supervision, effectively exchange information among the competent supervision authorities and division of responsibilities among the competent authorities for oversight in case the credit institution becomes a member of the group; and

6) whether there are reasonable grounds to suspect that, in connection with the subject acquisition, in accordance with regulations governing the prevention of money laundering and terrorist financing, money laundering or terrorist financing is being committed or attempted, or that the subject acquisition could increase the risk thereof of money laundering or terrorist financing taking place.

(2) The Central Bank shall neither impose any prior conditions in respect of the level of holding that must be acquired by the proposed acquirer nor examine the grounds for application for issuing authorisation for acquiring the qualifying holding in terms of the economic needs of the market.

(3) If the indirect acquirer of a qualifying holding submits an application for direct acquisition of the qualifying holding, the Central Bank may assess only changes relative to the previous assessment, which took place at acquisition of the indirect holding, when assessing suitability and financial soundness of such person.

(4) If the suitability and financial soundness was assessed earlier for some of the persons acting in concert, the Central Bank may assess for such person only changes relative to the previous assessment of suitability and financial soundness which took place at acquisition of the qualifying holding.

(5) The Central Bank shall regulate the detailed criteria for assessing suitability and financial soundness of the proposed acquirer, circumstances used to assess existence of the significant influence, the manner of determining the level of indirect holding of a proposed acquirer, the manner of submitting application for issuing authorisation for acquiring qualifying holding and documentation to accompany the application for issuing authorisation for acquiring qualifying holding.

Refusing an Application for Issuing Authorisation for Acquiring Qualifying Holding

Article 32

The Central Bank shall refuse issuing the authorisation for acquiring qualifying holding if it deems that the requirements of suitability of the proposed acquirer or financial soundness of the proposed acquisition fail to meet the criteria referred to in Article 31 of this Law.

Legal Consequences of Acquiring Qualifying Holding without the Central Bank Authorisation

Article 33

(1) If a person acquires directly a qualifying holding in a credit institution without an authorisation of the Central Bank, the Central Bank shall order sale of shares acquired without the authorisation by way of its decision, including the obligation to provide evidence on the sale with data on buyer, if available.
(2) If persons acting in concert acquire directly a qualifying holding in a credit institution without an authorisation of the Central Bank, regardless of the percentage each of them holds in the credit institution separately and whether such individual holding represents a qualifying holding, the Central Bank shall order sale of shares acquired without the authorisation by way of its decision, up to the level that jointly does not exceed qualifying holding for which a relevant authorisation of the Central Bank exists, including the obligation to provide evidence on the sale with data on buyer, if available.
(3) In the process of rendering decisions referred to in paragraphs 1 and 2 of this Article, the Central Bank shall require statement from each person that acquired the qualifying holding, as well as submission of evidence on executed sale with data on a buyer, if known.
(4) Persons referred to in paragraph 2 of this Article acting in concert may propose individual levels of shares to be sold, which do not have to correspond to a proportionate total number of their shares.
(5) The Central Bank shall order a sale of shares by way of a decision referred to in paragraph 2 of this Article to any person who acquired the qualifying holding individually, in the level that corresponds to a proportionate total number of their shares they hold jointly.
(6) Notwithstanding paragraph 5 of this Article, if persons who acquired the qualifying holding submit a proposal referred to in paragraph 4 of this Article, the Central Bank may order a sale of shares to each person who has acquired the qualifying holding individually, in the level which does not have to correspond to a proportionate total number of their shares.
(7) The Central Bank shall set deadline for the sale in the decision referred to in paragraphs 1 and 2 of this Article, which cannot be less than three months or exceed nine months as of the day the decision was adopted.
(8) The Central Bank shall prepare a public statement and publish it on its website about decisions referred to in paragraphs 1 and 2 of this Article.
(9) The decision referred to in paragraphs 1 and 2 of this Article shall be submitted forthwith to persons referred to in paragraphs 1 and 2 of this Article, the credit institution and the Central Securities Depository and Clearing Company of Montenegro.

Legal Consequences of Adopting a Decision on Sale of Shares

Article 34

(1) As of the day the decision referred to in Article 33 paragraphs 1 and 2 of this Article is delivered, the person that acquired the qualifying holding shall be prohibited to exercise any rights attached to the shares for which the sale was ordered, while quorum for valid decisions and required majority for making decisions at the general shareholders assembly shall be calculated with respect to share capital less number of shares based on which a person that acquired the qualifying holding cannot exercise the voting rights.
(2) The credit institution shall:
1) ensure that a person who acquired the qualifying holding referred to in Article 33 paragraphs 1 and 2 of this Law does not exercise rights attached to shares for which the sale was ordered;

2) report monthly to the Central Bank on all changes of shareholders from receipt of the decisions referred to in Article 33 paragraphs 1 and 2 of this Law until deadlines imposed for sale of share have lapsed; and

3) The enacting terms of the decisions referred to in Article 33 paragraphs 1 and 2 of this Law shall also include a statement that the person who acquired the qualifying holding may not exercise rights attached to shares for which a sale was ordered and that the enacting terms of such decision shall be publicly disclosed.

(3) If natural and legal person or persons acting in concert acquire indirectly the qualifying holding in the credit institution without the Central Bank authorisation, the Central Bank shall order by way of its decision for such acquired indirect qualifying holding in the credit institution to be reduced within the deadline referred to in Article 33 paragraph 7 of this Law.

(4) Exercising of property-based rights attached to shares referred to paragraph 1 of this Article shall be suspended until their legal acquisition by another person.

Person Authorised to Vote

Article 35

(1) Notwithstanding Article 34 paragraph 1 of this Law, if the person who acquired the qualifying holding without the Central Bank authorisation after reduced quorum for valid deciding has had a majority needed for taking a decision on the general shareholders assembly, the Central Bank may nominate by way of a decision a person who will exercise all management rights attached to such shares (hereinafter: the person authorised to vote) until the day the shares for which sale was ordered are sold.

(2) The person authorised to vote at the general shareholders assembly shall vote in accordance with the Central Bank instructions.

Withdrawal of an Authorisation for Acquiring Qualifying Holding

Article 36

(1) The Central Bank shall withdraw issued authorisation for acquiring qualifying holding if:

1) the authorisation was issued based on false and incorrect data of a person who has acquired the qualifying holding;

2) criteria referred to in Article 31 paragraph 1 of this Law pertaining to suitability of the acquirer of qualifying holding and financial soundness of the proposed acquisition are no longer fulfilled;

3) person who has acquired the qualifying holding uses its influence in a manner contrary to sound and prudential management of the credit institution or fails to act conscientiously and with diligence of a prudent businessperson; or

4) person who has acquired the qualifying holding fails to meet its obligation from this Law pertaining to consolidated supervision or fails to act in accordance with decision of the Central Bank or authority of the other Member State in charge for consolidated supervision ordering to such person to correct identified irregularities.

(2) Provisions of Article 34 of this Law shall apply to a person to whom the authorisation for acquiring qualifying holding was withdrawn in accordance with paragraph 1 of this Article.

Temporary Ban to Exercise the Voting Rights of Persons with Qualifying Holding

Article 37

(1) The Central Bank may, by way of a decision, temporarily ban the exercise of voting rights in the general shareholders assembly to a person with qualifying holding if there is a possibility for such person to use its influence in a manner contrary to sound and prudential management of the credit institution or that will not act with diligence of a prudent businessperson.

(2) The temporary ban referred to in paragraph 1 of this Article may not last for more than 12 months.

(3) The Central Bank shall submit without delay the decision referred to in paragraph 1 of this Article to the person referred to in paragraph 1 of this Article and to the credit institution.
(4) The Central Bank shall publish the notification on temporary ban referred to in paragraph 1 of this Article on its website.
(5) From the day the decision referred to in paragraph 1 of this Article was delivered, the person with qualifying holding may not exercise the voting rights attached to shares exceeding the level for which no authorisation of the Central Bank is required, while the quorum for valid decisions and required majority for making decisions at the general shareholders assembly shall be calculated with respect to share capital less number of shares based on which a person with qualifying holding may not exercise the voting rights.
(6) The credit institution shall ensure that the person with qualifying holding referred to in paragraph 1 of this Article does not exercise voting rights attached to shares for which a temporary ban for exercising voting rights was introduced.
(7) If even after the reduction of quorum for valid decisions, the person with qualifying holding with a temporary ban for exercising voting rights would have majority required for making decisions at the general shareholders assembly, Article 35 of this Law shall apply.

Changes in the Qualifying Holding Level

Article 38

(1) If a person who received an authorisation to acquire qualifying holding has taken a decision to sell or otherwise dispose of its shares, whereby its holding would fall below the level for which the authorisation was issued, it shall notify in advance the Central Bank thereof.
(2) Person who received the authorisation referred to in paragraph 1 of this Article, and who has sold or otherwise disposed of its shares, whereby its holding fell below the level for which authorisation was issued, shall submit an application to the Central Bank for issuing authorisation for acquiring qualifying holding in the event that it intends to reacquire qualifying holding in the level for which the authorisation was issued after the lapse of 12 months following the day the decision on issuing the authorisation was issued.
(3) Legal person with qualifying holding in the credit institution shall notify the Central Bank on participation in the acquisition, merger, or division of the undertaking and on any other status change, within eight days following the day the status change has occurred.

Expiry of Authorisation for Acquiring Qualifying Holding

Article 39

(1) If the person issued with authorisation to acquire qualifying holding fails to acquire shares of the credit institution within the deadline referred to in Article 23 paragraphs 5 and 7 of this Law, based on which it shall reach at least 10% of holding in capital or voting rights of the credit institution or if fails to exercise significant influence, the authorisation shall entirely expire.
(2) If the person who acquired a qualifying holding within the deadline referred to in Article 23 paragraphs 5 and 7 of this Law acquires at least 10% of holding in capital or voting rights of the credit institution, but fails to acquire the full holding covered by the issued authorisation, the authorisation shall be valid only up to the percentage referred to in Article 23 paragraph 3 of this Law which the person with qualifying holding has acquired, while the remaining part of the authorisation shall expire.
(3) If the person who acquired a qualifying holding within the deadline referred to in Article 38 paragraph 2 of this Law reduced holding below the level for which the authorisation was issued, the part of the authorisation not exceeding the percentage referred to in Article 23 paragraph 3 of this Law which the person with qualifying holding has on the day of lapse of such deadline shall be valid.
(4) If the person who acquired a qualifying holding after the deadline referred to in Article 23 paragraphs 5 and 7 of this Law reduced holding below the level for which the authorisation was

issued, the part of the authorisation not exceeding the percentage referred to in Article 23 paragraph 3 of this Law which the person with qualifying holding has acquired shall be valid.

3. Managing the Credit Institution

Bodies of the Credit Institution

Article 40

The bodies of the credit institution shall be:

1) general shareholders assembly;
2) supervisory board; and
3) management board

General Shareholders Assembly

Article 41

The general shareholders assembly of the credit institution shall:

1) adopt and amend and supplement articles of association of the credit institution;
2) adopt annual financial statements and reports on operations of the undertaking and report of the independent external auditor;
3) elect and recall members of the supervisory board of the credit institution;
4) adopt and implement an adequate nomination policy and assessment of meeting conditions, which the members of the supervisory board must fulfil individually and jointly;
5) decide on remuneration for members of the supervisory board and give consent to the remuneration policy of the credit institution, if so is set by the articles of association of the credit institution;
6) decide on disposal of property of the undertaking, in accordance with the articles of association;
7) decide on distribution of profit;
8) decide on increase and decrease of capital of the credit institution, including deciding on issuing of transferable bonds;
9) decide on restructuring and ceasing of operation of the credit institution;
10) decide on other matters set by the articles of association of the credit institution, in accordance with law.

Management Bodies

Article 42

(1) Management bodies of the credit institution shall be the supervisory board, which performs an oversight function over the operation of the credit institution, and the management board, which performs an executive function and is accountable for managing the credit institution on day-to-day basis and for its representation.
(2) Members of the supervisory board must jointly have knowledge, skills and experience required for independent and autonomous oversight of operations of the credit institution, in particular for understating tasks and significant risks of the credit institution.
(3) Members of the management board must jointly have knowledge, skills and experience required for independent and autonomous management of operations of the credit institution, in particular for understating tasks and significant risks of the credit institution.
(4) The credit institution shall, without any delay and not later than within three working days, notify the Central Bank on termination of term of office a member of supervisory board or management board, as well as to state the reasons for termination of the term of office.
(5) The Central Bank shall collect the information publicly disclosed by credit institutions in accordance with the regulation referred to in Article 237 paragraph 3 of this Law pertaining to the policies on diversity with regard to selection of members of the supervisory and management boards, objectives set by such policies, as well level of reaching the objectives, and shall use such

data to benchmark trends and practices of credit institutions concerning diversity of the supervisory and management boards.

(6) The Central Bank shall provide the European Banking Authority with information referred to in paragraph 5 of this Article.

Members of the Supervisory Board

Article 43

(1) Member of the supervisory board of a credit institution may only be a person:

1) who is of a good repute;

2) who may act in the credit institution with honour and integrity and act based on independence of mind, or ability to independently create and make clear objective and independent positions in performing duties from within his powers, including also to challenge decision of the management board where necessary;

3) who possesses relevant expert knowledge, skills and experience required to perform business of the credit institution, and together with other members of the supervisory board fulfils requirements referred to in Article 42 paragraph 2 of this Law;

4) who may commit sufficient time to perform duties from within its powers; and

5) who meets requirements for a member of the supervisory board referred to in the law governing the operation of business undertakings.

(2) The supervisory board of the credit institution that is significant in terms of its size, internal organisation and the nature, scale and complexity of activities it performs, as well as the supervisory board of the credit institution having securities admitted for trading at regulated market in accordance with the law governing the capital markets, must have sufficient number of independent members.

(3) The supervisory board of the credit institution that is not significant within the meaning of paragraph 2 of this Article, must have at least one independent member, except in cases when the credit institution is a subsidiary undertaking of:

1) another credit institution in Montenegro; or

2) the Member State credit institution.

(4) Employees of the credit institution may not be members of the supervisory board of such credit institution.

(5) Member of the supervisory board shall be appointed to a period set by articles of association, which may not exceed four years, whereby a member whose term of office has lapsed may be reappointed.

(6) The Central Bank regulation shall govern in more details:

1) requirements referred to in paragraph 1 of this Article for the membership in the supervisory board of the credit institution;

2) criteria for determining independence of members of the supervisory board;

3) content of the policy referred to in Article 41 paragraph 5 of this Law;

4) timing for assessing if requirements for members of a supervisory board of a credit institution are met;

5) criteria for determining the significance of credit institutions within the meaning of paragraph 3 of this Article; and

6) procedure for issuing approval and documentation accompanying application for issuing an approval for appointing a member of the supervisory board.

Prior Approval for Performing Functions of the Supervisory Board Member

Article 44

(1) Only person who has obtained a prior approval of the Central Bank to perform function of the supervisory board member may be selected as a member of the supervisory board of the credit institution.

(2) The credit institution or the founder shall submit the application for issuing approval referred to in paragraph 1 of this Article for the term of office that may not exceed four years.

(3) The application referred to in paragraph 2 of this Article shall be accompanied with evidence on fulfilling requirements referred to in Article 43 paragraph 1 of this Law and with the proposal of the decision, or decision with suspensory effect, on nominating candidate for a member of the supervisory board.
(4) In the procedure of rendering a decision on issuing the approval, the Central Bank shall issue the approval referred to in paragraph 1 of this Article for a period of the proposed term of office, which exceptionally could be shorter.
(5) The Central Bank shall render a decision on the approval referred to in paragraph 1 of this Article based on documentation referred to in paragraph 3 of this Article, as well as other data and information having available or obtaining them during the course of rendering a decision.
(6) The Central Bank shall have the powers to obtain data on misdemeanour and penal convictions of the candidates for members of the supervisory board, as well as on criminal and misdemeanour proceedings potentially pending against such person from the relevant records.
(7) In the process of rendering a decision upon a request for issuing the approval referred to in paragraph 1 of this Article, the Central Bank:
1) may obtain data from the European Criminal Records Information System;
2) shall verify data on imposed sanctions to a candidate for the members of the supervisory board in the records of the European Banking Authority, where applicable.
(8) The Central Bank shall refuse an application for issuing an approval for performing function of the supervisory board member of the credit institution, if:
1) a candidate for member of the supervisory board fails to fulfil one or more requirements referred to in Article 43 paragraph 1 of this Law;
2) appointment of the proposed candidate for member of the supervisory board would lead to noncompliance with requirements referred to in Article 43 paragraphs 2 and 3 of this Law;
3) there is impediment for appointment referred to in Article 43 paragraph 4 of this Law.
(9) The approval referred to in paragraph 1 of this Article shall be valid only for performing a function in the credit institution for which it refers.
(10) The credit institution shall submit the application for issuing the approval referred to in paragraph 2 of this Article no later than three months before expiry of the term of office of an individual member of the supervisory board, and in the event termination of function of a certain member of the supervisory board before the expiry of the term of office within 30 days as of lapse of the term of office.

Withdrawal of Approval for Performing Functions of the Supervisory Board Member

Article 45

(1) The Central Bank shall withdraw issued approval for performing a function of the supervisory board member in the credit institution if:
1) member of the supervisory board no longer fulfils stipulated conditions for membership in the supervisory board of the credit institution;
2) approval was issued based on false or inaccurate documentation or false presented data of relevance for performing the function of the supervisory board member;
3) member of the supervisory board is in breach of provisions on duties and responsibilities of the supervisory board referred to in Article 46 of this Law;
4) person for whom the approval was issued fails to commence with term of office for which the approval refers to within six months as of the approval was issued;
5) term of office of a member of the supervisory board for which the approval was issued is terminated and so as of the day of termination of the office.
(2) The Central Bank may withdraw an approval for performing the function of the supervisory board member in the credit institution if requirements for an early intervention occur in accordance with Article 288 of this Law.
(3) In the event of the procedure referred to in paragraphs 1 and 2 of this Article, the member of the supervisory board shall provide to the Central Bank all available data and information for verification of facts and circumstances referred to in paragraphs 1 and 2 of this Article.

(4) If the Central Bank withdraws approval for a member of the supervisory board to discharge his powers, the general shareholder assembly of the credit institution shall adopt a decision on removing such person and to submit to the Central Bank, without delay, a new application for obtaining the approval referred to in Article 44 of this Law.

Powers and Responsibilities of the Supervisory Board

Article 46

(1) The supervisory board shall:

1) issue consent to the management board for:
   - objectives and general strategy of the credit institution,
   - business policy of the credit institution,
   - financial plan of the credit institution,
   - strategies and procedures assessing the internal capital adequacy of the credit institution,
   - policies and procedures for selection and assessment whether conditions for members of the management board and other persons responsible for managing activities within specific areas of operation of the credit institution are fulfilled,
   - remuneration policy in the credit institution, unless the articles of association govern that such consent is issued by the general shareholders assembly,
   - legal act on internal audit and annual work plan of the internal audit;
2) oversee:
   - procedure for implementing and efficiency and effectiveness of the credit institution governance arrangements,
   - implementation of business policy of the credit institution, strategic objectives and risk taking strategy and policy,
   - implementation of the remuneration policy in the credit institution,
   - disclosure and communication process,
   - adequacy of procedures and efficiency of internal audit;
3) propose an external auditor;
4) adopt annual plan of the internal audit and internal audit reports;
5) adopt and periodically check general principles of the remuneration policy in the credit institution;
6) convene meetings of the general shareholders assembly, adopt proposal of the agenda and proposal of decisions for the general shareholders assembly and control their execution;
7) select and remove chairperson of the supervisory board;
8) appoint and remove members of the management board including the chairperson of the management board;
9) appoint and remove members of the audit committee;
10) consider annual report on work of the audit committee;
11) appoint and remove members of the remuneration committee, risk committee, nomination committee and other committees established in order to provide professional assistance in performance of the oversight over the credit institution operations;
12) consider and take position on findings from the Central Bank reports and reports of other supervisory authorities on performed examination, within 30 days as of the day of report on examination being submitted;
13) perform other tasks set by law, regulations adopted pursuant to this Law and articles of association of the credit institution.

(2) Meetings of the board shall be held as needed and at least once in three months.

(3) Member of the supervisory board shall notify forthwith the Central Bank of:

1) his appointment or termination of the function in management bodies in another legal person; and
2) legal transactions that enabled to that member of the supervisory board or some of his immediate family members to directly or indirectly acquire shares in a legal person, based on which he has

independently or jointly with his immediate family members acquired a qualifying holding in such other legal person or based on which their holding fell below the qualifying holding limit.

Working Bodies of the Supervisory Board

Article 47

(1) The supervisory board of the credit institution that is significant in terms of its size, internal organisation and the nature, scale and complexity of activities it performs, shall establish the following standing working bodies:
   1) Nomination committee;
   2) Risk committee; and
   3) Remuneration committee.

(2) Members of the committees referred to in paragraph 1 of this Article shall be appointed from within the ranks of members of the supervisory board of the credit institution.

(3) The committees referred to in paragraph 1 of this Article shall have each three members, of which one is appointed as the chairperson of the committee.

(4) For the credit institution which is not significant within the meaning of paragraph 1 of this Article, and which does not have a nomination committee and remuneration committee, the supervisory board shall carry out tasks referred to in Articles 48 and 50 of this Law.

(5) The Central Bank shall govern in more detail tasks and the manner of organisation of the supervisory board.

Nomination Committee

Article 48

(1) The nomination committee shall:

1) Identify and propose candidates for selection of members of the supervisory and management boards of the credit institution, evaluate the balance of knowledge, skills, diversity in composition and experience of the management body, prepare a description of powers and qualifications required for a particular appointment and assess the time commitment expected to discharge such appointment;

2) decide on a target for the representation of the underrepresented gender in the supervisory board or management board and prepare a policy on how to increase the number of the underrepresented gender in such bodies in order to meet that target representation;

3) regularly, and at least annually, assess and as needed propose change to the structure, size, composition and performance of the supervisory and management boards of the credit institution;

4) regularly, and at least annually, assess the knowledge, skills and experience of individual members of the supervisory and management boards, as well as of those bodies collectively, and report of such assessment to the bodies and persons to which such assessment refers;

5) regularly review the policy for selection and appointment of senior management and make recommendations and proposal to the management board for improvement of such policies if needed;

6) on an ongoing basis, to the extent possible, take account of the need to ensure that the management and supervisory boards' decision making is not dominated by individuals or small group of individuals, in order to protect the interests of the credit institution as a whole; and

7) perform other tasks set by regulations adopted pursuant to this Law.

(2) The credit institution shall disclose publicly, in the manner referred to in Article 237 paragraph 3 of this Law, the target for representation referred to in paragraph 1 item 2 of this Article, as well as the policy referred to in paragraph 1 item 2 of this Article and its implementation.

(3) In exercising its duty, the nomination committee may use all resources it deems adequate, including also use of expert assistance from persons outside of the credit institution charged to the credit institution.

Risk Committee

Article 49

(1) The risk committee shall:
1) advise the supervisory board on the credit institution's overall current and future risk appetite and strategy and assist in overseeing the implementation of that strategy by the senior management, without prejudice to the responsibility of the management and supervisory boards for overall risk management and oversight of the credit institution;
2) review whether prices of receivables and liabilities offered to clients take fully into account the credit institution's business model and risk strategy, and where such price does not reflect risks taken in accordance with the business model and risk strategy, present a remedy plan to the management board;
3) irrespective of the tasks of the remuneration committee, in order to establish and implement appropriate remuneration policy, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings; and
4) perform other tasks in accordance with regulations adopted pursuant to this Law.

(2) Members of the risk committee must have appropriate knowledge, skills and expertise to be able to fully understand and monitor implementation of the risk strategy and the risk appetite of the credit institution.

(3) The credit institution that is not significant in terms of its size, internal organisation and the nature, scope and complexity of its activities may establish a combined risk and audit committee.

(4) Members of the risk and audit committee referred to in paragraph 3 of this Article must have appropriate knowledge, skills and expertise required for the members of both committees.

(5) The credit institution shall ensure that members of the risk committee or the risk and audit commit have adequate access to information on the risk profile of the credit institution and if necessary and appropriate, access to the risk management function and to external expert advice.

(6) The risk committee or the risk and audit committee shall determine the nature, the amount, the format and the frequency of information on the risk situation to be receiving from organisational units or functions within the credit institution.

Remuneration Committee

Article 50

(1) The credit institution shall establish the remuneration committee in such manner as to enable adoption of professional and independent assessment of remuneration policies and practices connected to the remuneration in the credit institution and incentives for risk, capital and liquidity management.

(2) The remuneration committee shall:
1) prepare decisions of the supervisory board connected with the remuneration of employees, including decisions that have impact on the credit institution risk exposure and to the risk management; and
2) carry out other tasks set by the regulations.

(3) In carrying out tasks from its competence, the remuneration committee shall take into account long-term interests of the shareholders, investors and other stakeholders in the credit institution, as well as the public interest.

Management Board of the Credit Institution

Article 51

(1) The management board of the credit institution must have at least three members appointed for a period set by the articles of association, which may not exceed four years, whereby a member whose term of office has expired may be re-appointed.

(2) One of the members of the management board must be appointed as the chairperson of the management board.
(3) Members of the management board must be employed in the credit institution with full working hours and must manage operations of the credit institution from the territory of Montenegro.
(4) Members of the management board shall collectively manage the activities of and represent the credit institution, unless otherwise stipulated by the articles of association of the credit institution.
(5) At least one member of the management board must know the official language in Montenegro.
(6) The management board of the credit institution may authorise one or more procurators to represent the credit institution or to conclude contracts and take legal actions on behalf and for the account of the credit institution arising from services authorised by the Central Bank to the credit institution, but only accompanied with at least one member of the management board of the credit institution.
(7) The articles of association of the credit institution shall govern the conditions to be met by a person granted with the procuracy, the type and the manner of granting general power to represent (procuracy), the scope of the authorisations from the procuracy, including also limitations in undertaking certain actions by the procurators.
(8) The management board of the credit institution shall also register limitation of the procuracy when recording the procurators in the Central Registry of Business Entities.
(9) The articles of association of the credit institution shall govern the condition to be met by a person granted with the procuracy, the type and the manner of granting general power to represent (procuracy), the scope of the authorisations from the procuracy, including also limitations in undertaking certain actions by the procurators.

Requirements for Membership in the Management Board of the Credit Institution

Article 52

(1) Member of the management board of the credit institution could only be a person who:
1) is of good repute,
2) may act in the credit institution with honesty and integrity and who may act based on independence of mind, or ability to independently create objective and independent positions in making decisions and in performing other duties from within his powers, including assessing and questioning decisions of the senior management when necessary;
3) possesses adequate professional knowledge, skills and experience to manage activities of the credit institution and who collectively with other members of the management board meets conditions referred to in Article 42 paragraph 3 of this Law;
4) may commit sufficient time to perform duties from within its powers;
5) meets requirements for a member of the management board pursuant to the law governing the operation of business undertakings.
(2) The management board of the credit institution, with previous consent of the supervisory board, shall adopt appropriate nomination policy and policy for meeting conditions for individual members of the management board of the credit institution, as well as collective conditions for members of the management board, the credit institution is obliged to implement.
(3) The Central Bank shall govern in more details conditions for nomination of members of the management board of the credit institution; documentation accompanying the application for issuing approval for nomination of the chairperson or members of the management board of the credit institution; procedure for issuing the approval; and the content of the policy referred to in paragraph 2 of this Article.

Approval for Performing Function of a Member of Management Board of the Credit Institution

Article 53

(1) Only person issued with an approval of the Central Bank to perform a function of a member of the management board may be appointed as the member of the management board of the credit institution.
(2) The application for issuing approval referred to in paragraph 1 of this Article shall be submitted by the credit institution for a term of office that may not exceed four years and to do so at least three months before the lapse of the term of office for a member of the management board whose term of office is lapsing.
(3) The evidence on meeting conditions referred to in Article 52 of this Law and the work programme of the management board, including projections of financial statements for the period of the term of office to which the member of the management board is nominated, shall be submitted along with the application for issuing the approval.
(4) The Central Bank may require from a candidate for member of the management board to deliver a presentation on managing activities of the credit institution pertaining to duties from within his competence, in the process of rendering a decision upon application for issuing the approval.
(5) The Central Banks shall render a decision on granting approval referred to in paragraph 1 of this Article based on the documentation referred to in paragraph 3 of this Article, presentation referred to in paragraph 4 of this Article and other data and information having at its disposal or acquired during the decision making process.
(6) The Central Bank shall issue the approval referred to in paragraph 1 of this Article for the period of proposed duration of the term of office of the management board member, and exceptionally for a shorter period.
(7) The Central Bank shall refuse to issue approval for performing a function of member of the management board of the credit institution if the candidate for member of the management board fails to meet some of the conditions referred to in Article 52 paragraph 1 of this Law.
(8) The approval referred to in paragraph 1 of this Article shall be valid only for performing the function of member of the management board in the credit institution to which the approval relates and may not be used in case of a re-appointment for a term of office in such credit institution.
(9) When the management board is unable to perform its functions due to termination of function of a member of the management board before lapse of the term of office or due to other reasons, the supervisory board of the credit institution may appoint a replacement member of the management board from within its ranks for a maximum period of three months without a prior approval of the Central Bank.
(10) The Central Bank shall have the powers to obtain data on misdemeanour and penal convictions of the candidates for members of the management board, as well as on criminal and misdemeanour proceedings potentially pending against such person from the relevant records, accompanied with a reasoned request.
(11) In the process of rendering a decision upon a request for issuing the approval referred to in paragraph 1 of this Article, the Central Bank:
1) may also obtain data referred to in paragraph 3 of this Article from the European Criminal Records Information System.
2) shall, if needed, verify data on imposed sanctions to a candidate for member of the management board in the records of the European Banking Authority.

Approval for the Performance of Function of the Chairperson of Management Board of Credit Institution

Article 54

(1) Chairperson of the management board of the credit institution may be only a person who has been granted an approval of the Central Bank for the performance of such function.
(2) The provision of Article 53 of this Law shall apply to the granting of approval for the performance of function of the chairperson of the management board.

(3) In the procedure for deciding on granting of the approval referred to in paragraph 1 of this Article, the Central Bank may request from the candidate for the chairperson of the management board to give a presentation regarding managing of the affairs of the credit institution as a whole.
(4) In the event when, pursuant to the law governing the organisation of business undertakings, upon a request of a shareholder or another interested person, a court appoints an interim representative of the credit institution in an out-of-court procedure, with all rights and obligations of a chairperson of the management board, such person must meet requirements for membership in the management board of the credit institution referred to in Article 52 of this Law.

Duties and Responsibilities of Management Board

Article 55

(1) Management board shall manage affairs of the credit institution.
(2) Management board of the credit institution shall ensure that the credit institution operates in accordance with regulations governing operations of the credit institution.
(3) Management board of the credit institution shall set up and implement a reliable system for credit institution management in accordance with this Law.
(4) In order to set up and implement an efficient and reliable management system, management board of the credit institution shall:
1) Set objective and general strategy of the credit institution;
2) adopt business policy of the credit institution;
3) regularly review strategic objectives, risk management strategies and policies, including management of risks arising from macroeconomic environment in which credit institution operates, as well as condition of business cycle of the credit institution;
4) establish foundations for functioning of the internal control system, adequate to the size of the credit institution, complexity of affairs and level of the risk taken;
5) adopt the remuneration policy of the credit institution;
6) ensure integrity of the accounting system and financial reporting system and of the financial and operating control;
7) ensure oversight of senior management and set out precisely defined, clear and consistent internal relations in respect of accountability, which enable clear separation of powers and responsibilities and prevent occurrence of the conflict of interest;
8) set out internal organisation of undertaking, subject to consent by the supervisory board;
9) adopt general enactments of the credit institution, except for enactments adopted by other bodies of the credit institution;
10) appoint and remove senior management of the credit institution and other persons in accordance with this Law and the articles of association of the credit institution and set their wage:
11) adopt ethical standards for the conduct of employees in the credit institution;
12) approve of introduction of new products and services in operations of the credit institution;
13) perform other activities set out by this Law and other law, regulations adopted on the basis of this Law and articles of association of the credit institution.
(5) Management board of the credit institution shall ensure execution of supervisory measures of the Central Bank.
(6) Management board of the credit institution shall periodically, and at least once a year, review efficiency of the system for credit institution management, including suitability of procedures and efficiency of control functions and shall notify the supervisory board of the conclusions and take proper measures to eliminate the identified deficiencies.

Notification to the Supervisory Board

Article 56

(1) Management board of the credit institution shall notify without any delay, in writing, the supervisory board of the credit institution if:
1) liquidity or solvency of the credit institution is compromised;

2) conditions are met for withdrawal of the license or for withdrawal of the authorisation for the provision of certain services;
3) financial soundness of the credit institution changes, with one of the indicators of capital adequacy declining below the level referred to in Article 134 paragraph 2 of this Law;
4) the credit institution exceeds the allowed exposure to one person or a group of connected persons referred to in Article 172 of this Law, including excess resulting from reduction of own funds or due to other circumstances on which it could have not influenced;
5) measures were adopted by the Central Bank or other authorities in the process of supervision of the credit institution or oversight.

(2) Member of the management board of the credit institution shall notify the supervisory board of the credit institution without any delay, in writing, about the following:
1) his appointment or dismissal in management bodies of another legal person; and
2) legal transactions based on which that member of the management board or some of the members of his immediate family acquired shares, either directly or indirectly, in the legal person, based on which he gained qualifying holding in such legal person either on his own or together with members of his immediate family, or based on which their holding was reduced below the threshold of qualifying holding.

Warning to the Management Board Member

Article 57

(1) The Central Bank shall issue a written warning to the responsible person in the management board of the credit institution, if the credit institution:
1) fails to act in the manner and within the deadlines specified in the written warning or in the agreement on removal of irregularities concluded in accordance with this Law; or
2) fails to implement the imposed supervisory measures in the manner and within the deadlines specified in a decision of the Central Bank on imposing measures.

(2) A written warning referred to in paragraph 1 of this Article shall be issued to the responsible person regardless of whether at the moment of issuing the warning such person was still member or chairperson of the management board of the credit institution.

Withdrawal of Authorisation for the Performance of Function of Chairperson or Member of the Management Board

Article 58

(1) The Central Bank shall withdraw an authorisation for the performance of function of the chairperson or member of the management board of the credit institution, if:
1) chairperson, or member of the management board, no longer meet requirements for membership of the management board prescribed by this Law;
2) chairperson, or member of the management board, violate provisions related to duties of the management board prescribed in the law governing business undertakings, the consequence of which is dismissal of member of the management board;
3) the person who has been granted authorisation to perform function of chairperson or member of the management board of the credit institution is not appointed or does not assume office which the authorisation refers to within six months from when the authorisation has been granted;
4) term of office of the person whom the authorisation has been granted to is terminated, on the day of termination of office;
5) employment contract of the chairperson or member of the management board with the credit institution expires, on the day of expiration of the contract; or
6) chairperson or member of the management board has been granted authorisation on the basis of submitting untrue or inaccurate documents, or on the basis of untruthfully presented data that are relevant for the performance of function of the chairperson or member of the management board.

(2) The Central Bank may withdraw authorisation for performance of the function of the chairperson or member of the management board if:

1) he did not ensure execution or did not execute supervisory measures ordered by the Central Bank;
2) he committed serious breach of duty of member of the management board referred to in Article 55 of this Law;
3) he committed breach of duty of member of the management board referred to in Article 56 of this Law;
4) the warning referred to in Article 57 of this Law has been issued three times to him within a four-year period; or
5) credit institution which was granted approval to use internal approach for the calculation of capital requirements fails to comply with such approval,
6) conditions for early intervention referred to in Article 288 of this Law occur.

(3) Chairperson or member of the management board shall be deemed to have committed serious breach of duty referred to in Article 55 of this Law if such breach compromised the liquidity or solvency of the credit institution.

(4) In the event of conducting procedures referred to in paragraphs 1 and 2 of this Article, the chairperson or member of the management board shall submit to the Central Bank all the available data and information for the purpose of verification of facts and circumstances of relevance for rendering a decision.

(5) If the Central Bank withdraws authorisation for the performance of function of the chairperson or member of the management board, the supervisory board of the credit institution shall, without any delay, render the decision on dismissal of the chairperson or member of the management board.

Holders of Core Functions in Credit Institution

Article 59

(1) Credit institution shall identify all core functions in that credit institution.

(2) Holders of core functions in the credit institution shall be persons who perform functions in the credit institution which enable them to exert significant influence on the management of the credit institution, but they are not members of management board or supervisory boards.

(3) Management board of the credit institution shall adopt and implement proper policies on election and assessment of suitability of the holders of core functions in the credit institution.

(4) If the credit institution concludes that holder of the core function in the credit institution does not fulfil suitability requirements, it shall take proper measures which ensure suitability of the holders of core functions.

(5) The Central Bank shall prescribe in more details the content of the policy referred to in paragraph 3 of this Article, requirements considered by the credit institution when assessing suitability of holders of the core functions in the credit institution and time frame of assessment of the fulfilment of requirements for holders of core functions in the credit institution.

Membership Requirements for Management Bodies of the Financial Holding Company and Mixed Financial Holding Company in Montenegro

Article 60

(1) Provisions of Articles 43 and 52 of this Law shall apply *mutatis mutandis* to the members of the management and supervisory boards or members of another management body of a financial holding company or mixed financial holding company with head office in Montenegro.

(2) In the procedure of rendering a decision upon application for issuing approval of persons referred to in paragraph 1 of this Article, the Central Bank may also obtain data from the European Criminal Records Information System.

(3) In the process of rendering a decision upon application for issuing approval of persons referred to in paragraph 1 of this Article, the Central Bank shall, were appropriate, verify data on imposed penalties to such persons from the European Banking Authority records.

(4) Financial holding company and mixed financial holding company referred to in paragraph 1 of this Article shall notify the Central Bank of any change of members of the management body, and do so within eight days as of the day of the occurrence of the change.

Audit Committee

Article 61

(1) Audit committee shall be set up and shall perform activities in accordance with the law governing audit.
(2) If the credit institution set up the combined risks and audit committee, in accordance with Article 49 paragraph 3 of this Law, such committee shall also perform activities falling within competence of the audit committee.
(3) One member of the combined risks and audit committee must have knowledge in the field of accounting and auditing and shall not be an employee, shareholder or member of management bodies of the credit institution.

III PROVISION OF BANKING AND FINANCIAL SERVICES

1. Provision of Banking Services

Providers of Banking Services

Article 62

Within the territory of Montenegro, banking services may be provided by:

1) credit institutions with head office in Montenegro on the basis of license granted in accordance with this Law;

2) credit institutions from the Member States which, in accordance with this Law, establish a branch in Montenegro or directly provide services in Montenegro referred to in Article 8 of this Law;

3) branches of credit institutions from third countries which were granted, in accordance with this Law, the authorisation to provide banking services in Montenegro.

Prohibition to Perform Banking Services

Article 63

(1) Legal and natural persons other than persons referred to in Article 62 of this Law shall be prohibited to perform in Montenegro the activities of taking deposits or other repayable funds from public in the form of business operations or an occupation.
(2) Provision of paragraph 1 of this Article shall not apply to:

1) taking deposits or other repayable funds by the Central Bank, the State of Montenegro and its local self-governments;

2) taking deposits or other repayable funds by public international bodies whose members are one or several Member States;

3) receiving borrowings by microcredit financial institutions in accordance with the law governing operations of microcredit financial institutions;

4) other cases set out in the regulations of Montenegro, if such services are subject to regulation and control which aim to protect depositors and investors; and

5) other cases set out in the regulations of the European Union, if such services are subject to regulation and control which aim to protect depositors and investors.

(3) Legal or natural persons shall not perform activities, in the form of business operations or occupation, that involve credit granting, unless they perform such activities in accordance with law.

(4) If exist indications that a person is illicitly engaged in activities referred to in paragraphs 1 and 3 of this Article, the Central Bank may, for the purpose of collecting additional information, carry out review of business books and other documents of that person.
(5) The persons referred to in paragraph 4 of this Article shall ensure unimpeded insight into all business books and documents to the authorised examiners of the Central Bank.

Prohibition to Perform Other Activities and Services

Article 64

Credit institution must not perform other activities, except provision of banking and financial services and services for which it has been granted authorisation by the Central Bank.

Register of the Central Bank

Article 65

(1) The Central Bank shall keep a register of credit institutions, branches of credit institutions from other countries and representative offices of credit institutions from other countries to which it granted license or authorisation.
(2) Data referred to in paragraph 1 of this Article shall be posted on the Central Bank's website.
(3) The Central Bank shall prescribe content and manner of keeping the register referred to in paragraph 1 of this Article.

2. Granting License and Authorisation to the Credit Institution

Application for Granting the License to the Credit Institution

Article 66

(1) The Central Bank shall issue a license to the credit institution.
(2) Founders of the credit institution shall file an application with the Central Bank for granting of the license, which shall be accompanied by the following:
1) authorisation for the person who the Central Bank will cooperate with in the procedure for considering applications for granting of the license;
2) documents set out in paragraph 7 of this Article;
3) application for granting authorisation to acquire qualifying holding for persons who acquire qualifying holding in the credit institution, accompanied by the documentation required in accordance with Article 25 of this Law, and if shareholders do not acquire qualifying holding in the credit institution, it shall be accompanied by the documentation on 20 largest shareholders;
4) application for granting the authorisation for the nominated members of the supervisory board, along with the documentation referred to in Article 43 paragraph 6 of this Law;
5) application for granting the authorisation to the nominated chairperson and members of the management board, along with the documentation referred to in Article 43 paragraph 6 of this Law.
(3) If the credit institution also intends to provide financial services, in addition to banking services, it shall indicate in the application for granting the license the types of financial services which the credit institution intends to provide.
(4) If the credit institution intends to provide additional financial services referred to in Article 5 paragraph 2 items 2, 3, or 5 of this Law, it shall submit to the Central Bank the documentation evidencing meeting of the conditions for the provision of such services set by the law.
(5) Prior to granting the license, the Central Bank shall consult and exchange information with competent authority of a Member State, in accordance with Article 30 of this Law, particularly with regard to suitability of the acquirers of qualifying holding and reputation, appropriate skills and experience of members of management bodies within the same group.
(6) On the basis of reasoned application, the Central Bank shall be authorised to obtain from competent authorities the data from the records of such authorities regarding any potential conviction or procedures initiated to establish criminal or misdemeanour liability of legal and natural persons,

which it takes into account when deciding on applications for granting a license to the credit institution.

(7) The Central Bank shall prescribe in more details the documentation that shall accompany application for granting the license to the credit institution.

Meeting prior to Filing Application

Article 67

(1) Prior to filing the application referred to in Article 66 of this Law, upon request of the persons intending to establish a credit institution, a meeting shall be arranged between representatives of the Central Bank and representatives of potential founders of the credit institution.

(2) In the meeting referred to in paragraph 1 of this Article, potential founders of the credit institution shall inform representatives of the Central Bank about the following:
1) planned deadlines for establishing the credit institution and for applying for the license;
2) business strategy of the credit institution;
3) its financial soundness and operations, including data on associated interests;
4) dynamics of development of the credit institution in terms of increase in capital, deposit and credit potentials;
5) manner of managing risks in operations of the credit institution.

(3) In the meeting referred to in paragraph 1 of this Article, minutes shall be kept and signed by one representative each of the Central Bank and potential founders respectively.

Deciding on Application

Article 68

The Central Bank shall decide on the application referred to in Article 66 of this Law within 180 days following the day of filing the application, and if the filed application is faulty, at the latest within 180 days following the day following of duly compiled application.

Approval of the Application

Article 69

(1) The Central Bank shall approve the application and issue the license to the credit institution if:
1) for persons acquiring qualifying holding in the credit institution, or for 20 largest acquirers if none of the persons acquires qualifying holding, there are no reasons to refuse granting of the authorisation for the acquisition of qualifying holding referred to in Article 31 of this Law;
2) persons nominated for members of supervisory board of the credit institution meet conditions for granting of the authorisations referred to in Article 43 of this Law;
3) persons nominated for chairperson and members of the management board of the credit institution meet conditions for granting of the authorisation referred to in Article 52 of this Law;
4) credit institution has initial capital in the amount of at least 7,500,000 euro;
5) credit institution shall manage operations from the territory of Montenegro and shall have head office in Montenegro;
6) it is concluded from documents and other facts that credit institution has human resource, organisational and technical capacities to provide banking and/or financial services in the manner and in the scope set out in the business plan;
7) due to close link between the credit institution and other legal and natural persons, supervision of the credit institution in accordance with this Law will not be made difficult or impossible;
8) due to close links between the credit institution and legal and natural persons from third countries, supervision of credit institution in accordance with this Law shall be made difficult because regulations of those countries represent an obstacle to exercise of supervisory function of the Central Bank; and

9) it is concluded from the application and filed documentation that the credit institution meets prescribed conditions for the provision of banking and/or financial services which the application for issuing of the license refers.

(2) In the procedure for deciding on the application for issuing the license to the credit institution, the Central Bank shall not consider that application in terms of the economic needs of the market.

(3) The Central Bank may also obtain data referred to in paragraph 1 of this Article from the European Criminal Records Information System.

(4) In the process of rendering a decision upon application for issuing the license referred to in Article 66 of this Law, the Central Bank shall, if needed, verify data on imposed penalties to founders of the credit institution submitting the application from the European Banking Authority records.

(5) If the Central Bank has issued a license to a credit institution, it shall be deemed that has issued an authorisation to persons who are acquiring qualifying holding in the credit institution for acquiring the qualifying holding referred to in Article 23 paragraph 1 of this Law, and that has issued approval referred to in Article 44 paragraph 1 or Article 53 paragraph 1 of this Law for persons proposed as members for the supervisory and management boards respectively.

Activities that the Credit Institution is Allowed to Perform

Article 70

(1) Decision on issuing the license to the credit institution shall specify activities that the credit institution is allowed to perform.

(2) In addition to the activities specified in the decision on issuing the license, the credit institution may also perform activities referred to in Article 5 of this Law which are not specified in the decision on issuing the license, only subject to prior authorisation of the Central Bank.

(3) The Central Bank shall refuse to grant authorisation for the performance of activities referred to in paragraph 2 of this Article if:

1) it is concluded based on documentation and other known facts that the credit institution fails to meet technical, human resource, organisational or other requirements for the provision of financial services;

2) the Central Bank imposed supervisory measures on the credit institution, while introduction of the new service could have negative impact on the implementation of supervisory measures;

3) provision of the financial service is not economically justified, or

4) credit institution fails to meet special requirements which are, in terms of financial services, set out in its business plan or other stipulated conditions.

(4) The granted authorisations referred to in paragraph 2 of this Article shall be deemed as integral part of the license of the credit institution.

Registration

Article 71

(1) Application for registration of a credit institution in the Central Registry of Business Entities shall be filed no later than 60 days as of the day of delivering the decision on issuing the license.

(2) Credit institution shall commence performance of activity no later than 12 months as of the day of the license being issued.

Authorisations

Article 72

(1) The Central Bank shall render a decision on applications for granting the authorisation referred to in this Law no later than 60 days as of the day on which duly compiled application for granting the authorisation has been filed, unless another deadline is prescribed under this Law.

(2) The Central Bank shall prescribe the documentation attached to the application for granting the authorisation referred to in paragraph 1 of this Article.

3. Withdrawal of License from the Credit Institution
Reasons for License Withdrawal

Article 73

(1) The Central Bank shall withdraw a license from the credit institution, if:

1) the application for registration of the credit institution in the Central Registry of Business Entities is not filed within the set deadline;

2) the credit institution failed to commence the performance of activities within 12 months as of the day of receiving the license;

3) the credit institution notifies the Central Bank in writing that it renounces the issued license or that it does not intend to commence the performance of activities for which the license has been issued;

4) by the time of expiry of the period during which temporary administration has been introduced in the credit institution, the reasons for introducing the temporary administration in the credit institution have not been eliminated, and the Central Bank has established that requirements for initiating resolution proceedings in accordance with the law governing resolution of credit institutions have not been met;

5) upon initiating the resolution proceedings of the credit institution in accordance with the law governing resolution of credit institutions, the Central Bank has established that objectives of the resolution cannot be achieved;

6) the Central Bank, in accordance with provisions of the law governing deposit protection, rendered a decision on inaccessibility of deposits of the credit institution;

7) for longer than six months, the credit institution does not carry out deposit taking activities nor does it grant credits, unless so ordered by the Central Bank; or

8) competent body of the credit institution rendered a decision on termination of operations of the credit institution.

(2) The Central Bank may withdraw licence from the credit institution, if:

1) the licence of the credit institution was issued pursuant to false or inaccurate data of relevance for operations of the credit institution;

2) credit institution no longer meets requirements based on which it was issued the license;

3) credit institution:

– no longer fulfils prudential requirements referred to in this Law pertaining to capital requirements, exposure to transferred credit risk or large exposures,

– fails to fulfil requirements concerning the own funds level imposed by way of a decision by the Central Bank in accordance with Articles 279 and 281 of this Law, or

– special requirements concerning the liquidity in accordance with Articles 279 and 280 of this Law;

4) based on the estimate of the Central Bank, it may be expected that the credit institution will not be able to meet its obligations towards creditors, in particular if there is no security for the funds entrusted by the depositors;

5) the credit institution failed to act in accordance with Article 235 paragraph 1 item 5 of this Law;

6) the credit institution has not established governance arrangements in the manner governed under Article 104 of this Law;

7) the credit institution fails to submit or submits incomplete or incorrect reports set by the regulation referred to in Article 233 of this Law, pertaining to:

- capital requirements referred to in Article 134 of this Law,
- large exposures referred to in Article 172 of this Law,
- financial leverage referred to in Article 115 of this Law;

8) the credit institution fails to submit or submits incomplete or incorrect reports referred to in Article 114 of this Law;

9) on several occasions or continuously, the credit institution fails to fulfil requirements concerning liquid assets referred to in Article 114 of this Law;

10) the credit institution acts contrary to limitation of the exposures referred to in Article 172 of this Law;

11) the credit institution is exposed to a credit risk resulting from securitisation position and fails to fulfil requirements under which it may be exposed to such risk as set in the regulation referred to in Article 134 paragraph 9 of this Law;
12) the credit institution fails to publicly disclose or discloses incomplete or inaccurate data that the credit institution is obliged to publicly disclose in accordance with Article 237 of this Law, including data on financial leverage ratio and management of risk of excessive financial leverage;
13) the credit institution fails to fulfil obligations in respect of deposit protection;
14) activities of the credit institution are associated with money laundering and/or terrorist financing, or with the commission of other punishable offences;
15) the credit institution pays funds to holders of instruments included in calculation of own funds contrary to Articles 166 and 167 of this Law or if such payment is prohibited in accordance with the regulation referred to in Article 134 paragraph 9 of this Law;
16) the credit institution fails to implement measures ordered by the Central Bank;
17) the Central Bank ordered the credit institution to remove member of the supervisory or management boards and prohibited such persons to perform their function pending finalisation of the procedure initiated based on the removal order, and the credit institution failed to implement the imposed measure within the set deadline;
18) several times, the credit institution failed to submit in a timely manner or it submitted inaccurate reports to the Central Bank; or
19) the credit institution prevented the Central Bank from exercising supervision.

(3) When assessing fulfilling of requirements for withdrawal of the license from the credit institution referred to in paragraph 2 of this Article, the Central Bank shall consider:
1) Assessment of impact of established irregularities to:
- current and future financial position of the credit institution,
- exposure of the credit institution to certain types of risks;

2) Number and severity of established irregularities, as well as number, frequency and duration of irregularities in prior operation of the credit institution;
3) Assessment of readiness and capacity of managing bodies and senior management of the credit institution to correct established irregularities, based on the evaluation of:
- capacity of management bodies and senior management of the credit institution to manage operational risks of the credit institution,
- efficiency of the internal control system in the credit institution,
- efficiency of management bodies and senior management of the credit institution in removing previously identified irregularities in operations;

4) Assessment of the level of impact of established irregularities on the financial discipline, security and stability of the banking system functioning.

(4) As of the day the decision on withdrawal of the license to the credit institution is delivered, authorisations granted for the performance of other affairs shall also cease to be valid.

(5) If the Central Bank withdraws license from the credit institution, at the same time it shall render a decision on initiating bankruptcy proceedings against the credit institution or a decision on liquidation of the credit institution.

(6) Decision on initiating bankruptcy proceedings against the credit institution shall be rendered by the Central Bank if liabilities of the credit institution exceed its assets, whereas a decision on liquidation of the credit institution shall be rendered if the conditions are not met for conducting bankruptcy proceedings.

(7) The Central Bank shall publish the enacting terms of the decision referred to in paragraph 5 of this Article in the Official Gazette of Montenegro and in minimum two daily print media outlets distributed across the territory of Montenegro and shall submit it to the Central Registry of Business Entities.

4. Provision of Mutually Recognised Services in Other States
Provision of Services in another Member State

Article 74

(1) Credit institution and financial institution which meet conditions referred to in paragraph 2 of this Article may provide, under the conditions set out by this Law, within the territory of another Member State the mutually recognised services which they are authorised to provide within the territory of Montenegro, either directly or through the branch.

(2) Financial institution from Montenegro may provide mutually recognised financial services referred to in Article 6 paragraph 1 item 2 of this Law in another Member State, provided that the following conditions are met:

1) parent undertaking of that financial institution is a credit institution or a group of credit institutions with head office in Montenegro;

2) financial institution has been set up to provide recognised financial services in Montenegro in accordance with the law, articles of association or other enactments;

3) financial institution actually provides financial services in Montenegro;

4) parent credit institution or parent credit institutions hold 90% or more voting rights in that financial institution;

5) parent credit institutions of that financial institution, according to the assessment of the Central Bank, adequately manage that institution and with the authorisation granted by the Central Bank they are jointly and severally liable for all the liabilities of that financial institution; and

6) financial institution is actually involved in supervision of the parent credit institution, or of each of the parent credit institutions, on a consolidated basis, in accordance with the provisions of this Law governing supervision on a consolidated basis and provisions of the Regulation (EU) No 575/2013 governing prudential requirements for credit institutions on a consolidated basis, particularly for the purposes of calculating capital and large exposures rates, as well as for the purposes of limiting investments in qualifying holdings outside the financial sector.

(3) Credit institution may, under the conditions set out by this Law, provide additional financial services within the territory of another Member State, either directly or through the branch, if that is in accordance with regulations of the host Member State and if it received authorisation from the Central Bank to perform such services.

Provision of Services in another Member State through the Branch

Article 75

(1) Credit institution intending to establish a branch in another Member State shall file an application with the Central Bank for granting of the authorisation to establish a branch.

(2) The application referred to in paragraph 1 of this Article shall be accompanied by:

1) data on the Member State where the credit institution intends to establish a branch;

2) business plan for a three-year period, which shall contain type and scope of services which the credit institution intends to provide through the branch and organisational structure of the branch;

3) address in the host Member State in which the Central Bank will be able to obtain documentation regarding the branch; and

4) data on the persons who will be responsible for managing affairs of the branch.

(3) Data and documentation referred to in paragraph 2 of this Article shall be submitted with the content established by the Commission Delegated Regulation (EU) No 1151/2014 and in the manner stipulated by the Commission Implementing Regulation (EU) No 926/2014.

(4) The Central Bank may, within 30 days from the day of receiving the application referred to in paragraph 1 of this Article, request from the applicant to submit additional documents and data.

(5) The Central Bank shall, no later than 60 days from the day of receiving complete information referred to in paragraphs 1 and 2 of this Article, render decision by which it decides on the application of the credit institution to establish a branch (hereinafter: the authorisation to establish a branch in a Member State) and shall notify the applicant thereof.

(6) Upon granting of the authorisation referred to in paragraph 5 of this Article, the Central Bank shall, within three months from the day of receiving complete information referred to in paragraphs 1 and 2 of this Article, submit to the competent authority of the Member State a notification of granting the authorisation, along with the information referred to in paragraph 2 of this Article and data on

the amount and composition of the own funds and amount of capital requirements of the credit institution, calculated in accordance with Article 92 of the Regulation (EU) No 575/2013.

(7) The Central Bank shall refuse the application filed by credit institution referred to in paragraph 1 of this Article if it concludes, based on the submitted documentation and other data at its disposal, that:

1) credit institution does not have adequate organisational, technical and human resource structure nor appropriate financial position to provide intended scope of services in the Member State through the branch;

2) in doing so, credit institution avoids more strict regulations and rules applicable in Montenegro;

3) operations through the branch might compromise security and stability of operations of the credit institution.

(8) The Central Bank shall prescribe the procedure for granting of the authorisation referred to in paragraph 5 of this Article.

Provision of Services by the Financial Institution from Montenegro in another Member State

Article 76

(1) If financial institution with head office in Montenegro, which is a subsidiary undertaking of the credit institution and meets requirements referred to in Article 74 paragraph 2 of this Law, intends to provide mutually recognised financial services within the territory of another Member State through the branch, the parent credit institution in Montenegro shall notify the Central Bank thereof.

(2) In addition to the notification referred to in paragraph 1 of this Article, the parent credit institution shall submit:

1) data and documentation referred to in Article 75 paragraph 2 in the manner referred to in Article 75 paragraph 3 of this Law;

2) documents on fulfilment of the requirements referred to in Article 74 paragraph 2 of this Law;

3) data on the amount and structure of own funds or on the amount of other form of capital of that financial institution and total amount of risk exposure for parent credit institution, calculated in accordance with Article 92 paragraphs 3 and 4 of the Regulation (EU) No 575/2013; and

4) authorisation by the competent authority to establish a branch of the financial institution in another Member State, if authorisation is necessary.

(3) The Central Bank may, within 30 days as of the day of receiving notification referred to in paragraph 1 of this Article, also request the submission of additional documents.

(4) The Central Bank shall, no later than 60 days as of the day of receiving complete and accurate information referred to in paragraph 1 of this Article, check whether the financial institution meets conditions referred to in Article 74 paragraph 2 of this Law and if it concludes such conditions have been met it shall, through parent credit institution in Montenegro, submit acknowledgment of the fulfilment of such conditions to the financial institution.

(5) The Central Bank shall without delay submit to the competent authority of the host Member State, and no later than within three months as of the day of receiving complete and accurate information, the notification referred to in paragraph 1 of this Article in accordance with the relevant European Union regulation and acknowledgment on the fulfilment of the conditions and data on the amount and composition of own funds or some other prescribed form of capital of such financial institution, amount of consolidated own funds and amount of capital requirements for the group of credit institutions in Montenegro which that financial institution belongs to, as well as the data on total amount of risk exposure of the group, calculated in accordance with Article 92 paragraphs 3 and 4 of the Regulation (EU) No 575/2013.

(6) The Central Bank shall not submit the acknowledgment referred to in paragraph 4 and the notification referred to in paragraph 5 of this Article, but it shall instead render and serve decision to the parent credit institution by which it refuses to submit notification, if based on the data in its possession it concludes that:

1) financial institution does not have proper organisational, technical and human resource structure, nor does it have proper financial position needed to provide the intended scope of services in the Member State mentioned through the branch; or

2) by providing mutually recognised services it could compromise security and stability of operations of credit or financial institution.

(7) Financial institutions which have been granted license by the competent authority in Montenegro shall, during provision of services in Member State, act in line with the law.

(8) If the Central Bank establishes that the financial institution no longer meets one or more requirements referred to in Article 74 paragraph 2 of this Law, it shall without delay notify competent authority of the host Member State thereof.

(9) Provisions of this Law governing the provision of services by financial institutions shall apply *mutatis mutandis* to the subsidiary undertakings of financial institutions which meet requirements referred to in paragraph 1 of this Article.

(10) Provisions of Article 7, Articles 257 through 266 and Article 352 paragraph 1 item 1 of this Law shall apply *mutatis mutandis* to the financial institutions referred to in paragraph 1 of this Article.

Commencement of the Provision of Services through the Branch

Article 77

(1) Credit institution which has been granted authorisation by the Central Bank to establish a branch in another Member State may commence provision of service within the territory of another Member State through the branch once it receives from the competent authority of the host Member State the notification on the requirements which it must comply with in that Member State, for the purpose of protecting general good or, if it has not received notification, upon expiry of the deadline of 60 days as of the day on which competent authority of the host Member State received notification accompanied by the documents referred to in Article 75 paragraphs 1 and 2 of this Law.

(2) If the credit institution, which has received authorisation from the Central Bank to establish a branch in another Member State, intends to establish another branch in the same Member State, it shall notify the Central Bank on the intent to establish such branch, without providing application and documentation referred to in Article 75 of this Law.

(3) Provision of paragraph 1 of this Article shall also apply to the financial institution referred to in Article 76 of this Law.

Notifications of Changes to the Data on Operations of the Branch

Article 78

Credit institution which has been granted authorisation to establish a branch in another Member State or parent credit institution of the financial institution referred to in Article 76 of this Law which intends to change some of the element based on which the license was granted shall, at least 30 days prior to making the change, notify in writing the Central Bank of that intent and the competent authority of the host Member State.

Withdrawal of Authorisation to Establish a Branch in another Member State

Article 79

(1) The Central Bank shall withdraw from a credit institution the authorisation to establish a branch in another Member State if:

1) credit institution has been granted authorisation to establish a branch on the basis of untrue or inaccurate data, which were relevant for granting the authorisation to establish the branch;

2) branch does not commence operations within six months as of the day of being granted authorisation;

3) competent authority of the host Member State prohibited credit institution to provide services in its territory; or

4) branch does not perform activities covered by the authorisation for more than six months.

(2) The Central Bank may withdraw from the credit institution the authorisation to establish a branch in another Member State if:
1) it establishes that the credit institution no longer has organisational, technical or human resource capacities for the services it provides;
2) the credit institution fails to honour obligations related to the protection of deposits of depositors of the branch;
3) in operations of the branch, the credit institution does not operate in accordance with regulations of the host Member State; or
4) based on the territorial distribution of the provision of services, it is concluded that the credit institution by establishing a branch in other Member State avoids application of regulations applicable in Montenegro, because they are stricter than regulations of another Member State.

(3) Credit institution, which provides services in another Member State through the branch, may file an application for removal of the branch from the register kept in the host Member State only after settlement of all the liabilities that resulted from operations of that branch.

Direct Provision of Services in another Member State

Article 80

(1) Credit institution which intends to provide services directly within the territory of another Member State shall send prior notification to the Central Bank and in that notification it shall indicate name of the Member State in which it intends to provide services directly.

(2) If financial institution with head office in Montenegro which is subsidiary undertaking of the credit institution and meets requirements referred to in Article 74 paragraph 2 of this Law intends to provide mutually recognised services directly within the territory of another Member State, its parent credit institution shall send a prior notification to the Central Bank and it shall in that notification indicate name of the state in which that financial institution intends to provide services directly.

(3) In addition to the notifications referred to in paragraphs 1 and 2 of this Article, the credit institution shall also submit information on the services it intends to provide in the Member State and business plan for the first three business years, the content of which is prescribed in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner stipulated by the Commission Implementing Regulation (EU) No 926/2014.

(4) The Central Bank shall, no later than one month following the day of the receipt of the notification referred to in paragraphs 1 and 2 of this Article, submit such notification to the competent authority of the host Member State in accordance with the regulations referred to in paragraph 3 of this Article and shall notify the credit institution thereof.

(5) Credit institution or financial institution may commence direct provision of mutually recognised services from the notification referred to in paragraph 3 of this Article from the day of receiving the notification from the Central Bank which indicates that it submitted notification referred to in paragraph 4 of this Article to the competent authority of the Member State.

Provision of Banking and Financial Services in Third-Country

Article 81

(1) Credit institution may provide banking and/or financial services in the third country only through the branch.

(2) The credit institution may establish a branch in the third country after obtaining authorisation from the Central Bank.

(3) The application referred to in paragraph 2 of this Article shall contain:
1) name of the third country in which the credit institution intends to establish a branch;
2) address in the third country at which the Central Bank will be able to obtain documents regarding the branch; and
3) personal data and addresses of persons who will be responsible for managing affairs of the branch.

(4) Business plan for a three-year period, which specifies the type and scope of services which the credit institution intends to provide through the branch and organisational structure of the branch shall be submitted along with the application referred to in paragraph 3 of this Article.
(5) Within 30 days as of the day of receiving the application referred to in paragraph 3 of this Article, the Central Bank may request from the applicant to submit additional documents and data.
(6) In the case referred to in paragraph 5 of this Article, the day of receiving additional documents or data shall be deemed as the day of receipt of duly compiled application.
(7) The Central Bank shall, no later than 60 days from the day of receiving duly compiled application, render a decision on the application of the credit institution to establish a branch and shall notify the applicant thereof.
(8) The Central Bank shall refuse the application referred to in paragraph 3 of this Article if it concludes, based on documents and other data in its possession, that the credit institution which intends to establish a branch:
1) does not have proper organisational, technical and human resource structure or appropriate financial position for provision of the intended scope of services in the third country;
2) it is likely, having in mind regulations of the third country or practices in, that performance of supervision in accordance with the provisions of this Law will be difficult or impossible, or
3) if operations through the branch lead to avoidance of application of regulations applicable on operation of credit institution in Montenegro because they are stricter than the regulations of the third country.
(9) Provisions of paragraphs 1 through 7 of this Article shall apply to establishment of a new branch in the third country in which credit institution already has a branch.
(10) Credit institution that has been granted authorisation to establish a branch in the third country, and which intends to change some of the elements based on which it has received the authorisation referred to in paragraph 2 of this Article, shall notify the Central Bank on the intent to make a change within 30 days before making such a change.

Withdrawal of Authorisation to Establish a Branch in the Third Country

Article 82

(1) The Central Bank shall withdraw authorisation from the credit institution to establish a branch in the third country if:
1) the credit institution has been granted authorisation to establish a branch on the basis of untrue or inaccurate data which were relevant for granting of the authorisation to establish the branch;
2) branch does not commence operations within six months from the day of being granted authorisation;
3) competent authority of the host third country prohibited credit institution to provide services in its territory;
4) branch does not perform activities included in the authorisation for more than six months; or
5) branch no longer meets requirement based on which the authorisation has been granted.
(2) The Central Bank may withdraw the authorisation from the credit institution to establish a branch in the third country if:
1) it establishes that the credit institution no longer has organisational, technical and human resource capacity to provide services;
2) the credit institution fails to honour obligations related to the protection of deposits of depositors of the branch;
3) in operations of the branch, the credit institution does not comply with regulations of the host third country, or
4) based on the territorial distribution of the provision of services, it is concluded that the credit institution in that manner avoids more strict regulations and rules applicable in Montenegro.
(3) Credit institution which provides services in the third country through the branch may file application for removing branch from the register kept in the third country only after settlement of all claims resulting from operations of that branch.

Establishing Representative Office outside of Montenegro

Article 83

Credit institution intending to establish a representative office abroad shall notify the Central Bank thereof in writing, specifying name of the State in which it intends to establish the representative office.

5. Provision of Mutually Recognised Services by Foreign Credit Institutions within the territory of Montenegro

Provision of Services by a Foreign Credit Institution from another Member State

Article 84

(1) Credit institution from another Member State may, under the conditions set out by this Law, establish a branch in Montenegro and through such branch it may provide mutually recognised services which it is authorised to provide in the home Member State.
(2) Credit institution from a Member State may also directly provide within the territory of Montenegro the mutually recognised services it is authorised to provide in home Member State.

Provision of Mutually Recognised Financial Services by Financial Institution from another Member State

Article 85

(1) Financial institution from another Member State may provide mutually recognised services referred to in Article 6 paragraph 1 item 2 of this Law, which it is authorised to provide in a home Member State, either through the branch or directly within the territory of Montenegro if:
1) parent undertaking of that financial institution is a credit institution or several credit institutions with head office in the Member State which have been granted license by the competent authority;
2) financial institution is set up to provide recognised financial services in the home Member State in accordance with articles of association or another enactment;
3) financial institution actually provides financial services in that Member State;
4) parent credit institution or parent credit institutions hold 90% or more voting rights in that financial institution;
5) parent credit institutions of that financial institution, according to the assessment of the competent authority of the home Member State, manage that institution properly and with authorisation granted by the competent supervisory authorities they are jointly and severally liable for all obligations of the financial institution; and
6) financial institution is involved in supervision of the parent credit institution, or of each of the parent credit institutions, on a consolidated basis, in accordance with Title VII Chapter 3 of the Directive 2013/36/EU and Part I, Title II, Chapter 2 of the Regulation (EU) No 575/2013, particularly for the purposes of meeting capital requirements referred to in Article 92, controlling large exposures set out in Part IV and limiting holdings referred to in Articles 89 and 90 of that Regulation.
(2) Provisions of this Law governing the parent financial institutions shall apply *mutatis mutandis* to subsidiary undertakings of the financial institutions which meet requirements referred to in paragraph 1 of this Article.
(3) Provisions of Article 7, Articles 257 through 266 and Article 352 paragraph 1 item 1 of this Law shall apply *mutatis mutandis* to the financial institutions referred to in paragraph 1 of this Article.

Provision of Services through the Branch in Montenegro

Article 86

(1) Credit institution from another Member State or financial institution referred to in Article 85 of this Law which intends to establish a branch within the territory of Montenegro may file an application

to register the branch in the Central Registry of Business Entities and may commence with provision of services upon expiry of two months as of the day when the Central Bank received from the competent authority the notification, the content of which is prescribed by the Commission Delegated Regulation (EU) No 1151/2014 and in the manner stipulated by the Commission Implementing Regulation (EU) No 926/2014.

(2) Notwithstanding paragraph 1 of this Article, the credit institution from another Member State or financial institution referred to in Article 85 of this Law may file an application to register a branch even before expiry of the deadline referred to in paragraph 1 of this Article if it received from the Central Bank the notification on the requirements it is obliged to comply with during provision of services within the territory of Montenegro for the purpose of protecting general good.

(3) If the credit institution referred to in paragraph 1 of this Article establishes several business units on the territory of Montenegro, such business units shall be deemed as one branch.

(4) If the credit institution or financial institution referred to in paragraph 1 of this Article intends to subsequently change some of the data referred to in Article 75 paragraph 2 of this Law which are submitted to the competent authority of the home Member State, it shall, within one month before making such change, submit to the Central Bank a notification in writing with the content and in the manner stipulated by the regulations referred to in paragraph 1 of this Article.

(5) If the competent authority of the home Member State notifies the Central Bank that a financial institution does not meet some of the requirements referred to in Article 85 paragraph 1 of this Law, the regulations governing operations of financial institutions in Montenegro shall apply to the operations of that financial institution.

Direct Provision of Services in Montenegro

Article 87

Credit institution from another Member State or financial institution referred to in Article 85 of this Law may commence to provide mutually recognised services directly within the territory of Montenegro as of the day when the Central Bank receives from the competent authority of the Member State a notification on commencement of performance of activities, which shall also include a list which specifies the services credit institution or financial institution intends to provide in Montenegro.

Application of Laws *Mutatis Mutandis*

Article 88

(1) The provisions of this Law shall apply *mutatis mutandis* to the credit institution from another Member State which directly provides mutually recognised services within the territory of Montenegro in respect of:
   1) obligation to keep banking secret:
   2) supervision of credit institution;
   3) consumer protection.

(2) The provisions of this Law shall apply *mutatis mutandis* to a branch of the credit institution from another Member State which provides mutually recognised services within the territory of Montenegro in respect of:
   1) reporting at the request of the Central Bank;
   2) keeping banking secret;
   3) supervision of credit institution;
   4) consumer protection.

(3) The credit institution referred to in paragraph 1 of this Article and the branch of the credit institution referred to in paragraph 2 of this Article shall also comply with other regulations applied for protection of general good within the territory of Montenegro.

Authorisation to the Branch of the Third-Country Credit Institution

Article 89

(1) Third-country credit institution may operate in Montenegro through the branch, and only with prior authorisation issued to the branch by the Central Bank.
(2) The authorisation referred to in paragraph 1 of this Article shall specify activities that the branch of the third-country credit institution may perform in Montenegro, whereby such authorisation may be granted for performing all or part of the activities the credit institution is authorised to perform by the competent authority of the third country.
(3) If the credit institution, after being granted authorisation referred to in paragraph 1 of this Article, intends to, through the branch in Montenegro, commence the provision of services which are not specified in the authorisation to establish a branch of the credit institution, it shall obtain authorisation from the Central Bank to perform such activities.
(4) For the authorisation referred to in paragraph 1 of this Article, the credit institution – founder of the branch shall submit documents referred to in Article 90 paragraph 2 of this Law.
(5) Provisions of Article 91 of this Law shall apply when rendering a decision on the application for granting the authorisation referred to in paragraph 1 of this Article.

Application for Granting the Authorisation to the Third-Country Branch

Article 90

(1) Application for granting the authorisation to a branch of the third-country credit institution shall be filed with the Central Bank.
(2) The application referred to in paragraph 1 of this Article shall be accompanied by:
1) excerpt from the registry of the state in which the head office of the third-country credit institution - founder of the branch (hereinafter: credit institution - branch founder) is located, which cannot be older than 60 days, and which contains data on the legal form and time of registration of the credit institution-branch founder in the registry and data on the persons authorised for representation as well as on the scope of their powers or authentic incorporation documents which are notarised in accordance with regulations of the state in which credit institution has registered head office, which contain such data;
2) notarised memorandum of association of the credit institution – branch founder;
3) data on the members of the management body of the credit institution – branch founder;
4) data on persons who will be responsible for managing affairs of branch of the third-country credit institution;
5) audit report on third-country credit institution-branch founder for the past three business years;
6) document which authentically shows holders and their participating interests in managing third-country credit institution;
7) proof from the registry of the state in which the head office of legal persons who are holders of qualifying holding in the credit institution – branch founder is located, including data on natural persons who are ultimate owners of such legal persons; decision of the credit institution-branch founder regarding establishment of the branch;
8) approval or other relevant enactment to provide banking and financial services issued to the credit institution by the competent authority in a third country;
9) description of banking and financial services which the branch of the credit institution - branch founder intends to provide in Montenegro and business plan of the branch for the first three years of operations;
10) list of persons associated with the credit institution – branch founder in the manner referred to in Article 173 paragraph 2 of the Law;
11) authorisation to establish a branch granted by the competent authority of the credit institution - branch founder, or statement by such authority declaring that such authorisation is not necessary according to the regulations of the state in which head office of that credit institution is located, which is not older than six months;
12) statement by the credit institution – branch founder declaring that the branch shall maintain and keep the documents regarding its operations in the head office of the branch in the Montenegrin language, and that it shall compile financial statements in accordance with this Law;

13) proof that the credit institution – branch founder is included in deposit insurance scheme, data on the level of eligible deposit, as well as the proof that the branch will be included in the deposit insurance scheme in the country in which head office of the credit institution – branch founder is located, at least in the amount and in the scope of coverage prescribed for credit institutions operating in Montenegro.

(3) The Central Bank may request additional information and data within 30 days as of the day of receiving the application referred to in paragraph 1 of this Law from the credit institution – branch founder.

(4) If the Central Bank has requested additional information or data in accordance with paragraph 3 of this Article, the day of their delivery shall be deemed as the day of receipt of duly compiled application.

Decision on the Application for Granting Authorisation to Establish a Branch of Third-Country Credit Institution

Article 91

(1) The Central Bank shall refuse application for granting the authorisation to establish a branch of the third-country credit institution, if:

1) it establishes, on the basis of the data in its possession and documents attached to the application for granting the authorisation, that the credit institution – branch founder does not have satisfactory financial soundness nor appropriate organisational, technical and human resource structure which would allow for branch it intends to set up its operations in accordance with the law;

2) taking into account regulations of the state in which head office of the credit institution – branch founder is located, or practices in implementation of these regulations, the performance of the supervision in accordance with provisions of this Law will most likely be difficult or impossible;

3) it concludes that the persons responsible for managing affairs of the credit institution – branch founder do not meet requirements for members of supervisory and management boards of the credit institution stipulated by this Law;

4) in the third-country, in which head office of the credit institution is located, there are no regulations on the prevention of money laundering and/or if such regulations do not enable efficient supervision of the prevention of money laundering or if the third-country credit institution - branch founder or persons referred to in Article 90 paragraph 2 item 7 of this Law are in any way associated with money laundering or terrorist financing or there are indications thereof;

5) the Central Bank has not concluded an agreement on cooperation in the field of supervision with the competent supervisory authority from the third-country in which head office of the credit institution – branch founder is located; or

6) credit institutions with head office in Montenegro are not given the possibility in the state in which head office of the credit institution – branch founder is located to set up a branch under at least equal conditions which are enabled to the credit institution – branch founder in Montenegro.

(2) The Central Bank shall grant authorisation to the credit institution to establish a branch if conditions are met for granting such authorisation and if the credit institution – branch founder deposited into the account of the credit institution with head office in Montenegro the monetary amount not lower than 7,500,000 euro, which it shall keep in that account until registration of the branch in the Central Registry of Business Entities, after which it shall be transferred into the account of the branch kept with the Central Bank.

(3) The funds referred to in paragraph 2 of this Article shall be deemed as the own funds of the branch, within the meaning of this Law.

(4) Credit institution – branch founder may increase the amount of the own funds referred to in paragraph 3 of this Article only by paying monetary funds into account of the branch opened with the Central Bank.

Registration of the Branch of Third-Country Credit Institution

Article 92

(1) Authorisation to the branch of the third-country credit institution shall be a requirement for registration of the branch in the Central Registry of Business Entities.
(2) The branch shall be registered within 60 days as of the day of receiving the decision on issuing the authorisation.
(3) The branch shall commence its operations within six months as of the day of receiving the authorisation referred to in paragraph 1 of this Article.

Termination of Operation of the Branch of the Third-Country Credit Institution

Article 93

(1) Authorisation to establish a branch of the third-country credit institution shall cease to be valid if:
1) the competent supervisory authority has withdrawn or annulled authorisation of the credit institution-branch founder, and so as of the day of withdrawal or annulment of the authorisation;
2) the credit institution– branch founder ceases to exists in the state in which its head office is located or if it has lost legal capacity according to the regulations of that country, or if the competent registration court or another competent authority has removed that credit institution from the relevant registry, or has lost the right to dispose of property, and so as of the day of occurrence of one of those reasons;
3) the credit institution - branch founder rendered decision on termination of operation of the branch;
4) a competent court or another authority rendered decision to initiate bankruptcy proceedings against branch of the third-country credit institution.
(2) The Central Bank shall withdraw authorisation from the third-country credit institution to establish a branch in Montenegro if:
1) that credit institution has been granted authorisation on the basis of untrue and inaccurate data, which were relevant for granting of the authorisation to establish the branch;
2) the conditions for refusing the application for granting the authorisation referred to in Article 91 paragraph 1 of this Law occur;
3) branch does not fulfil obligation to protect deposits in accordance with the regulations governing deposit protection;
4) branch does not commence operations within six months as of the day of granting the authorisation;
5) branch does not operate longer than six months;
6) branch does not operate in accordance with applicable regulations in Montenegro; or
7) branch does not fulfil its financial obligations in Montenegro.
(3) If competent supervisory authority withdraws or annuls authorisation for the provision of a specific financial service to the credit institution-branch founder, that credit institution shall, without any delay, notify the Central Bank thereof.
(4) The Central Bank shall, on the basis of the notification referred to in paragraph 3 of this Article, withdraw authorisation for the provision of that service from the branch of the third-country credit institution in Montenegro.
(5) The Central Bank may order to a branch of the third-country credit institution whose assets and contingent liabilities as stated in its audited annual financial statements exceed 5 percent of total assets and contingent liabilities of all credit institutions in Montenegro to continue its operations in Montenegro as a credit institution.
(6) The credit institution – branch founder may file an application for removal of the branch from the Central Registry of Business Entities only after settlement of all the liabilities that resulted from the operation of that branch.

Application of Other Provisions of this Law to the Branch of the Third-Country Credit Institution

Article 94

Provisions of this Law shall apply *mutatis mutandis* to the branch of the third-country credit institution in respect of:

1) management board of credit institution;
2) operations of credit institution;
3) capital requirements;
4) capital conservation buffers and measures;
5) limitations and prohibitions;
6) banking secret;
7) consumer protection;
8) accounting and auditing;
9) reporting to the Central Bank;
10) public disclosure of information;
11) supervision of credit institutions;
12) supervisory measures;
13) reorganisation measures; and
14) prudential requirements for credit institutions.

Insurance of Deposits of the Branch of the Third-Country Credit Institution

Article 95

(1) Third-country credit institution that established a branch in Montenegro shall insure in that third country the deposits that it has received in branches operating within the territory of Montenegro .

(2) The level and scope of deposit insurance received by the branch of the third- country credit institution must be at least at the level of the insurance set out by the law governing deposit insurance in Montenegro.

(3) If deposit insurance scheme does not exist in the country in which head office of the credit institution-branch founder is located or the level and/or scope of insurance of deposits is lower than in Montenegro, the branch of the third-country credit institution shall become part of the deposit insurance scheme in Montenegro.

Representative Office of the Third-Country Credit Institution

Article 96

(1) In order to set up a representative office in Montenegro, third-country credit institution (hereinafter: the credit institution – founder of the representative office) shall obtain prior authorisation from the Central Bank.

(2) The following shall be attached to the application for granting the authorisation referred to in paragraph 1 of this Article:

1) excerpt from appropriate registry of the state in which head office of the credit institution - founder of the representative office is located, not older than 60 days, which contains data on the legal form and time of registration of credit institution – founder of the representative office in the registry and data on persons authorised for representation and on the scope of their powers or authentic incorporation documents notarised in accordance with the regulations of the state in which credit institution has a registered head office, which contains such data;

2) notarised memorandum of association of the credit institution – founder of the representative office;

3) audit report, including audited financial statements of the credit institution – founder of the representative office for the past three business years;

4) decision of credit institution – founder of the representative office on setting up representative office;

5) data on head office and address and on business premises of the representative office;

6) authorisation granted by the competent authority of the credit institution -– founder of the representative office to set up representative office in Montenegro or statement that such authorisation is not required;

7) notarised statement by the credit institution – founder of the representative office declaring that it will settle all liabilities incurred in Montenegro in relation to the operation of the representative office;

8) data on persons responsible for operation of the representative office.

(3) The Central Bank shall decide on the application for granting the authorisation referred to in paragraph 1 of this Article no later than 60 days as of the day of receiving duly compiled application.

(4) The Central Bank shall refuse application for granting the authorisation to set up representative office referred to in paragraph 1 of this Article if it establishes that:

1) there is no possibility of cooperation between competent authority of the third-country credit institution and the Central Bank, or

2) there is reasonable doubt that such third-country credit institution is in any way associated with money laundering or terrorist financing.

(5) The authorisation referred to in paragraph 1 of this Article shall be a prerequisite for registration of representative office of the third-country credit institution in the Central Registry of Business Entities.

(6) The Central Bank may withdraw authorisation to set up representative office of the third-country credit institution, if representative office of the third-country credit institution acts contrary to the regulations of Montenegro.

5. Subsidiary Undertakings and Status Changes

Setting up Organisational Parts and Subsidiary Legal Persons

Article 97

(1) Credit institution may establish subsidiary legal persons in Montenegro and abroad, in accordance with this Law.

(2) Subsidiary legal persons abroad shall be established with prior approval of the Central Bank.

Status Changes

Article 98

Credit institutions may perform the following status changes:

1) merging of credit institutions, which shall be carried out:
   - by setting up a new credit institution,
   - by acquisition of another credit institution;
2) by division into two or more credit institutions;
3) by demerger, with establishment of one or more credit institutions.

Merging Credit Institutions by Establishing New Credit Institution

Article 99

(1) Credit institutions, intending to merger by establishing a new credit institution with head office in Montenegro, shall submit to the Central Bank the application for issuing the license to the credit institution established by merger, accompanied by the following:

1) decisions on merger rendered by the general shareholders assemblies of credit institutions;

2) memorandum of association of credit institution which is established by merger of credit institutions;

3) proposal for the articles of association of credit institution established by merger;

4) data on the names, qualifications and work experience of the proposed members of supervisory and management boards of the credit institution established by merger;

5) business plan of credit institution established by merger, for the next three years;

6) consolidated statements of financial position (balance sheet) and comprehensive income (profit and loss statement) of credit institutions that are merged, according to the data from the month which preceded filing of the application for granting of the license;
7) data on human resource and technical capacities of credit institution being established by merger;
8) documents specifying conditions and reasons for merger.

(2) If the participant in the merger by establishing new credit institution is a credit institution with head office in another state, the application and documents referred to in paragraph 1 of this Article shall be accompanied by appropriate authorisation granted by the competent authority of the state in which head office of such credit institution is located.

(3) The Central Bank may request from participants in the merger to submit additional data and documents.

(4) The Central Bank shall decide on the application referred to in paragraph 1 of this Article by rendering a decision no later than 120 days as of the day of receiving duly compiled application.

(5) Provisions of this Law governing the issuing of the license to the credit institution shall apply *mutatis mutandis* to the issuing of the license to the credit institution which is established by merger of credit institutions.

Acquisition of Credit Institution

Article 100

(1) In the case of merger carried out by the acquisition of one credit institution by another, the credit institution which acquires another credit institution (hereinafter: the acquirer credit institution) shall file with the Central Bank the application for granting of the authorisation for acquisition, to which it shall attach the following:
1) decision rendered by general shareholders assembly of the credit institution which is acquired, regarding acquisition by the acquirer credit institution;
2) decision rendered by general shareholders assembly of the acquirer credit institution on the acceptance of acquisition;
3) documents specifying conditions and reasons for acquisition;
4) consolidated statements of financial position and comprehensive income of the credit institution being acquired and of the acquirer credit institution, compiled based on data from the month which precedes submission of the application for acquisition;
5) decision on issuing of shares on the basis of acquisition of credit institution;

(2) The Central Bank may request from the credit institution by which another credit institution is acquired some other data and documents as well.

(3) The Central Bank shall grant authorisation referred to in paragraph 1 of this Article provided that the following conditions are met:
1) acquisition does not deteriorate financial soundness of the acquirer credit institution;
2) acquirer credit institution has the system of organisation, management, decision-making and information technology which enables it to completely integrate credit institution being acquired into its system, in the manner which does not compromise its functioning;
3) acquisition is economically justified, or that cannot have negative consequences on the financial market.

(4) The Central Bank shall decide on the application referred to in paragraph 1 of this Article by rendering a decision no later than 90 days as of the day of receiving duly compiled application.

Division of a Credit Institution

Article 101

(1) Credit institution which conducts the division procedure shall file with the Central Bank the application for issuing the license to credit institutions set up by division, accompanied by the following:
1) decision of general shareholders assembly of the credit institution regarding the division of the credit institution;
2) memorandum of association of credit institutions created as a result of the division of the credit institution;
3) proposal for the articles of associations of credit institutions created as a result of the division;
4) data on the names, qualifications, and work experience for the proposed members of supervisory and management boards created as a result of the division;
5) business plans of credit institutions created as a result of the division of the credit institution for the next three years;
6) documents specifying conditions and reasons for the division of the credit institution;
7) data on human resource and technical capacity of credit institutions created as a result of the division.

(2) The Central Bank shall decide on the application referred to in paragraph 1 of this Article by rendering a decision no later than 90 days from the day of receiving duly completed application.

(3) Provisions of this Law governing the issuing of the license to the credit institution shall apply to the issuing of the licenses to the credit institutions created as a result of the division of the credit institution.

Demerger Resulting in the Establishment of One or More Credit Institutions

Article 102

(1) Credit institution which conducts the procedure of demerger resulting in the establishment of one or more credit institutions shall at the same time file with the Central Bank the application for granting the authorisation for the demerger of a part of its assets and liabilities into one or several credit institutions which are being established (hereinafter: the new credit institution) and application for issuing the license to the new credit institutions, which shall be accompanied by:
1) decision of general shareholders assembly of the credit institution on the demerger of a part of its assets and liabilities by establishing a new credit institution;
2) statements of financial position and comprehensive income of the credit institution a part of assets and liabilities of which is being demerged resulting in the establishment of a new credit institution, according to the data from the month which preceded filing of the application referred to in this paragraph;
3) memorandum of association of the new credit institution;
4) proposal for the articles of association of the new credit institution;
5) data on names, qualifications and work experience of the proposed members of supervisory and management boards of the new credit institution;
6) business plan of the new credit institution for the next three years;
7) conditions and reasons for demerger of a part of assets and liabilities of the credit institution resulting in the establishment of a new credit institution;
8) data on human resources and technical capacities of the new credit institution.

(2) The Central Bank shall decide on the applications referred to in paragraph 1 of this Article by rendering a decision no later than 90 days as of the day of receiving a duly application.

(3) Provisions of this Law governing the issuing of the license to the credit institution shall apply to the issuing of the license to the new credit institution.

IV OPERATIONS OF CREDIT INSTITUTION

1. General Provisions

Principle of Liquidity and Principle of Solvency

Article 103

Credit institution shall operate in such a manner that it is capable in any moment to pay due monetary claims in a timely manner (principle of liquidity), as well as that it is permanently capable of honouring all of its obligations (principle of solvency).

Governance arrangements

Article 104

(1) Credit institution shall establish and implement efficient and reliable governance arrangements which include the following:
1) organisational structure with well-defined, transparent and consistent powers and responsibilities, which is established in the manner which enables avoidance of the conflict of interest;
2) effective processes for identifying, assessing, managing, monitoring and reporting on the risks that the credit institution is or might be exposed to in its operations;
3) adequate internal control mechanisms, which also include sound administrative and accounting procedures;
4) remuneration policies and practices that are consistent with and promote sound and effective risk management;
5) recovery plan of the credit institution.

(2) The governance arrangements referred to in paragraph 1 of this Article must be comprehensive and proportionate to the type, scope, and complexity of the operations performed by the credit institution, as well as to the risks inherent to the model of operations and activities of the credit institutions, taking into account provision of this Law governing risk management, internal approaches for calculating capital requirements, supervisory measurement of internal approaches for calculating regulatory requirements, all types of specific risks, public disclosure of return on assets, requirements pertaining to management bodies, reporting requirements, internal governance arrangements in the credit institution and remuneration policy.

(3) Credit institution shall establish adequate and transparent organisational and operating structure in accordance with paragraph 1 item 1 of this Article, so that such structure:
1) enables efficient communication and cooperation at all organisational levels, including appropriate information flow in the credit institution;
2) restricts and prevents conflict of interest; and
3) establishes clear and documented decision-making process.

(4) Credit institution shall identify in a timely manner the areas of operations in which there is a potential conflict of interest and to ensure that any conflict of interest in any form is prevented in an appropriate manner.

(5) The Central Bank shall prescribe governance arrangements of the credit institution, which pertains to organisational structure and internal control mechanisms referred to in paragraph 1 of this Article.

2. Risk Management

Obligation to Manage Risks

Article 105

(1) Risk management, within the meaning of this Law, shall be a set of procedures and methods for identifying, measuring, as well as for assessing, monitoring and controlling risk, including also reporting on the risks which the credit institution is exposed to or could be exposed to in its operations.

(2) Credit institution shall include in its risk management referred to in paragraph 1 of this Article all the risks it is exposed to or could be exposed to in its operations, including also risks associated with macroeconomic environment in which the credit institution operates given the state of the business cycle, and particularly:
1) credit risk;
2) counterparty risk;
3) residual risk;
4) concentration risk;
5) securitisation risk;
6) market risk;
7) interest rate risk arising from non-trading book activities;
8) operational risk;
9) liquidity risk;
10) risk of excessive financial leverage.

(3) Credit institution shall provide adequate resources for managing all significant risks, including a suitable number of staff with necessary expert knowledge and experience in risk management, as well as in activities concerning asset appraisal, use of external credit ratings and internal model for such risks.

(4) For the purpose of ensuring consistent implementation of the risk management strategies and policies, the credit institution shall establish and consistently apply appropriate administrative, accounting, and other procedures for the efficient internal controls system, and particularly for:
1) calculating and reviewing the amounts of capital requirements for such risks, and
2) identifying and monitoring large exposures, changes in large exposures, and reviewing the compliance of large exposures with policies of the credit institutions regarding such type of exposure.

(5) The credit institution shall establish an appropriate risk reporting system to the management and supervisory boards, which includes all the significant risks and risk management policies, as well as their amendments.

Credit Risk and Counterparty Risk

Article 106

(1) Credit risk, within the meaning of this Law, shall be a risk of incurring losses in operations of the credit institution arising from debtor's default towards the credit institution.

(2) Counterparty risk, within the meaning of this Law, shall be a risk of counterparty's entry into default status prior to final settlement of cash flows of the transaction.

(3) The credit institution shall establish sound and well-defined criteria for credit granting and clearly establish processes of approving, amending, renewing and refinancing credits.

(4) The credit institution shall develop internal methodologies for credit risk assessment, exposure to individual debtors, securities or securitisation positions, as well as to assess credit risk at the portfolio level.

(5) The securitisation position referred to in paragraph 4 of this Article shall be deemed to be the securitisation exposure.

(6) The internal methodologies referred to in paragraph 4 of this Article must not rely solely or mechanically on credit ratings by external credit assessment institutions, and where the capital requirements of the credit institution are based on the rating by an external credit assessment institution or based on the fact that an exposure is unrated, the credit institution must take into account other relevant information when allocating internal capital.

(7) An external credit assessment institution referred to in paragraph 6 of this Article shall be a credit rating agency that is registered or certified in accordance with the European Union regulations governing credit rating agencies, or a central bank meeting requirements from such regulations.

(8) Credit institution shall establish efficient systems for the ongoing administration and monitoring of the various credit risk-bearing portfolios and exposures of the credit institution, including for

identifying and managing problem credits and for making adequate value adjustments and provisions.

(9) Credit institution must take into account compliance of diversification of credit portfolios with the target market and overall strategy of the credit institution.

Residual Risk

Article 107

(1) Residual risk, within the meaning of this Law, shall be a risk of loss for the credit institution occurring if the results of application of the recognised credit risk mitigation techniques used by the credit institution are less effective than expected.

(2) The credit institution shall adopt and implement adequate policies and procedures for residual risk management.

Concentration Risk

Article 108

(1) Concentration risk, within the meaning of this Law, shall be a risk of occurrence of negative effects for the credit institution arising from the existence of individual, direct and indirect, exposure to one counterparty, group of connected counterparties or central counterparties, or arising from existence of a set of exposures related to the common risk factors.

(2) The credit institution shall adopt and implement adequate policies and procedures for the concentration risk management arising from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, same geographic region, from the same activity or connected by the same commodity, as well as the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures such as a single collateral issuer indirect exposure.

Interest Rate Risk arising from Non-trading Book Activities

Article 109

(1) Interest rate risk arising from non-trading book activities, within the meaning of this Law, shall be a risk resulting from potential changes to interest rates which affect operations of the credit institution which are recorded in non-trading book positions.

(2) The credit institution shall implement systems for identification and assessment of the risk arising from potential changes in interest rates that affect the credit institution operation arising from non-trading book activities and management of such risk.

Securitisation Risk

Article 110

(1) Securitisation risk, within the meaning of this Law, shall be the risk of occurrence of negative effects for the credit institution arising from economic transfers of one exposure or a set of exposures, or of credit risk of such exposures.

(2) The credit institution shall establish adequate policies and procedures for assessment and monitoring risks arising from securitisation transactions where the credit institutions is investor, originator or sponsor, including also reputational risks, such as those arising in relation to complex structures or products, in order to ensure that the economic substance of the transaction is fully reflected in risk assessment and decisions of the supervisory and management boards of the credit institution.

(3) Securitisation referred to in paragraph 1 of this Article shall mean a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having both of the following characteristics:

1) payments in the transaction or scheme are dependent upon the performance of the underlying exposure or underlying pool of exposures; and

2) the subordination of tranches determines the distribution of losses during the life of the transaction or scheme;

3) transaction or scheme does not create exposures towards business undertakings in the form of specialised financing, which included exposures which possess the following characteristics:

- the exposure is to an entity which was specifically established to finance or operate tangible assets or is an economically comparable exposure,
- the contractual arrangement give the lender a substantial degree of control over the assets and the income that they generate,
- the primary source of repayment of the obligation is the income generated by the assets being financed rather than the independent cash flows that such entity generates in its operations.

(4) Originator referred to in paragraph 2 of this Article means the credit institution which:

1) itself or through connected persons, directly or indirectly, was involved in the original agreement which created direct or contingent liabilities of the debtor or potential debtor giving rise to the exposure being securitised; or

2) purchases a third party's exposures for its own account and then securitises them.

(5) Sponsor referred to in paragraph 1 of this Article shall mean a credit institution other than an originator that establishes and manages an asset-backed commercial paper programme or other securitisation scheme that purchases exposures from third parties and which transfers active management of the portfolio included in such securitisation to an entity authorised to perform such activities.

(6) Credit institution, which is an originator of revolving securitisation transaction involving early amortization provisions, must draw up liquidity plans to address the implications of both, scheduled and early amortisation.

(7) The credit institution shall not be exposed to the securitisation risk if it does not fulfil the conditions under which it may be exposed to such risk, specified by the regulation referred to in Article 134 paragraph 9 of this Law.

Market Risks

Article 111

(1) Market risk, within the meaning of this Law, shall be the risk of incurring losses by financial instruments recorded in the balance sheet and off-balance sheet of the credit institution, caused by negative trends of market prices.

(2) Market risks shall include:

1) position risk, which assumes risk of loss resulting from change in price of a financial instrument or in case of derivative financial instrument a change in price of underlying variable;

2) foreign exchange risk, which assumes a risk of loss resulting from change in foreign exchange rate and/or change in price of gold;

3) commodity risk, which assumes a risk of loss resulting from change in commodity prices.

(3) The financial instruments within the meaning of this Law shall mean:

1) a contract that gives rise to both a financial assets of one counterparty and a financial liability or equity instrument of another counterparty;

2) any financial instrument specified in the law governing capital market;

3) derivative financial instrument;

4) primary financial instrument;

5) cash instrument.

(4) The instruments referred to in paragraph 3 items 1, 2 and 3 of this Article shall be deemed to be financial instruments only if their value is derived from the price of an underlying financial instrument or another underlying item, a rate, or an index.

(5) Credit institution shall manage all market risks it is exposed to in its operations and ensure implementation of policies and processes for establishing and measuring all important sources and effects of market risks and management of such risks.
(6) Credit institution shall:
1) take measures against the risk of shortage of liquidity when the short position falls due before the long position;
2) provide adequate internal capital for material market risks that are not subject to capital requirements;
3) have adequate internal capital, where it holds opposite positions in stock index futures which are not identical in respect of either their maturity and/or their composition.
(7) Credit institution which, in the calculating capital requirements for position risk, netted off their positions in one or more of the equity instruments constituting a stock-index against one or more positions in the stock-index future or other stock index product, must have adequate internal capital to cover the basis risk of loss, caused by the future's or other product's value not moving fully in line with value of its underlying equity instruments.
(8) Where a credit institution conducts the procedure for offering or sale financial instruments with the obligation of purchase, it shall ensure that it holds sufficient internal capital against the risk of loss which exists between the time of initial commitment and the following working day.

Operational Risk Management

Article 112

(1) Operational risk, within the meaning of this Law, shall be the risk of incurring losses for the credit institution resulting from inadequate or failed internal processes, people and systems or external events, including legal risk.
(2) Credit institution shall implement policies and processes to evaluate exposure to operational risk and manage such exposure, including model risk, as well as to cover low-frequency high-severity events.
(3) On the basis of policies and procedures referred to in paragraph 2 of this Article, the credit institution shall identify sources of operational risk for that credit institution.
(4) Credit institution shall develop a contingency plan and business continuity plan in order to ensure continuity of operations and limitation of losses in the event of severe business disruption.

Liquidity Risk Management

Article 113

(1) Liquidity risk, within the meaning of this Law, shall be the risk that the credit institution will not be able to provide sufficient amount of funds to meet its financial obligations as they become due, or the risk that the credit institution will have to obtain funds at considerable costs in order to meet its matured financial obligations.
(2) Credit institutions shall, in proportion to their size, complexity, risk profile, scope of operation, and risk tolerance set by the management body of the credit institution, establish and implement robust strategies, policies, processes and systems for the identification, measurement and monitoring of liquidity risk, and manage this risk over appropriate time horizons, including intra-day, so as to ensure maintaining adequate levels of liquidity buffers.
(3) The credit institution shall ensure that all relevant business lines are notified of the set risk tolerance.
(4) The strategies, policies, processes, and systems referred to in paragraph 1 of this Article must be tailored to business lines, currencies, branches, and legal persons and shall include adequate allocation mechanisms of liquidity costs, benefits, and risks and must reflect the credit institution's importance in each state in which it carries out business.
(5) When implementing the strategies, policies, processes, and systems referred to in paragraph 1 of this Article, a credit institution shall:
1) develop methodologies for the identification, measurement, and monitoring of sources of funding positions and management of such positions, so these methodologies include the current

and projected material cash-flows arising from assets, liabilities, off-balance-sheet items, including contingent liabilities and the possible impact of reputational risk;

2) distinguish between pledged and unencumbered assets that are available at all times, in particular during emergency situations, and take into account the legal person in which assets reside, the country where assets are recorded either in an appropriate registry or in an account and their eligibility and monitor how assets can be mobilised in timely manner for liquidity purposes;

3) take into account existing legal, regulatory, and operational limitations to potential transfers of liquidity and unencumbered assets amongst entities within and outside Montenegro;

4) consider different liquidity risk mitigation tools, including a system of limits and liquidity buffers in order to be able to withstand a range of different stress events and in order to have an adequately diversified structure of sources of funding and access to funding sources, whereby such systems must be reviewed regularly;

5) consider alternative scenarios on liquidity positions and on risk mitigants and review the assumptions underlying decisions concerning the funding position at least annually, in particular scenarios related to off-balance sheet items and other contingent liabilities, including liabilities of securitisation special purpose entities and other special purpose entities in relation to which the credit institution acts as sponsor or provides material liquidity support;

6) consider the potential impact of credit institution-specific, market-wide and combined scenarios, including different time periods and varying degrees of stress conditions;

7) adjust its strategies, internal policies and limits on liquidity risk and develop effective contingency action plans, taking into account the outcome of the alternative scenarios referred to in item 5 of this paragraph;

8) have in place a liquidity recovery plan setting out adequate strategies and the measures to address possible liquidity shortfalls, including also liquidity shortfalls in relation to branches established in another state.

(6) Securitisation special purpose entity referred to in paragraph 5 item 5 of this Article (hereinafter: SSPE) shall mean a business undertaking, trust or other entity, other than an originator or sponsor, established for carrying out a securitisation or securitisations, the activities of which are limited to activities appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the SSPE from those of the originator.

(7) A credit institution shall test the plan referred to in paragraph 5 item 8 of this Article at least annually, update it on the basis of the outcome of the alternative scenarios referred to in paragraph 5 item 5 of this Article and ensure that such plans are reported to and approved by senior management, so that internal policies and procedures can be adjusted accordingly.

(8) A credit institution shall take the necessary operational measures on timely basis to ensure that liquidity recovery plans can be implemented immediately, and such operational measures shall include as a minimum holding of collateral immediately available for providing the lending support by the Central Bank; and where necessary holding of collateral in the currency of another State to which the credit institution is exposed or holding of collateral in the currency of another State to which currency it is exposed.

(9) Credit institutions, taking into account the nature, scale and complexity of its activities, must have liquidity risk profiles that are consistent with, or adequate to the risk profile, required for a robust and well-functioning system for managing such risk.

(10) The Central Bank shall monitor developments in relation to liquidity risk profile of the credit institution, and in particular in relation to product design and volumes, risk management, funding sources policies and funding sources concentrations and undertake adequate measures after having assessed that such developments may lead to the credit institution or systemic instability.

(11) The Central Bank shall regulate minimum standards for liquidity risk management.

Liquidity Coverage and Stable Funding Requirements

Article 114

(1) Credit institution shall hold liquid assets, the sum of the values of which covers the liquidity outflows less the liquidity inflows under stressed conditions, so as to ensure that the credit

institution maintains level of liquidity buffers which are adequate to cover any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of thirty days.

(2) During times of stressed conditions, the credit institution may use its liquid assets referred to in paragraph 1 of this Article to cover its net liquidity outflows in accordance with the procedure referred to in paragraph 5 of this Article.

(3) The credit institution shall maintain the liquidity coverage ratio (LCR) at a rate of minimum 100%.

(4) The Liquidity coverage ratio referred to in paragraph 3 of this Article shall be equal to the ratio of liquidity buffer of the credit institution and its net liquidity outflows under stressed conditions over a period of thirty calendar days, and shall be stated in percentage in accordance with the following formulae:

$$LCR\ (\%) = \frac{\text{liquidity buffer}}{\text{net liquidity outflows under stressed conditions over a period of 30 days}}$$

(5) Where a credit institution does not meet, or expects not to meet the requirement referred to in paragraph 1 or the obligation referred to in paragraph 9 of this Article, including during stressed conditions, it shall immediately notify the Central Bank and submit a plan for the timely restoration of compliance with paragraphs 1 or 9 of this Article.

(6) In the case referred to in paragraph 5 of this Article, the credit institution shall report to the Central Bank on liquidity and stable funding sources daily by the end of each working day until compliance has been restored.

(7) Notwithstanding paragraph 6 of this Article, the Central Bank may, at a request of a credit institution, approve lower reporting frequency and extend the timeframe for the submission of reports, taking into account its position in the system and the scale and complexity of its activities.

(8) The Central Bank shall carry out supervision of the implementation of the plan referred to in paragraph 5 of this Article and, if needed, it may require its accelerated implementation.

(9) The credit institution shall ensure that long-term obligations are adequately met with a diversity of instruments of stable funding sources under both normal and stressed conditions.

(10) A Central Bank regulation referred to in Article 113 paragraph 11 of this Law shall also govern the following:

1) credit institution's assets deemed to be liquid assets;
2) operational requirements related to liquid assets holding;
3) valuation of liquid assets,
4) liquidity outflows and inflows;
5) items requiring and items facilitating stable funding sources;
6) calculation of liquidity coverage ratio referred to in paragraph 3 of this Article;
7) other obligations of credit institutions related to liquidity coverage and stable funding sources requirements.

Management of the Risk of Excessive Financial Leverage

Article 115

(1) Risk of excessive financial leverage, within the meaning of this Law, shall be the risk resulting from the credit institution's vulnerability due to existing or contingent financial leverage that may require unintended changes to the business plan of the credit institution, including distressed selling of assets which might result in losses or valuation adjustments to the remaining assets of the credit institution.

(2) The financial leverage referred to in paragraph 1 of this Article shall be with respect to the own funds of the credit institution, the relative size of assets, off-balance sheet obligations and contingent obligations of the credit institution to pay or to deliver or to provide collateral, including obligations from received sources of funding, commitments, derivatives or repurchase agreements, but excluding obligations which can only be enforced during the bankruptcy or liquidation of the credit institution.

(3) A credit institution shall have policies and processes in place for the identification and monitoring of the risk of excessive financial leverage and for the management of such risk.
(4) As indicators for the risk of excessive financial leverage, a credit institution shall use the financial leverage ratio and mismatches between assets and liabilities and capital of the credit institution.
(5) A credit institution shall address the risk of excessive financial leverage in a precautionary manner by taking due account of potential increases in the risk caused by reductions of the credit institution's own funds through expected or realised losses, in accordance with the applicable accounting rules.
(6) In order to meet the requirements referred to in paragraph 3 of this Article, a credit institution must be able to withstand a numerous different stress events with respect of the risk of excessive financial leverage.
(7) The Central Bank shall stipulate the manner of calculation of the excessive financial leverage ratio referred to in paragraph 2 of this Article.

Risks related to Outsourcing

Article 116

(1) A credit institution shall have in place an adequate system to manage the risks related to outsourcing.
(2) The outsourcing referred to in paragraph 1 of this Article shall be deemed to include arrangement for any type of provision of services whereby the service provider carries out a process, service or activity on behalf of the credit institution that, if they have not been outsourced, the credit institution would carry out on its own.
(3) The credit institution shall be prohibited to carry out outsourcing, if such outsourcing would have negative effects on:
1) continuous meeting of requirements under which the credit institution was granted a license and other requirements referred to in this Law and regulations adopted pursuant to this Law;
2) the performance of regular activities of the credit institution;
3) the efficient risk management in the credit institution;
4) the system of internal controls in the credit institution; or
5) the possibility of the Central Bank to carry out supervision.
(4) The credit institutions shall notify forthwith:
1) the Central Bank before intending to outsource critical or significant tasks or switch service provider entrusted to carry out such activities;
2) the Central Bank of outsourced processes, services or activities that became critical or significant;
3) the Central Bank of material changes and events related to the outsourcing that could have material effect on the performance of regular activities.
(5) The credit institution shall keep records of all outsourcing activities.
(6) The Central Bank shall regulate the outsourcing-related risk management.

Risk Management Regulation

Article 117

The Central Bank shall regulate the minimum standards for management of risks referred to in Articles 106 to 112 of this Law.

Classification of Assets and Calculation of Provisions

Article 118

(1) A credit institution shall classify balance sheet items and off-balance sheet items based on which it is exposed to credit risk and calculate potential loan loss provisions arising from those items.
(2) The Central Bank shall regulate the criteria for and manner of classification of assets and calculation of provisions for potential loan losses.

3. Internal Controls System

Establishing the Internal Controls System

Article 119

(1) Internal controls system shall be a range of processes and procedures established for the purpose of adequate risk control, monitoring of efficiency and effectiveness of credit institution operations, reliability of its financial and other information, as well as the compliance with the regulations, internal acts, standards and codes in view of ensuring stability of the credit institution operations.
(2) A credit institution shall establish, maintain, and improve an efficient internal controls system which corresponds to the size of the credit institution and the degree of complexity of its operations, which includes as a minimum the following:
   1) appropriate organisational structure;
   2) organisation culture;
   3) establishment of control functions;
   4) adequate control activities and segregation of duties;
   5) adequate internal controls integrated in business processes and activities of the credit institution; and
   6) adequate administrative and accounting procedures.

Control Functions

Article 120

(1) A credit institution shall establish the following control functions:
   1) risk control function;
   2) compliance monitoring function; and
   3) internal audit function.
(2) A credit institution management board shall, with the previous consent by the supervisory board, pass an internal act for each control function referred to in paragraph 1 of this Article.
(3) The Central Bank regulation shall regulate the content of internal acts for each control function, the conditions to be met by the persons performing the control function operations, the content and time frames for control function reporting, the persons to be reported to, as well as the scale and method of the operations performed under each function referred to in paragraph 1 of this Article, including the review of adequacy and efficiency of control functions.

Organisational Structure of Control Functions

Article 121

(1) A credit institution shall establish permanent and efficient control functions with appropriate powers that are independent from the business processes and activities that incur risk, i.e. that are monitored and supervised by control functions, proportionally to the size, nature, scale, and complexity of operations in accordance with its risk profile and in the way to avoid conflict of interest.
(2) An individual control function may not be organised within another control function.
(3) Notwithstanding paragraph 2 of this Article, a credit institution may organise the performance of compliance monitoring function operations within the risk control or other support function, if it is appropriate to its size and nature, scale and complexity of operations, whereas the operations of such function may not be organised within the internal audit function.
(4) A credit institution shall organise the control functions in the way to cover all material risks it might be exposed to in the course of its operations.
(5) A credit institution shall organise the internal audit function as a separate section, functionally and organisationally independent from the activities that are subject to internal audit and from the other organisational parts of the credit institution.

(6) A credit institution shall not fully outsource the control functions, but a portion of control function operations may be entrusted to a service provider in accordance with this Law and regulations adopted pursuant to this Law.

Persons performing Control Function Operations

Article 122

(1) A credit institution shall, proportionally to the size, nature, scale and complexity of its operations, ensure an adequate number of persons with corresponding professional knowledge and experience to perform the operations of each control function.
(2) A credit institution shall ensure regular professional development of the persons performing the control function operations.
(3) If the performance of the operations of a specific control function is entrusted to several persons, the credit institution must designate a person responsible for the work of the control function as a whole.
(4) Management board, with the consent of the supervisory board, shall designate and release from duty the person responsible for work of individual control functions, as well as his deputy.
(5) A credit institution shall, without any delay and no later than within three working days, inform the Central Bank about nominating persons responsible for the work of each control function, and in case of replacement of such persons on the reasons of their removal.
(6) The person responsible for the work of a specific control function shall report directly to the supervisory and management board, audit committee and/or other relevant committee established by the supervisory board and such a person must be ensured to take part in the sessions of these authorities and bodies as a minimum once a year when the report of this person is discussed.

Informing of the Credit Institution Management Body and the Central Bank on Breach of Regulations

Article 123

(1) The person responsible for the work of a specific control function who, in the course of his operations, establishes illegality in the operations or breach of rules on risk management,, or development of risk that threatens liquidity, solvency or security of credit institution business activities, shall inform, without any delay, the management board, supervisory board and the Central Bank thereof.
(2) Credit institutions shall have the obligation to establish appropriate internal procedures for their employees to report internally potential or actual breaches of provisions of this Law through a specific, independent and autonomous channel.
(3) A credit institution shall:
1) ensure appropriate protection for employees of the credit institution who report breaches against potential retaliation, discrimination or other types of unfair treatment;
2) ensure protection of personal data concerning both the persons who report the breaches and the persons who are allegedly responsible for a breach, in accordance with the law governing the data protection;
3) set clear rules that ensure that confidentiality is guaranteed in all cases in relation to the person who report the breaches committed within the credit institution, unless disclosure is required in the context of further investigation or subsequent judicial proceedings in accordance with the law.
(4) In order to support reporting to the Central Bank by employees of credit institutions on potential or actual breaches of provisions of this Law and regulations adopted pursuant to this Law, the Central Bank shall establish appropriate mechanisms which include:
1) Establishing a specific procedure for the receipt of the report on breaches;
2) Protection of employees equivalent to the protection referred to in paragraph 3 of this Article.

4. Remuneration Policy

Content of the Remuneration Policy

Article 124

(1) Aggregate, fixed and variable, remuneration policies shall be established at the level of an individual credit institution, at the level of a group and at the level of a parent credit institution in Montenegro and subsidiary undertakings, including undertakings established in the territories with more favourable tax regimes.

(2) The remuneration policies referred to in paragraph 1 of this Article shall cover all remunerations, including salaries and discretionary pension benefits, and it shall be applied to such categories of employees whose performance of assignments and activities within their powers may significantly impact the risk profile of a credit institution, and in particular:

1) supervisory and management boards of the credit institution;

2) management functions within the internal controls system and other independent control functions in the credit institution;

3) employees who within their powers may enter into deals that have an impact on the risk profile of the credit institution; and

4) other employees whose aggregate remuneration is equal to or higher than the remuneration of the members of the credit institution supervisory and management boards or employees who have a material impact on the risk profile of the credit institution.

(3) The supervisory board of the credit institution shall adopt and regularly check the adequacy of the remuneration policies and practices and as a minimum once a year ensure a comprehensive and independent audit of the compliance of actual remunerations with such policy and practice.

(4) A credit institution shall provide remuneration information and data to the Central Bank.

(5) A regulation of the Central Bank shall establish the basic principles for the remuneration policies, the rules, procedures and criteria related to remuneration policies in credit institutions, including also criteria for determining categories of employees who have a material impact on the risk profile of the credit institution and the manner of reporting to the Central Bank.

(6) The Central Bank shall collect quantitative information on remunerations in credit institutions, broken down by business area, quantitative information on remunerations broken down by senior management and employees who have a material impact on the risk profile of the credit institution, and number of individuals with higher remuneration in the credit institution, publicly disclosed by credit institutions in accordance with the regulation referred to in Article 237 paragraph 3 of this Law and it shall use such data to set benchmark remuneration trends and practices of credit institutions.

(7) The Central Bank shall forward to the European Banking Authority the data collected in accordance with paragraph 1 of this Article referring to number of natural persons that remunerated 1,000,000 euro or more per financial year, including data on their job responsibilities, the relevant business area and the main elements of wage, bonuses and long-term awards, and pension insurance contributions.

5. Credit institution Recovery Plan

Obligation to Draw up a Recovery Plan

Article 125

(1) A recovery plan establishing the measures for the improvement of the financial soundness in case that significant deterioration of the financial soundness arises, shall be adopted and submitted to the Central Bank by the following:

1) a credit institution that is not part of a group of credit institutions and a credit institution that is a subsidiary undertaking in a group of credit institutions in a third country – on an individual basis;

2) a parent credit institution in Montenegro, a credit institution referred to in Article 310 paragraph 2 of this Law and a parent credit institution in Montenegro that is a subsidiary in a group of credit institutions in a third country, for its group – on a consolidated basis;

3) a European Union parent credit institution with head office in Montenegro, on consolidated basis;

4) a credit institution that is a member of a European Union group of credit institutions, on an individual or sub-consolidated basis if so decided in accordance with Article 132 of this Law and instructed by a decision of the Central Bank; and

5) a credit institution excluded from a group of credit institutions in Montenegro in accordance with Article 313 of this Law – on an individual basis.

(2) The recovery plan shall contain, including but not limited to:

1) Brief overview of key elements of the plan and brief overview of total capacity of the credit institution for recovery, which includes a possibility of the credit institution to recover its financial position after significant deterioration;

2) Brief overview of significant changes in the credit institution from the time the latest recovery plan was submitted;

3) Plan of communication and dissemination, along with description of the manner in which the credit institution intends to resolve possible negative market reactions;

4) Coverage of measures concerning capital and liquidity required to maintain or recover sustainability and financial position of the credit institution;

5) Assessment of timeframe for implementation of every important aspect of the plan;

6) Detailed description of important impediments to an efficient and timely implementation of the plan, while taking into account impact on the rest of the group, consumers and other counterparties;

7) Identification of key functions;

8) Detailed description of procedures for assessing value and placing on the market of core business lines, activities and assets of the credit institution;

9) Detailed description on how recovery planning is included in the corporate governance structure of the credit institution and policies and procedures governing the manner of approving the recovery plan and determining persons responsible for preparation and implementation of the recovery plan in the credit institution;

10) Mechanisms and measure for preserving or recovering capital of the credit institution;

11) Mechanisms and measures for ensuring that the credit institution has adequate access to sources of funding for contingency events, including possible sources of liquidity, assessment of available collateral and assessment of possible transfers of liquidity between intra-group entities and operations, in order to create conditions to be able to continue with operations and meet its obligations at the time they become due;

12) Mechanisms and measures for reducing risks and leverage;

13) Mechanisms and measures for restructuring of obligations;

14) Mechanisms and measures for restructuring business lines;

15) Mechanisms and measures required for maintaining permanent access to financial market infrastructure;

16) Mechanisms and measures required for maintaining continuous work of operational processes of the credit institution, including infrastructure and information services;

17) Preparatory mechanisms for facilitating sale of assets or business lines within the timeframe appropriate for recovery of the financial situation;

18) Other measures and strategies of the credit institution bodies for recovery of the financial situation and expected financial impact of such measures or strategies;

19) Preparatory measures the credit institution has undertaken or plans to be implemented in order to facilitate implementation of the recovery plan, including measures necessary to enable timely recapitalisation of the credit institution;

20) Framework of indicators representing a base for undertaking appropriate measures from the recovery plan, which may be qualitative or quantitative depending on the financial position of the credit institution and which need to be simple for monitoring.

(3) The recovery plan may not assume any access to or receipt of support from public funds.

(4) The recovery plan shall include, where applicable, an analysis of how and when a credit institution may apply for the use of the Central Bank funds and identify those assets which might qualify as collateral, as well as the measures the credit institution might take if the conditions for early intervention referred to in Article 288 of this Law are met.

(5) The recovery plan shall also include appropriate conditions and procedures to ensure the timely implementation of recovery measures as well as a wide range of recovery options.
(6) The recovery plan shall also contain a range of scenarios of possible severe macroeconomic and financial stress relevant to the financial condition of the credit institution, including system-wide events and stress specific to individual legal persons and to groups it belongs.
(7) The recovery plan referred to in paragraph 1 of this Article shall be adopted by the management board of the credit institution.
(8) A credit institution shall apply the adopted recovery plan, whereby it may undertake measures from the recovery plan even if relevant indicator referred to in paragraph 2 item 20 of this Article has not been met yet, but the management body of the institution believes that so is necessary in given circumstances, or it shall sustain from undertaking such measures if the management body of the institution does not believe that so is necessary in given circumstances, and in the event of such action, it shall, without any delay, notify the Central Bank thereof.
(9) The Central Bank shall regulate the method and scope of application of the requirements related to the drawing up of a credit institution recovery plans, as well as the contents, method and timeframes for submission of these plans.

Recovery Plan Updating

Article 126

(1) A credit institution shall update its recovery plan at least annually, or several times during a year if requested by the Central Bank, as well as after the changes in the legal or organisational structure of the credit institution or a member of the group of credit institutions for which the recovery plan is drawn up or after the changes in their business or financial situation that might have material impact on the recovery plan or create a need for its amending.
(2) Notwithstanding paragraph 1 of this Article, the Central Bank regulation referred to in Article 125 paragraph 9 of this Law may establish a lower scale of the recovery plan and lower frequency of its updating for credit institutions whose size, business model and connectivity with other institutions or with overall financial system ensure that its failure shall not have a negative impact on the financial market, other credit institutions or financing conditions.
(3) The Central Bank shall consult the Financial Stability Council before the adoption of the enabling regulation referred to in paragraph 2 of this Article.
(4) The application of the lower scale recovery plan and lower frequency of its updating in accordance with paragraph 2 of this Article shall not have impact on the authorisations of the Central Bank to undertake crisis prevention measures or crisis management measures towards credit institutions referred to in paragraph 2 of this Article.
(5) The crisis prevention measures, within the meaning of paragraph 4 of this Article shall include:
1) executing powers for direct removal of deficiencies or impediments to recovery in accordance with Article 128 paragraphs 4 to 7 of this Law;
2) applying early intervention supervisory measures referred to in Article 289 paragraph 1 of this Law, including also a measure to introduce temporary administration;
3) executing powers for resolving or removing impediments to resolvability of the credit institution and executing powers to write down and conversion of relevant equity instruments in accordance with the law governing the resolution of credit institutions.
(6) A credit institution shall prescribe, document and regularly oversee the procedure for the recovery plan drawing up and updating.
(7) A credit institution shall provide the Central Bank with an insight in the full and detailed information on the procedure of the recovery plan drawing up and updating.
(8) The Central Bank shall inform the European Banking Authority about the adoption of the regulation referred to in paragraph 2 of this Article and the manner in which the lower scale and updating frequency of the recovery plan are governed.

Recovery Plan Assessment

Article 127

(1) A credit institution shall ensure that the following conditions are met with regard to the recovery plan:

1) the implementation of the measures proposed in the plan ensures re-establishment of the sustainability of regular business and stability of the financial soundness of a credit institution or a group of credit institutions for which the plan is drawn up, in the situations of serious financial disruptions, taking into account the preliminary measures undertaken or to be undertaken by the credit institution, and

2) a recovery plan and measures envisaged by such plan may be implemented immediately and effectively in the situations of serious financial disruptions, and shall not lead to materially adverse effects in the financial system, even in the case of a concurrent implementation of the recovery plan in another credit institution.

(2) The Central Bank shall, within six months following the submission of the recovery plan, review if the requirements referred to in Articles 125 and 126 of this Law and the conditions referred to in paragraph 1 of this Article have been met, and notify the credit institution thereof.

(3) If a credit institution has a significant branch in another Member State, the Central Bank shall, within the deadline referred to in paragraph 2 of this Article, also consult the relevant authority of the Member State where head office of the branch is located to the extent it is important for such branch.

(4) The recovery plan shall also be considered by the Central Bank in pursuing its function of an authority for the resolution of credit institutions, defined by the law governing the resolution of credit institutions and it shall give recommendations within the appropriate timeframe if it is of an opinion that the measures proposed by the recovery plan may have negative effects on the resolvability of the credit institution and such recommendations shall be taken into account when measures are imposed against the credit institution.

(5) In the assessment referred to in paragraph 2 of this Article, the Central Bank shall take into account the adequacy of capital structure and sources of funding of the credit institution depending on the complexity of the organisational structure and risk profile of such credit institution.

Remedy for Recovery Plan Deficiencies

Article 128

(1) Where, within the deadline referred to in Article 127 paragraph 2 of this Law, the Central Bank assesses that there are material deficiencies in the recovery plan or material impediments to its implementation, it shall order the credit institution to submit, within two months as a maximum, revised recovery plan demonstrating how the identified deficiencies or impediments are addressed, and before ordering the credit institution to submit the revised recovery plan, the Central Bank shall give an option to the credit institution to present its opinion on that order.

(2) The Central Bank may extend the deadline for the provision of the revised recovery plan referred to in paragraph 1 of this Article upon a reasoned request of the credit institution, by maximum one month.

(3) Where the Central Bank assesses that the revised recovery plan does not remedy the identified deficiencies or impediments, it may order the credit institution to make precisely specified changes to the recovery plan.

(4) If the credit institution fails to submit the revised recovery plan or if the Central Bank determines that the revised recovery plan does not remedy the identified deficiencies or impediments, and if it is not possible to remedy the identified deficiencies or impediments by requiring the precisely specified changes to the recovery plan, the Central Bank shall order the credit institution to identify changes to its business operations that can be made in order to address the deficiencies or impediments to the implementation of the recovery plan, as well as the deadlines for their implementation.

(5) If the Central Bank assesses that the changes in business operations identified by the credit institution in accordance with paragraph 4 of this Article adequately address the deficiencies or

impediments to the implementation of the recovery plan, it shall order the credit institution to make such changes.

(6) If the credit institution fails to identify the changes in the business operations in order to address the deficiencies or impediments to the implementation of the recovery plan or if the Central Bank assesses that the proposed changes or deadlines are not adequate, the Central Bank may order the credit institution, in addition to other measures set under this Law, to take any measures it considers to be necessary for the remedy of the deficiencies or impediments, proportionate to the seriousness of the deficiencies and impediments and the effects of the measures on the business operations of the credit institution, and in particular to.
   1) reduce its risk profile, including liquidity risk;
   2) create the conditions for timely recapitalisation;
   3) review the overarching business strategy and organisational structure;
   4) make changes to the liquidity risk management strategy, particularly with regard to the sources of funding, in order to improve resilience of the core business lines and the critical functions of the credit institution; and
   5) make changes to the credit institution governance system.

(7) The measures referred to in paragraph 6 of this Article may be the measures that are undertaken on a consolidated basis, the measures undertaken on an individual basis by a parent credit institution in Montenegro or a credit institution referred to in Article 310 paragraph 2 of this Law or the measures undertaken on an individual basis by a specific member of a group of credit institutions.

Assessment of Recovery Plans for Group of Credit Institutions with Members of the Group from Montenegro and Third Countries

Article 129

(1) The recovery plan that a parent credit institution referred to in Article 125 paragraph 1 item 2 of this Law adopts for its group shall include the measures that are undertaken on an individual basis by the parent credit institution and the measures individually undertaken by each subsidiary undertaking.

(2) The objective of the recovery plan referred to in paragraph 1 of this Article shall be the accomplishment of the stability of a group of credit institutions in Montenegro as a whole or any member of that group in event of a serious financial disruption in order to resolve or remove causes of disruptions or improve the financial position of that group or members of the group, where financial position of other undertakings in that group is also taken into account.

(3) The Central Bank shall review if the recovery plan for the group of credit institutions fulfils requirements and conditions from the regulation referred to in Article 125 paragraph 8 of this Law.

(4) If the Central Bank assesses that there are significant shortcomings in the recovery plan or significant impediments to possibility for its implementation, the procedure referred to in Article 128 of this Law shall be applied.

Assessment of Recovery Plans for a Group with members from the Member States where the Central Bank is a Consolidating Supervisor

Article 130

(1) A recovery plan that an EU parent credit institution with head office in Montenegro adopts for its group shall include measures that the parent credit institution implements on an individual basis and measures that each subsidiary undertaking implements on an individual basis.

(2) The objective of the recovery plan referred to in paragraph 1 of this Article shall be the achievement of the stability of the group of credit institutions in Montenegro as a whole or any member of such group in the situations of serious financial disruptions, for the purpose of resolving or removing the causes of the disruption, or improving the financial position of that group or members of the group, where financial position of other undertakings in that group is also taken into account.

(3) The Central Bank as a consolidating supervisor shall, in line with the requirements for exchange of confidential information specified in the law governing the resolution of credit institutions, forward the received recovery plans for a group of credit institutions to:
1) the competent authorities of Member States included in the college of supervisors;
2) the competent authorities of Member States where significant branches are located, if it is important for that branch;
3) the resolution authority competent for group resolution; and
4) the resolution authority competent for subsidiary undertaking resolution.

(4) After the consultations with the competent authorities referred to in paragraph 3 of this Article, the Central Bank as a consolidating supervisor, together with the competent authorities of other Member States where other undertakings included in a group of credit institutions in Montenegro are established, shall review if the recovery plan for the group of credit institutions meets the requirements and conditions under the regulation referred to in Article 125 paragraph 8 of this Law and in this Article.

(5) The review referred to in paragraph 4 of this Article shall include the consideration of the potential impact of the recovery measures proposed by the recovery plan on the financial stability in all Member States where the group of credit institutions in Montenegro operates.

(6) The Central Bank shall cooperate with the competent authorities of Member States where other subsidiary undertakings included in that group of credit institutions in Montenegro are established, for the purpose of making a joint decision concerning:
1) the review and assessment of the recovery plan for a group of credit institutions in Montenegro;
2) the request for development of an individual recovery plan for a specific credit institution that is part of a group of credit institutions in Montenegro;
3) the application of the measures referred to in Article 128 of this Law to an EU parent credit institution with head office in Montenegro, or a credit institution referred to in Article 310 paragraph 2 of this Law; and
4) the application of the measures referred to in Article 128 of this Law to a subsidiary undertaking in a group of credit institutions in Montenegro.

(7) The Central Bank and the competent authorities referred to in paragraph 6 of this Article shall make a joint decision within four months following the day when the Central Bank provided the recovery plan for a group of credit institutions in Montenegro to the competent authorities of other Member States.

(8) The decision referred to in paragraph 7 of this Article must be in writing and reasoned, and the Central Bank shall forward this decision to the parent credit institution under its competence.

(9) In the procedure of making the joint decision referred to in paragraph 7 of this Article, the Central Bank may seek assistance from the European Banking Authority pursuant to Article 31 of the Regulation (EU) No 1093/2010.

(10) Based on the decision referred to in paragraph 7 of this Article the Central Bank shall make a decision and forward it to the member of the group of credit institutions in Montenegro that is under its competence.

Procedure in Case of Deficiencies in the Recovery Plan

Article 131

(1) If the joint decision referred to in Article 130 paragraph 7 of this Article assesses that there are significant deficiencies in the recovery plan or significant impediments to the possibility of its implementation, the procedure referred to in Article 128 of this Law shall be applied.

(2) If the joint decision referred to in Article 130 paragraph 7 of this Law has not been made within the period of four months following the date when the Central Bank provided the recovery plan for that group to the competent authorities of the Member States, where other undertakings included in the group of credit institutions in Montenegro are established, the Central Bank shall autonomously make the decision referred to in Article 130 paragraph 6 items 1 and 3 of this Law for credit institutions under its competence, taking into account the views and reservations of those competent

authorities and inform about that decision the parent credit institution under its competence, as well as those competent authorities.

(3) Notwithstanding paragraph 2 of this Article, if within the period of four months following the date when the Central Bank provided the recovery plan for that group to the competent authorities of Member States, where other undertakings included in the group of credit institutions in Montenegro are established, but before the adoption of the joint decision, the Central Bank or any competent authority of other Member State, where other undertakings included in that group are established, seeks mediation of the European Banking Authority in making the joint decision concerning the assessment of the recovery plan or imposing the measures referred to in Article 130 paragraph 6 items 1, 2 or 4 of this Law and if the European Banking Authority made the decision within one month, the Central Bank shall make a decision in line with that decision, and the period of four months shall be deemed a conciliation period in terms of the Regulation (EU) No 1093/2010.

(4) In the case referred to in paragraph 3 of this Article, if the European Banking Authority does not make a decision within one month, the Central Bank shall autonomously make the decision referred to in Article 130 paragraph 6 items 1 and 3 of this Law for credit institutions under its competence, taking into account the views and reservations of other competent authorities and inform about that decision the parent credit institution under its competence, as well as competent authorities of Member States where other undertakings included in that group of credit institutions are established.

(5) The Central Bank and other competent authorities not opposing to the adoption of the joint decision referred to in Article 130 paragraph 6 items 2 and 4 of this Law may take a joint decision on the recovery plan for the group of credit institutions in Montenegro, which covers the members of the group that are subject to the competence of those authorities.

(6) The decisions referred to in Article 130 paragraph 6 of this Law and paragraph 5 of this Article shall be binding for all competent authorities of Member States where the undertakings included in that group of credit institutions in Montenegro are established.

Assessment of Recovery Plans for a Group where the Central Bank is not a Consolidating Supervisor

Article 132

(1) If a competent authority of other Member State is at the same time a competent consolidating supervisor, the Central Bank shall, on request of such authority, take part in the procedure of taking a joint decision on:

1) the review and assessment of the recovery plan for an EU group of credit institutions in accordance with Article 127 of this Law;

2) the request for drawing up an individual recovery plan for a specific credit institution that is part of an EU group of credit institutions;

3) the application of the measures referred to in Article 128 of this Law to the EU parent credit institution, and

4) the application of the measures referred to in Article 128 of this Law to a subsidiary undertaking in the EU group of credit institutions.

(2) The Central Bank may submit a request to the consolidating authority for a credit institution with head office in Montenegro that is a member of an EU group of credit institutions to draw up a recovery plan on an individual or sub-consolidated basis.

(3) The Central Bank shall take part together with competent authorities of other Member States where other undertakings included in an EU group of credit institutions are established, in the review, in the manner referred to in Article 127 of this Law, of the fulfilment of the requirements and conditions under the regulation referred to in Article 125 paragraph 8 of this Law.

(4) The review referred to in paragraph 1 item 1 of this Article shall include the consideration of the potential impact of the recovery measures proposed by the recovery plan on the financial stability in all Member States where the EU group of credit institutions operates.

(5) A joint decision referred to in paragraph 1 of this Article shall be taken within four months following the date when the consolidating supervisor provided the recovery plan for the EU group

of credit institutions to other competent authorities and the Central Bank, which shall, in accordance with that decision, make a decision and forward it to the member of the EU group of credit institutions under the competence of the Central Bank.

(6) In the procedure of making the joint decision referred to in paragraph 1 of this Article, the Central Bank may seek assistance from the European Banking Authority in accordance with Article 31 of the Regulation (EU) No 1093/2010.

Procedure in Case of Deficiencies in the Recovery Plan

Article 133

(1) If the joint decision referred to in Article 132 paragraph 1 of this Article assesses that there are significant deficiencies in the recovery plan or significant impediments to its implementation, the Central Bank shall take part in taking the joint decision for the purposes of the procedure referred to in Article 128 of this Law.

(2) If the joint decision referred to in paragraph 1 of this Article has not been made within the period of four months following the date when the consolidating supervisor provided to the Central Bank and other competent authorities of Member States the recovery plan for an EU group of credit institutions, the Central Bank shall take a decision on the requirement for drawing up a recovery plan and applying the measures referred to in Article 128 of this Law for each member of the group, which is under it is a competent authority, on an individual or sub-consolidated basis.

(3) Notwithstanding paragraph 2 of this Article, if within the period of four months following the date of submission of the recovery plan for an EU group of credit institutions and prior to the adoption of the joint decision, the Central Bank or any competent authority of other Member State of establishment of the undertaking included in the EU group of credit institutions seeks mediation of the European Banking Authority in making the joint decision concerning the assessment of the recovery plan or imposing the measures referred to in Article 130 paragraph 6 items 1, 2 or 4 of this Law and if the European Banking Authority made the decision within one month, the Central Bank shall make a decision in line with that decision, and the period of four months shall be deemed a conciliation period in terms of the Regulation (EU) No 1093/2010.

(4) In the case referred to in paragraph 3 of this Article, if the European Banking Authority fails to take a decision within one month, the Central Bank shall take the decision referred to in Article 132 paragraph 1 items 2 or 4 of this Law, in the manner referred to in paragraph 2 of this Article.

(5) The Central Bank and other competent authorities not opposing the adoption of the joint decision referred to in paragraph 1 of this Article may take a joint decision on the recovery plan for an EU group of credit institutions including members of the group that are under the competence of those authorities.

V CAPITAL REQUIREMENTS

1. Own Funds and Internal Capital

Own funds

Article 134

(1) A credit institution must at all times have the amount of capital adequate to the nature, scale and complexity of operations it carries out and risks it is or might be exposed to in the course of its operations.

(2) A credit institution shall at all times meet the following capital requirements:
1) Common Equity Tier 1 capital adequacy ratio of 4.5%;
2) Tier 1 capital adequacy ratio of 6%;
3) Total capital adequacy ratio of 8%.

(3) A credit institution shall calculate the capital rates as follows:
1) Common Equity Tier 1 capital adequacy ratio as the ratio of Common Equity Tier 1 capital of the credit institution and the total risk exposure amount, expressed as a percentage;

2) Tier 1 capital adequacy ratio as the ratio of the Tier 1 capital of the credit institution and the total risk exposure amount, expressed as a percentage;
3) total capital adequacy ratio as the ratio of own funds of the credit institution and the total risk exposure amount, expressed as a percentage.

(4) Own funds of a credit institution shall represent the sum of the Tier 1 capital and Tier 2 capital of the credit institution.

(5) The Tier 1 capital of a credit institution shall represent the sum of the Common Equity Tier 1 capital items and the additional Tier 1 capital items, after regulatory adjustments and reduced by deductible items, in the manner stipulated by the regulation referred to in paragraph 9 of this Article.

(6) The Tier 2 capital of a credit institution shall represent the sum of capital instruments and other Tier 2 capital items reduced by deductible items, in the manner stipulated by the regulation referred to in paragraph 8 of this Article.

(7) Own funds of a credit institution shall not at any time be less than the amount of the minimum initial capital required at the time a license was issued to the credit institution.

(8) The credit institution shall be prohibited from making payments to holders of Tier 1 capital, Common Equity Tier 1 capital or Tier 2 capital instruments, not allowed by the regulation referred to in paragraph 9 of this Article.

(9) The Central Bank shall regulate the types and characteristics of financial instruments and other elements included in own funds, the calculation method of own funds, the calculation of the total risk exposure, the capital requirements for specific risks (credit, market, operational and other), the methods and approaches for calculating capital requirements and the calculation method of capital adequacy ratios for credit institutions.

Approvals Related to meeting of Capital Requirements

Article 135

(1) A credit institution cannot, without a prior approval by the Central Bank:
1) before taking a formal decision confirming the final annual profit or loss of the credit institution, include the profits of the current year generated in the business year or profits of the current year generated at the end of the business year in the Common Equity Tier 1 capital;
2) distribute capital instruments to the Common Equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital of the credit institution;
3) distribute to the Common Equity Tier 1 capital, additional Tier 1 capital or Tier 2 capital the capital instruments with regard to which the credit institution has a discretionary right to decide about the distribution in a non-cash form or in the form of own funds instruments;
4) in calculating of own funds use conservative assessment of the underlying exposure of the credit institution to capital instruments included in indices;
5) reduce instruments of Common Equity Tier 1 capital, additional Tier 1 capital, or Tier 2 capital; and
6) use internal approaches for calculation of capital requirements.

(2) Internal approaches referred to in paragraph 1 item 6 of this Article shall be approaches for calculating capital requirements regulated by a regulation referred to in Article 134 paragraph 9 of this Law, and so as follows:
1) internal ratings based approach for calculating risk-weighted exposure amounts when calculating capital requirements for credit risk;
2) internal models approach for standardised netting agreements, for calculating credit risk mitigation effects;
3) own estimates approach of haircuts under financial collateral comprehensive method, for calculating credit risk mitigation effects;
4) advanced measurement approaches for calculating capital requirements for operational risk;
5) internal models method for calculating counterparty risk exposure value;
6) internal models method for calculating capital requirements for market risks;
7) internal assessment approach for calculating risk-weighted exposure amounts in accordance with internal rating systems based approach.

(3) The Central Bank shall decide about the application for issuing the approval referred to in paragraph 1 item 6 of this Article within 90 days as of the day of duly submitted application for issuing the approval.
(4) The Central Bank shall regulate the content of the application and a procedure for obtaining approvals referred to in paragraph 1 of this Article.

Internal Capital

Article 136

(1) A credit institution shall establish and implement an adequate, efficient and comprehensive strategy and procedures to assess and maintain on an ongoing basis the amount, type and distribution of internal capital.
(2) Internal capital, within the meaning of this Law, shall be the capital considered by the credit institution as adequate for the nature and level of risks to which it is or might be exposed to in its operations.
(3) A credit institution shall review regularly the strategy and procedures referred to in paragraph 1 of this Article in order to ensure that they are comprehensive and proportionate to the nature, scale and complexity of the operations it carries out.
(4) The Central Bank shall regulate the assessment procedure, method and deadlines for reporting to the Central Bank on the adequacy of internal capital of credit institutions and calculation of internal capital.

Internal Approach for Calculating Capital Requirements

Article 137

(1) A credit institution, that is significant in terms of its size, internal organisation and the nature, scale and complexity of the activities it carries out, without prejudice to the fulfilment of the criteria established by the regulation of the Central Bank referred to in Article 134 paragraph 9 of this Law relating to the granting of approvals to apply internal rating system approach in calculating risk-weighted exposure amounts for calculating capital requirements for credit risk, shall take adequate measures to develop internal credit risk assessment and use of the internal ratings based approach for calculating capital requirements for credit risk where its exposures are material in absolute terms and where it has at the same time a large number of other material counterparties.
(2) The credit institution referred to in paragraph 1 of this Article, without prejudice to the fulfilment of the criteria established by the regulation of the Central Bank referred to in Article 134 paragraph 9 of this Law relating to the application of internal models for calculating capital requirements for market risk, shall take adequate measures to develop internal specific risk assessment and to develop and use internal models for calculating capital requirements for specific risk of debt instruments in the trading book, together with internal models to calculate capital requirements for default risk and migration risk for exposures that are material in absolute terms and where it has a large number of material positions in debt instruments of different issuers.
(3) Significant credit institutions must not rely solely on external credit ratings for assessing the creditworthiness of a client or financial instrument.

2. Capital Buffers

Maintaining of Capital Conservation Buffer

Article 138

(1) A credit institution shall maintain a capital conservation buffer in a form of Common Equity Tier 1 capital equal to 2.5 percent of its total risk exposure amount, calculated in accordance with the regulation of the Central Bank referred to in Article 134 paragraph 9 of this Law.
(2) A credit institution must not use the Common Equity Tier 1 capital that is maintained to meet the requirement referred to in paragraph 1 of this Article to meet any of the requirements imposed under

Article 134 paragraph 2 of this Law, or to meet any other requirement of the Central Bank referred to in Article 281 of this Law.

(3) A credit institution that fails to meet the requirement referred to in paragraph 1 of this Article shall apply the provision of Article 158 of this Law and, where applicable, Article 164 of this Law.

Maintaining of Countercyclical Capital Buffer

Article 139

(1) A credit institution shall maintain a countercyclical capital buffer (hereinafter: the countercyclical buffer) in the form of Common Equity Tier 1 capital equivalent to its total risk exposure amount multiplied by the specific countercyclical buffer rate referred to in Article 140 of this Law.

(2) A credit institution shall not use the capital that is maintained to meet the requirement referred to paragraph 1 of this Article to meet any of the requirements imposed under Article 134 paragraph 2 and Article 138 paragraph 1 of this Law, or to implement measures imposed by the Central Bank in accordance with Articles 276, 279, 281 or 324 of this Law.

(3) A credit institution that fails to meet the requirement referred to paragraph 1 of this Article shall apply the provisions of Articles 166 and 170 of this Law, and, where applicable, Article 171 of this Law.

Countercyclical Buffer Rate

Article 140

Countercyclical buffer rate, within the meaning of this Law, shall be the rate that a credit institution must apply in order to calculate its countercyclical buffer, and shall be set in accordance with Article 141 or Article 145 of this Law, or by a relevant third-country authority, as the case may be.

Setting Countercyclical Buffer Rate for Montenegro

Article 141

(1) The Central Bank shall be a designated authority responsible for setting the countercyclical buffer rate for the territory of Montenegro and shall calculate a buffer guide on a quarterly basis, to guide judgment in setting the countercyclical buffer rate in accordance with paragraphs 2 and 3 of this Article.

(2) The buffer guide referred to in paragraph 1 of this Article shall be the benchmark capital buffer rate calculated by the Central Bank using the guidance of the European Systemic Risk Board on setting the countercyclical buffer rate.

(3) The buffer guide referred to in paragraph 1 of this Article shall:

1) in a meaningful way reflect the credit cycle and the risks due to excess credit growth in Montenegro;

2) take into account specificities of the economy of Montenegro, and

3) be based on the deviation of the credit-to-GDP ratio from its long-term trend, taking into account, inter alia:

– an indicator of growth of levels of credit within Montenegro and, in particular, an indicator reflective of the changes in the ratio of credit granted in Montenegro to GDP,

– relevant guidance by the European Systemic Risk Board concerning the measurement and calculation of deviation of the credit-to-GDP ratio from its long-term trend and the calculation of benchmark guides for countercyclical buffer.

(4) The Central Bank shall assess and set the appropriate countercyclical buffer rate for the territory of Montenegro on a quarterly basis, and in so doing shall take into account:

1) the buffer guide calculated in accordance with paragraphs 1 and 3 of this Article;

2) the relevant guidance by the European Systemic Risk Board;

3) recommendations of the European Systemic Risk Board on the setting of a buffer rate, and

4) other variables that the Central Bank considers relevant for addressing cyclical systemic risk.

(5) The decision referred to in paragraph 4 of this Article shall include the countercyclical buffer rate and the commencement date for the application of that rate.

Amount of Countercyclical Buffer Rate

Article 142

(1) The Central Bank shall set the countercyclical buffer rate between 0% and 2.5% of the total risk exposure amount, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points.
(2) Notwithstanding paragraph 1 of this Article, the Central Bank may set a countercyclical buffer rate in excess of 2.5% of the total risk exposure amount, if justified based on the assessment referred to in Article 141 paragraph 4 of this Law.
(3) The rate referred to in paragraph 2 of this Article shall be applied to the calculation of a specific countercyclical buffer rate in accordance with Article 147 of this Law.

Application of the Countercyclical Buffer Rate

Article 143

(1) Where the Central Bank sets the countercyclical buffer rate above zero (0%) for the first time, or where it increases the prevailing countercyclical buffer rate, it shall set the date from which the credit institutions are to commence applying that rate for the purposes of calculating countercyclical buffer.
(2) The date referred to in paragraph 1 of this Article shall be no later than 12 months after the date when the countercyclical buffer rate is announced in accordance with Article 144 of this Law.
(3) Notwithstanding paragraph 2 of this Article, the Central Bank may set the date for the commencement of the application of the countercyclical buffer rate less than 12 months from the date it is announced, if it is justified on the basis of exceptional circumstances.
(4) When the Central Bank reduces the existing countercyclical buffer rate, including reducing the rate to 0%, it shall also set in the announcement referred to in Article 144 of this Law an indicative period during which no increase of the rate is expected, however that indicative period shall not be binding the Central Bank.

Announcement of the Countercyclical Buffer Rate for Montenegro

Article 144

(1) The Central Bank shall announce quarterly the decision referred to in Article 141 paragraph 4 of this Law in the Official Gazette of Montenegro and by publication of the announcement on its website.
(2) The announcement referred to in paragraph 1 of this Article shall include at least the following information:
1) the applicable countercyclical buffer rate;
2) the relevant credit-to-GDP-ratio and its deviation from the long-term trend;
3) the buffer guide referred to in Article 141 paragraph 2 of this Law;
4) a justification for setting that countercyclical buffer rate;
5) where the countercyclical buffer rate is increased, the date from which the credit institutions shall commence the application of that increased rate for the purposes of calculating the credit institution-specific countercyclical capital buffer;
6) where the date referred to in item 5 of this paragraph is less than 12 months after the date of publication of the announcement, a reference to the exceptional circumstances that justify that shorter deadline for application; and
7) where the countercyclical buffer rate is decreased, the indicative period during which no increase in the rate is expected, together with a justification for that period.

(3) The Central Bank shall ensure, if possible, to adjust the timing of the announcement referred to in paragraph 1 of this Article to the timing of announcements by designated authorities from other Member States.
(4) The Central Bank shall notify the European Systemic Risk Board on each quarterly setting of the countercyclical buffer rate and the information referred to in paragraph 2 of this Article. .

Recognition of the Countercyclical Buffer Rates in Excess of 2.5%

Article 145

(1) Where a designated authority of other Member State has set a countercyclical buffer rate in excess of 2.5% of the total risk exposure amount, the Central Bank may decide to recognise that rate for the purposes of the calculation of the countercyclical buffer.
(2) Where the Central Bank recognises the countercyclical buffer rate in accordance with paragraph 1 of this Article, it shall publish that decision in the Official Gazette of Montenegro and on its website, whereby the announcement on the website shall include at least the following information:
1) the applicable countercyclical buffer rate;
2) the Member State or third countries to which the rate referred to in paragraph 1 of this Article applies;
3) where the rate is increased, the date from which the credit institutions shall commence the application of that increased rate for the purposes of calculating the countercyclical buffer; and
4) where the date referred to in item 3 of this paragraph is less than 12 months after the date of the announcement in accordance with this paragraph, the information on the exceptional circumstances that justify that shorter deadline for the commencement of application of the increased countercyclical buffer rate.
(3) The decision referred to in paragraph 1 of this Article shall include the countercyclical buffer rate, the State subject to the application of that rate and the commencement date for the application.

Deciding on Third Country Countercyclical Buffer Rate

Article 146

(1) For the purposes of calculating the countercyclical buffer for credit institutions exposed to third countries, the Central Bank may decide on the following:
1) the countercyclical buffer rate for the third country territory, if the relevant third-country authority has not set and published the countercyclical buffer rate for that country, or
2) the countercyclical buffer rate for the third country territory that is different from the rate that has been set and published by the relevant third-country authority, where it reasonably considers that the rate set by the relevant third-country authority is not sufficient to protect the credit institutions from Montenegro appropriately from the risks of excessive credit growth in that country.
(2) In the case referred to in paragraph 1 item 2 of this Article, the Central Bank shall not set a countercyclical buffer rate below the level set by the relevant third-country authority unless that rate exceeds 2.5% of the total risk exposure amount.
(3) Where the Central Bank sets a countercyclical buffer rate for a third country territory in accordance with paragraphs 1 and 2 of this Article higher than the existing applicable countercyclical buffer rate, it shall set the date from which the credit institutions from Montenegro shall commence the application of that rate for the purposes of calculating their countercyclical buffer.
(4) The date referred to in paragraph 3 of this Article shall be no later than 12 months from the date of publishing of the increased countercyclical buffer rate in accordance with paragraph 5 of this Article, and if it is justified on the basis of exceptional circumstances, the Central Bank may set a deadline less than 12 months after the date of publication referred to in paragraph 5 of this Article.
(5) The Central Bank shall publish a decision on setting of a countercyclical buffer rate for a third country territory in accordance with paragraphs 1 or 2 of this Article in the Official Gazette of Montenegro and on its website, whereby the announcement on the website shall contain including but not limited to:

1) the countercyclical buffer rate and the third country to which it applies;
2) a justification for the rate level;
3) where the countercyclical buffer rate is set above 0% for the first time or if the existing rate is increased, the date from which the credit institutions shall commence the application of the rate for the purposes of calculating their countercyclical buffer, and
4) where the date referred to in item 3 of this paragraph is less than 12 months after the date of the publication, the explanation of the exceptional circumstances that justify the shorter deadline for commencement of the application of the set rate.

(6) The decision referred to in paragraph 5 of this Article shall include the countercyclical buffer rate and the commencement application date of that rate.

(7) When recognising the countercyclical buffer rate referred to in Article 145 of this Law, as well as when deciding on the amount of the of the countercyclical buffer, the Central Bank shall take into account the recommendations of the European Systemic Risk Board.

Calculation of Specific Countercyclical Buffer Rates

Article 147

(1) A credit institution shall calculate the specific countercyclical buffer rate as the weighted average of the countercyclical buffer rates that apply in Montenegro, other countries where the relevant credit exposures of the credit institution are located or are applied in accordance with Article 146 of this Law.

(2) A credit institution shall, in order to calculate the weighted average referred to in paragraph 1 of this Article, apply to each applicable countercyclical buffer rate its total capital requirements for credit risk that relates to the relevant credit exposures within the territory in question, divided by its total capital requirements for credit risk that relates to all relevant credit exposures of the credit institution.

(3) A credit institution shall ensure appropriate records of applicable countercyclical buffer rates for the countries where relevant credit exposures are located and establish procedures related to timely updating of these records.

(4) The Central Bank shall stipulate the method of calculating the specific countercyclical buffer rates referred to in paragraph 1 of this Article, relevant credit exposures, and methods for the identification of the geographic location of relevant credit exposures.

Application of the Countercyclical Buffer Rate in Excess of 2.5%

Article 148

(1) If, in accordance with Article 142 paragraph 2 of this Law, the Central Bank sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, the credit institution shall, for the purposes of the calculation of the specific countercyclical buffer rate referred to in Article 147 of this Law, for relevant credit exposures located in Montenegro, apply the countercyclical buffer rate set by the Central Bank.

(2) If the designated authority of another state sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, a credit institution from Montenegro with relevant credit exposures located in that state shall, for the purposes of the calculation of the specific countercyclical buffer rate referred to in Article 147 of this Law for these exposures, apply the rate set by the designated authority of such state if that rate has been recognised by the Central Bank in accordance with Article 145 of this Law, or the rate of 2.5% of the total risk exposure amount if the Central Bank has not recognised the rate that is in excess of 2.5% set by the designated authority of that state, in the manner set pursuant to Article 145 of this Law.

(3) A credit institution shall apply the countercyclical buffer rate referred to in paragraphs 1 and 2 of this Article when calculating the specific countercyclical buffer rate referred to in Article 147 of this Law for the purpose of the calculation of part of the consolidated capital that relates to that credit institution.

Commencement of Application of the Countercyclical Buffer Rate for the Purpose of the Calculation of the Specific Countercyclical Buffer Rate

Article 149

(1) In case of increased countercyclical buffer rate for the territory of Montenegro, the application of that rate for the purpose of the calculation of the specific countercyclical buffer rate referred to in Article 147 of this Law shall commence on the date specified in the notification referred to in Article 144 paragraph 2 item 5 of this Law.
(2) In case of increased countercyclical buffer rate for the territory of the Member State, the application of that rate for the purpose of the calculation of the specific countercyclical buffer rate referred to in Article 140 of this Law shall commence on the date specified in the notification referred to in Article 145 paragraph 2 item 3 of this Law.
(3) In case of increased countercyclical buffer rate for a third country territory, the application of that rate for the purpose of the calculation of the specific countercyclical buffer rate referred to in Article 147 of this Law shall commence upon the expiry of 12 months after the relevant third-country authority announced a change in the rate, irrespective of whether that authority requires credit institutions with head offices in that third country to apply the changed rate within a shorter period.
(4) The publication date of the change in the countercyclical buffer rate for a third country territory, within the meaning of paragraph 2 of this Article, shall be the date when the relevant third-country authority announced the change in the rate in accordance with the regulations of that country.
(5) Notwithstanding paragraph 3 of this Article, in case of increased countercyclical buffer rate, if the Central Bank sets a countercyclical buffer rate for a third country in accordance with Article 146 paragraphs 1 and 2 of this Law or recognises a countercyclical buffer rate for a third country in accordance with Article 145 of this Law, that rate shall be applied for the purpose of the calculation of the specific countercyclical buffer rate referred to in Article 147 of this Law starting from the date specified in the notification referred to in Article 145 paragraph 2 item 3 or Article 146 paragraph 5 of this Law.
(6) In case of decreased countercyclical buffer rate, for the purpose of the calculation of the specific countercyclical buffer rate referred to in Article 140 of this Law that rate shall be applied from the publication date of the decision on the rate decrease.

Structural Systemic Risk Buffer

Article 150

(1) The Central Bank shall set the rate and method of maintaining the structural systemic risk buffer for all credit institutions or one or more subsets of credit institutions, in order to prevent or mitigate structural systemic risks not covered by this Law, the regulation referred to in Article 134 paragraph 9 of this Law and other regulations.
(2) Structural systemic risk, within the meaning of this Law, shall be a long-term non-cyclical systemic or macro-prudential risk or risk resulting from the structure and organisation of the financial system.
(3) The Central Bank may set the structural systemic risk buffer rate referred to in paragraph 1 of this Article only if systemic risks cannot be resolved through the application of other measures pursuant to this Law, the regulation referred to in Article 134 paragraph 9 of this Law, and other regulations governing the prudential requirements for credit institutions.
(4) In the course of identifying if the conditions referred to in paragraph 3 of this Article are met, consideration shall not be given to the measures that relate to the systemic risk established on the level of an individual country and more stringent prudential requirements for exposures required to respond to the changes in the intensity of micro-prudential and macro-prudential risks arising from market trends in the European Union and having impact on all Member States.

Method of Setting the Structural Systemic Risk Buffer Rate

Article 151

(1) The Central Bank shall set the rate referred to in Article 150 paragraph 3 of this Law of at least 1% of the exposure in Montenegro, or another state subject to the application of the structural systemic risk buffer.
(2) The buffer referred to in paragraph 1 of this Article shall apply to credit institutions, or to one or several subsets of such institutions for which the Central Bank is in charge in accordance with this Law and shall be set in gradual or accelerated steps of adjustment of 0.5 percentage point, whereas that rate may be different for different subsets of credit institutions.
(3) If based on the exposure from Member States, the Central Bank decides to apply the structural systemic risk buffer in the amount up to 3%, that buffer rate must be the same for all Member States.
(4) When setting the required systemic risk buffer, the Central Bank shall take into account that the maintaining of the buffer must not entail disproportionate adverse effects on the whole or parts of the financial system of Member States or of the European Union as a whole by creating obstacles to the functioning of the internal market.
(5) The Central Bank shall review the obligation of maintaining the structural systemic risk buffer at least every second year.

Requirement to Maintain a Structural Systemic Risk Buffer

Article 152

(1) A credit institution shall maintain a systemic risk buffer of Common Equity Tier 1 capital in the amount and in the manner as set by the Central Bank.
(2) A credit institution shall not use Common Equity Tier 1 capital maintained to meet the requirement referred to in paragraph 1 of this Article to meet any other requirement referred to in Article 134 paragraph 2 of this Law, the requirement to maintain the capital conservation buffer referred to in Article 138 of this Law, the requirement to maintain the countercyclical buffer referred to in Article 141 of this Law, or to implement the measures imposed by the Central Bank in accordance with Articles 276, 279, 281, or 324 of this Law.
(3) The credit institution that fails to meet the requirement referred to in paragraph 1 of this Article shall be subject to the provisions of Articles 166 and 170 of this Law, and, if applicable, Article 171 of this Law, and if the application of these provisions fails to result in satisfactory improvement of the Common Equity Tier 1 capital of the credit institution for the needs of relevant structural systemic risk, the Central Bank may impose additional measures in accordance with this Law.

Notification of the Structural Systemic Risk Buffer

Article 153

(1) If the Central Bank sets or resets the structural systemic risk buffer rate referred to in Article 152 paragraph 1 of this Law in the amount up to or at 3%, it shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority, as well as the competent and designated authorities of relevant Member States and third countries, no later than one month before the publication of the decision pursuant to Article 154 of this Law.
(2) The notification referred to in paragraph 1 of this Article shall include:
1) the information on the systemic or macro-prudential risk in Montenegro;
2) the reasons why the dimension of the systemic or macro-prudential risks threatens the stability of the financial system in Montenegro, justifying the structural systemic risk buffer rate;
3) the justification for why the Central Bank considers that the structural systemic risk buffer is likely to be effective and proportionate to mitigate the risk;
4) an assessment of the likely positive or negative impact of the structural systemic risk buffer on the internal market, based on available information;
5) the justification for why none of the existing measures in this Law or in the Regulation (EU) 575/2013, excluding measures referred to in Articles 458 and 459 of that Regulation, if imposed alone or in combination, would be sufficient to address the issue of identified macro-prudential or systemic risk, taking into account the relative effectiveness of those measures;

6) the rate of the structural systemic risk buffer that the Central Bank intends to set.

(3) If the Central Bank sets or resets the structural systemic risk buffer rate for exposures located in Montenegro and third countries higher than 3% and not exceeding 5%, it shall act in accordance with paragraphs 1 and 2 of this Article provided that it has previously notified the European Commission thereof and received a positive opinion from it.

(4) Where the opinion of the European Commission referred to in paragraph 3 of this Article is negative, the Central Bank shall make decision in accordance with that opinion or give reasons for not accepting and not acting in accordance with that opinion.

Procedure in Case of Disagreement of Member States with the Proposed Structural Systemic Risk Buffer

Article 154

(1) If the application of the structural systemic risk buffer referred to in Article 153 paragraph 3 of this Law is related to a credit institution from Montenegro that is a subsidiary undertaking and whose parent undertaking is established in a Member State, the Central Bank shall notify thereof the competent authorities of that Member State, the European Commission and the European Systemic Risk Board.

(2) If within one month of the notification referred to in paragraph 1 of this Article the relevant authorities of the Member State disagree with the proposed structural systemic risk buffer and if within that period the European Commission and the European Systemic Risk Board issue negative recommendations on the proposed measure, the Central Bank shall not apply the proposed buffer, but it may request mediation of the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010.

(3) The Central Bank shall postpone the adoption of the decision on the structural systemic risk buffer until the European Banking Authority has taken decision in the mediation procedure referred to in paragraph 2 of this Article and take a decision on the structural system risk buffer in line with that decision.

(4) Where minimum one authority referred to in paragraph 1 of this Article expressed no disagreement nor issued a negative recommendation, the Central Bank may apply the proposed structural systemic risk buffer.

(5) The Central Bank may disagree when the relevant authority of the Member State notifies it on the application of the structural systemic risk buffer referred to in Article 153 paragraph 3 of this Law related to the credit institution that is a subsidiary undertaking from that Member State whose parent undertaking has the head office in Montenegro.

(6) Where the Central Bank intends to set or reset the structural systemic risk buffer rate for exposures located in Montenegro and third countries in excess of 5% or the rate for exposures located in Member States in excess of 3%, it shall previously notify the European Commission, the European Systemic Risk Board, the European Banking Authority, as well as competent and designated authorities of relevant Member States, and where the obligation of maintaining this buffer also applies to exposures located in third countries, the competent authorities of those third countries.

(7) The notification referred to in paragraph 6 of this Article shall include all the information referred to in Article 153 paragraph 2 of this Law.

(8) The Central Bank may apply the rate referred to in paragraph 6 of this Article after the European Commission has approved the application of that rate by an enforcement deed.

Notifying Third-country Authorities of the Structural Systemic Risk Buffer

Article 155

(1) If the Central Bank sets or resets the structural systemic risk buffer rate referred to in Article 152 paragraph 1 of this Law it shall notify the competent and designated authorities of relevant third countries, no later than one month before the publication of the decision.

(2) The notification referred to in paragraph 1 of this Article shall include:

1) the information on the systemic or macro-prudential risk in Montenegro;

2) the reasons why the dimension of the systemic or macro-prudential risks threatens the stability of the financial system in Montenegro, justifying the structural systemic risk buffer rate;
3) the justification for why the Central Bank considers that the structural systemic risk buffer is likely to be efficient and proportionate to mitigate the risk;
4) an assessment of the likely positive or negative impact of the structural systemic risk buffer on the internal market, based on available information;
5) the justification for why none of the existing measures in this Law, the regulation referred to in Article 134 paragraph 9 of this Law and other regulations, if imposed alone or in combination, would be sufficient to address the issue of identified macro-prudential or systemic risk, taking into account the relative effectiveness of those measures;
6) the rate of the structural systemic risk buffer that the Central Bank intends to require.

Publishing the Structural Systemic Risk Buffer

Article 156

(1) After the conditions have been met for the application of the structural systemic risk buffer, the Central Bank shall publish the decision on application of the structural systemic risk buffer in the Official Gazette of Montenegro and on its website, whereby the announcement posted on the website shall include at least the following information:
1) the structural systemic risk buffer rate;
2) credit institutions to which the structural systemic risk buffer applies;
3) a justification for setting the structural systemic risk buffer, save in the case where such justification might threaten the stability of the financial system of Montenegro;
4) the date from which the credit institutions must apply the structural systemic risk buffer, and
5) the names of the countries where exposures located in those countries are subject to the application of the structural systemic risk buffer.
(2) The decision referred to in paragraph 1 of this Article shall include the structural systemic risk buffer rate, the designation of credit institutions to which the structural systemic risk buffer applies, the application commencement date and the names of the countries to which the systemic risk buffer applies.

Recognition of a Structural Systemic Risk Buffer Rate

Article 157

(1) The Central Bank may decide to recognise the structural systemic risk buffer rate set by the relevant authority of another Member State, and in this case, it shall prescribe the application of that buffer rate to the credit institutions from Montenegro for exposures located in that Member State and shall publish such decision in the Official Gazette of Montenegro and on its website.
(2) On recognising the rate referred to in paragraph 1 of this Article, the Central Bank shall inform the European Commission, the European Systemic Risk Board, the European Banking Authority, as well as the relevant authority of the Member State that has set the structural systemic risk buffer rate that is being recognised.
(3) When deciding whether to recognise structural systemic risk buffer rate referred to in paragraph 1 of this Article, the Central Bank shall take into consideration the information presented by that Member State regarding the setting of the structural systemic risk buffer.
(4) If the Central Bank sets the structural systemic risk buffer rate, it may ask the European Systemic Risk Board to issue a recommendation as referred to in Article 16 of the Regulation (EU) No 1092/2010 to one or more Member States to recognise that buffer rate for exposures located in Montenegro.

Global Systematically Important Credit Institutions

Article 158

(1) The Central Bank shall be a designated authority authorised to identify on consolidated basis the global systematically important credit institutions (hereinafter: G-SICIs) which have been licensed by it.

(2) A G-SICI may be a systematically important undertaking whose disruption in business operations or termination of business operations may lead to a systemic risk with global effects, which is:
1) an EU parent credit institution with head office in Montenegro;
2) an EU parent financial holding company with head office in Montenegro;
3) an EU parent mixed financial holding company with head office in Montenegro; and
4) a credit institution that is not a subsidiary undertaking of an EU parent credit institution, an EU parent financial holding company or an EU parent mixed financial holding company.

Identification Methodology for G-SICIs

Article 159

(1) The identification methodology for G-SICIs shall be based on the following categories that consist of quantifiable indicators and which shall receive an equal weighting:
1) size of the group;
2) interconnectedness of the group with the financial system;
3) replaceability of the services or of the financial infrastructure provided by the group;
4) complexity of the group;
5) cross-border activity of the group, including cross border activity between Montenegro and Member States, as well as between Montenegro and third countries.

(2) The application of the methodology referred to in paragraph 1 of this Article shall produce an overall score for each entity referred to in Article 158 paragraph 2 of this Law being assessed, which allows G-SICIs to be identified and allocated into five sub-categories in accordance with paragraphs 3 and 4 of this Article.

(3) The Central Bank shall determine the lowest boundary and the boundaries between each subcategory of G-SICIs based on the scores obtained applying the methodology referred to in paragraph 1 of this Article.

(4) The cut-off scores between adjacent sub-categories shall be defined clearly and must adhere to the principle that there is a constant linear increase of systemic significance, between each sub-category resulting in a linear increase in the requirement of additional Common Equity Tier 1 capital, with the exception of the highest sub-category.

(5) For the purposes of paragraph 4 of this Article, systemic significance shall be the expected impact exerted by the G-SICIs distress on the global financial market.

(6) The Central Bank shall review annually the identification of G-SICIs and their allocation into the respective sub-categories and report the result to the G-SICIs, the European Commission, the European Systemic Risk Board and the European Banking Authority, and post on its website the updated list of identified G-SICIs as well as the sub-categories into which they are allocated.

Maintaining of G-SICI Buffer

Article 160

(1) A G-SICI shall, on a consolidated basis, maintain a G-SICI buffer which shall consist of Common Equity Tier 1 capital that corresponds to the sub-category referred to in paragraph 3 of this Article to which that credit institution is allocated.

(2) A G-SICI shall not use Common Equity Tier 1 capital maintained to meet the requirement referred to in paragraph 1 of this Article to meet any of the requirements referred to in Article 92 of the Regulation (EU) No 575/2013, the requirement to maintain the capital conservation buffer referred to in Article 138 of this Law, the requirement to maintain the countercyclical buffer referred to in Article 139 of this Law, or to implement the measures imposed by the Central Bank in accordance with Articles 276, 279, 281, or 324 of this Law.

(3) G-SICIs shall maintain the buffer referred to in paragraph 1 of this Article in the amount of:

1) 1% of the total risk exposure amount**,** for the first sub-category, which is the lowest;
2) 1.5% of the total risk exposure amount, for the second sub-category;
3) 2% of the total risk exposure amount, for the third sub-category;
4) 2.5% of the total risk exposure amount, for the fourth sub-category; and
5) 3.5% of the total risk exposure amount, for the fifth sub-category, which is the highest.

(4) Without prejudice to the outcomes of the methodology referred to in this Article, the Central Bank may, in the exercise of supervisory judgment:
1) re-allocate a G-SICI from a lower sub-category to a higher sub-category;
2) allocate an undertaking referred to in Article 158 paragraph 2 of this Law that has an overall score that is lower than the cut-off score of the lowest sub-category to that lowest or to a higher sub-category, thereby designating it as a G-SICI, and it shall notify the European Banking Authority thereof providing reasons for such a decision.

(5) The Central Bank shall notify the European Commission, the European Systemic Risk Board and the European Banking Authority on the names of the G-SICIs and the respective sub-categories to which they are allocated, and disclose such information to the public on its website.

Other Systemically Important Credit Institutions

Article 161

(1) The Central Bank shall be a designated authority empowered, on an individual, sub-consolidated or consolidated basis, to identify other systemically important credit institutions (hereinafter: O-SICIs) licensed by it.

(2) An O-SICI may be a following systematically important undertaking whose disruption in business operations or termination of business operations can lead to a systemic risk in Montenegro:
1) a credit institution;
2) an EU parent credit institution with head office in Montenegro;
3) an EU parent financial holding company with head office in Montenegro;
4) an EU parent mixed financial holding company with head office in Montenegro.

(3) For the purposes of identifying O-SICIs, systemic importance shall be assessed on the basis of at least any of the following criteria:
1) Size of the credit institution;
2) importance of the credit institution for the economy of the European Union or Montenegro;
3) significance of cross-border activities of the credit institution; and
4) interconnectedness of the credit institution or the group with the financial system.

(4) The Central Bank shall specify detailed conditions and methodology for identification of O-SICIs.

Notification about the O-SICIs

Article 162

(1) The Central Bank shall notify the European Commission, the European Systemic Risk Board and the European Banking Authority on the names of the O-SICIs.

(2) The Central Bank shall review annually the identification of O-SICIs.

(3) The Central Bank shall notify the following on the results of the review referred to in paragraph 2 of this Article:
1) O-SICIs; and
2) the European Commission, the European Systemic Risk Board and the European Banking Authority.

(4) The Central Bank shall post on its website:
1) the list of O-SICIs and all changes to such list resulting from the review referred to in paragraph 2 of this Article; and
2) material elements of the methodology for identification of O-SICIs.

Requirement to Maintain an O-SICI Buffer

Article 163

(1) The Central Bank may set a requirement to maintain a buffer rate for O-SICIs on a consolidated, sub-consolidated or individual basis, of up to 2% of the total risk exposure amount of the credit institution calculated in accordance with a separate regulation of the Central Bank, which consists of Common Equity Tier 1 capital.

(2) When setting the requirement for maintaining the O-SICI buffer, the Central Bank shall take into account that the maintaining of the O-SICI buffer must not create obstacles to the functioning of the internal market and thus entail disproportionate adverse effects on the whole or parts of the financial system of Member States or of the financial system of the European Union as a whole.

(3) Notwithstanding paragraph 1 of this Article and Article 150 of this Law, when an O-SICI is a subsidiary undertaking of a G-SICI or an O-SICI that is an EU parent credit institution and that is subject to application of the O-SICI buffer on consolidated basis, the buffer that applies on an individual or sub-consolidated level for the O-SICI shall not exceed the following values:
1) 1% of total risk exposure amount; and
2) G-SICI buffer rate or O-SICI buffer rate that applies to the group on consolidated level.

(4) An O-SICI shall maintain the O-SICI buffer in the amount set by the Central Bank taking into account paragraph 3 of this Article and Article 165 of this Law.

(5) An O-SICI shall not use Common Equity Tier 1 capital maintained to meet the requirement referred to in paragraph 1 of this Article, to meet any other requirement referred to in Article 134 paragraph 2 of this Law, the requirement to maintain the capital conservation buffer referred to in Article 138 of this Law, the requirement to maintain the countercyclical buffer referred to in Article 139 of this Law, or to implement the measures imposed by the Central Bank in accordance with Articles 276, 279, 281, or 324 of this Law.

(6) The Central Bank shall review at least annually the requirement for maintaining the O-SICI buffer and notify O-SICIs of results of the review.

Notifying of the O-SICI Buffer

Article 164

(1) The Central Bank shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority and the competent and designated authorities of relevant Member States of:
1) any setting or resetting of the buffer referred to in Article 163 paragraph 1 of this Law and no later than one month before the publication of that decision;
2) names of O-SICIs;
3) review results referred to in Article 163 paragraph 6 of this Law.

(2) The notification referred to in paragraph 1 item 1 of this Article shall include the details of:
1) the justification for why the Central Bank considers that the proposed O-SICI buffer is likely to be proportionate and efficient to mitigate the risk;
2) an assessment of the likely positive or negative impact of the O-SICI buffer on the internal market, based on available information;
3) the rate of the O-SICI buffer that the Central Bank intends to set.

(3) The Central Bank shall post on its website the O-SICI buffer rate.

Inter-relation between the Buffers of the Structural Systemic Risk, G-SICI and O-SICI and a Combined Buffer

Article 165

(1) Where a group, on a consolidated basis, is subject to maintaining the G-SICI buffer and the O-SICI buffer, or is subject to the obligation to maintain G-SICI buffer, O-SICI buffer and structural systemic risk buffer, that group must maintain, on a consolidated basis, the buffer that is higher.

(2) Where a credit institution, on an individual or sub-consolidated basis, is subject to an O-SICI buffer requirement and the requirement for structural systemic risk buffer, the buffer that is higher shall apply.

(3) Notwithstanding paragraphs 1 and 2 of this Article, where the structural systemic risk buffer applies to all exposures in Montenegro for the purpose of addressing the macro-prudential risk in Montenegro, but does not apply to exposures outside Montenegro, that structural systemic risk buffer shall be cumulative with the O-SICI or G-SICI buffer that is applied in accordance with Articles 158 to 164 of this Law.

(4) Where paragraphs 1 and 2 of this Article apply and a credit institution is part of a group or a sub-group to which a G-SICI or O-SICI belongs, the credit institution shall be , on an individual basis, subject to a combined buffer requirement that is at least equal to the sum of the following buffers that may be applied to that credit institution on an individual basis:
1) capital conservation buffer;
2) countercyclical buffer, and
3) O-SICI buffer or structural systemic risk buffer, whichever is higher.

(5) Where paragraph 3 of this Article applies and a credit institution is part of a group or a sub-group to which a G-SICI or an O-SICI belongs, the credit institution shall, on an individual basis, comply with a combined buffer requirement that is at least equal to the sum of the following buffers that may be applied to that credit institution on an individual basis:
1) capital conservation buffer;
2) countercyclical buffer;
3) O-SICI buffer, and
4) structural systemic risk buffer.

(6) Where a credit institution is not part of a group or a sub-group to which a G-SICI or O-SICI belongs, and the credit institution which is identified on an individual basis as O-SICI, it shall, on an individual basis, comply with a combined buffer requirement that is at least equal to the sum of the following buffers that may be applied to that credit institution on an individual basis:
1) capital conservation buffer;
2) countercyclical buffer, and
3) O-SICI buffer or structural systemic risk buffer, whichever is higher.

(7) Notwithstanding paragraph 6 of this Article, where structural systemic risk buffer applies to all exposures in Montenegro for the purpose of addressing the macro-prudential risk in Montenegro, but does not apply to exposures outside Montenegro, the credit institution referred to in paragraph 6 of this Article shall, on an individual basis, comply with a combined buffer requirement that is at least equal to the sum of the following buffers that may be applied to that credit institution on an individual basis:
1) capital conservation buffer;
2) countercyclical buffer;
3) O-SICI buffer, and
4) structural systemic risk buffer.

(8) A credit institution shall not use the same Common Equity Tier 1 capital to maintain G-SICI buffer, O-SICI buffer and the structural systemic risk buffer.

Distribution in Connection with Common Equity Tier 1 Capital

Article 166

(1) A credit institution that meets the combined buffer requirement shall not make a distribution in connection with Common Equity Tier 1 capital if such distribution would decrease its Common Equity Tier 1 capital to a level below the one for meeting the combined buffer requirement.

(2) Distribution in connection with Common Equity Tier 1 capital, within the meaning of paragraph 1 of this Article, shall include the following:
1) dividends payment in cash;
2) a distribution of fully or partly paid bonus shares or other capital instruments included in Common Equity Tier 1 capital of a credit institution;
3) a buyback or purchase of own shares or other capital instruments of the credit institution included in Common Equity Tier 1 capital of the credit institution;

4) a repayment of amounts paid up in connection with capital instruments included in Common Equity Tier 1 capital of the credit institution;
5) a distribution against the share premium account, retained profit from previous years, other retained profit and other reserves.

Restrictions on Distributions

Article 167

(1) A credit institution that fails to meet the combined buffer requirement shall calculate the maximum distributable amount and immediately notify the Central Bank thereof.
(2) The credit institution referred to in paragraph 1 of this Article shall be prohibited from undertaking any of the following actions before it has calculated the maximum distributable amount:
1) make a distribution in connection with Common Equity Tier 1 capital referred to in Article 166 paragraph 2 of this Law;
2) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the credit institution failed to meet the combined buffer requirement; and
3) make payments on Additional Tier 1 instruments.
(3) A credit institution that fails to meet the established combined buffer requirement shall not through any action referred to in paragraph 2 of this Article distribute amounts that exceed the maximum distributable amount calculated in accordance with the regulation referred to in paragraph 4 of this Article.
(4) The Central Bank shall govern the maximum distributable amount calculation method and requirements related to notification referred to in paragraph 1 of this Article.

Payments Subject to Restrictions of Distributions

Article 168

The restrictions stipulated by Articles 166 and 167 of this Law shall only apply to payments that result in a reduction of Common Equity Tier 1 capital or in a reduction of profits, and where a suspension of payment or failure to pay does not constitute an event of default or a condition for the commencement of proceedings under the insolvency regime implemented in accordance with the regulations governing bankruptcy proceedings of credit institutions.

Distributions in case the Combined Buffer Requirement is not Met

Article 169

(1) Where a credit institution fails to meet the combined buffer requirement and intends to distribute any of its distributable profits or undertake an action referred to in Article 167 paragraph 2 of this Law, it shall notify the Central Bank thereof and provide the following information:
1) the amount of capital maintained by the credit institution, subdivided as follows:
- Common Equity Tier 1 capital,
- additional Tier 1 capital, and
- Tier 2 capital;
2) the amount of its interim and year-end profits for a current year;
3) the maximum distributable amount calculated in accordance with Article 167 paragraphs 1 and 4 of this Law;
4) the amount of distributable profits it intends to allocate between the following items:
- dividend payments,
- share buybacks,
- payments on Additional Tier 1 instruments,

– the payment of variable remuneration or discretionary pension benefits, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the credit institution failed to meet its combined buffer requirement.

(2) A credit institution shall establish and maintain systems to ensure that the amount of distributable profits and the maximum distributable amount are calculated accurately, as well as to be able to demonstrate accuracy of such calculation at the Central Bank's request.

Capital Conservation Plan

Article 170

(1) Where a credit institution fails to meet its combined buffer requirement, it shall prepare a capital conservation plan and submit it to the Central Bank no later than within five working days after it has identified that it will fail to meet that requirement.

(2) Notwithstanding paragraph 1 of this Article, on the basis of the individual situation of a credit institution and taking into account the scale and complexity of the credit institution's activities, the Central Bank may grant authorisation for extension of the deadline referred to in paragraph 1 of this Article up to maximum ten days.

(3) The capital conservation plan must include the following:
1) estimates of income and expenditures, as well as a forecast statement of financial position;
2) measures to increase the capital ratios of the credit institution;
3) a plan and timeframe for the increase of own funds with the objective of meeting fully the combined buffer requirement; and
4) any other information that the Central Bank considers to be necessary to carry out the assessment referred to in paragraph 4 of this Article.

(4) The Central Bank shall consider the capital conservation plan of the credit institution and approve the plan only if it assesses that the plan, if implemented, will certainly conserve or raise sufficient additional capital to enable the credit institution to meet its combined buffer requirement within a period which the Central Bank considers appropriate.

(5) If the Central Bank does not approve the capital conservation plan in accordance with paragraph 4 of this Article, it may impose the revision of the capital conservation plan or:
1) require the credit institution to increase own funds to specified levels within specified periods; and/or
2) based on its powers referred to in Article 276 of this Law, impose more stringent restrictions on distributions than those required by Articles 166 to 169 of this Law.

(6) A credit institution that intends to undertake other measures to increase capital ratio or change the timeframe for increasing own funds from the approved capital conservation plan, shall notify the Central Bank thereof and submit the amended capital conservation plan that the Central Bank shall assess and approve in accordance with paragraph 4 of this Article.

Measures for Capital Conservation if the Combined Buffer Requirement is not met on a Consolidated Basis

Article 171

(1) A parent credit institution in Montenegro and an EU parent credit institution with head office in Montenegro that on an individual basis meet the combined buffer requirement, and on a consolidated basis fail to meet the combined buffer requirement related to a group of credit institutions in Montenegro, shall, on a consolidated basis, apply the following in an appropriate manner:
1) on an individual basis – Articles 165 to 169 of this Law; and
2) on a consolidated basis for a group of credit institutions in Montenegro - Article 169 of this Law.

(2) A parent credit institution in Montenegro and an EU parent credit institution with head office in Montenegro that fail to meet the combined buffer requirement that may be applicable to them on an individual basis, as well as that requirement on a consolidated basis that relates to a group of credit institutions in Montenegro, shall apply:

1) Articles 166 to 169 of this Law where the lower of the following amounts will be taken for maximum distributable amount:
   – amount calculated in accordance with Article 167 of this Law, or
   – amount calculated in accordance with paragraph 1 item 1 of this Article;
2) Article 169 of this Law, in an appropriate manner, on a consolidated basis for a group of credit institutions in Montenegro.

(3) Notwithstanding Article 169 of this Law, a member of a group of credit institutions in Montenegro that on an individual basis fails to meet the combined buffer requirement shall not prepare a capital conservation plan in the cases referred to in paragraphs 1 and 2 of this Article, but the parent credit institution in Montenegro and an EU parent credit institution with head office in Montenegro shall prepare the capital conservation plan referred to in paragraph 1 item 2 and paragraph 2 item 2 of this Article, that also includes at least capital conservation plans of the undertakings members of the group of credit institutions in Montenegro that on an individual basis fail to meet the combined buffer requirement.

(4) The Central Bank shall regulate the obligations a parent credit institution in Montenegro and an EU parent credit institution with head office in Montenegro must meet in accordance with this Article, as well as the requirements referred to in Articles 166 to 170 of this Law.

VI LIMITATIONS AND PROHIBITIONS

Limits to Exposures

Article 172

(1) Exposure, within the meaning of this Law, shall mean any asset or off-balance sheet item of the credit institution, which is risk-weighted with an adequate risk weight when applying Standardised Approach for calculation of capital requirements for credit risk, without applying the risk weights or degrees of risk, in accordance with the Central Bank regulation governing the capital adequacy of credit institutions.

(2) Exposure of the credit institution to one person or group of connected persons shall be considered a large exposure where its value is equal to or exceeds 10% of the Tier 1 capital of the credit institution.

(3) Exposure of the credit institution to one person or group of connected persons, after applying effects of the credit risk mitigation techniques calculated in accordance with the regulation of the Central Bank referred to in paragraph 5 of this Article, shall not exceed 25 % of the Tier 1 capital of the credit institution.

(4) Notwithstanding paragraph 3 of this Article, the highest amount of exposure of the credit institution to other credit institutions shall be determined by the regulation referred to in paragraph 6 of this Article.

(5) A credit institution shall establish adequate administrative and accounting procedures and appropriate internal control mechanisms for the purpose of identifying, managing, monitoring, reporting and recording large exposures and subsequent changes to them, in accordance with paragraph 6 of this Article.

(6) The Central Bank shall regulate the manner of calculating large exposures of credit institutions, criteria for assessing the connection, credit risk mitigation techniques, the highest amount of exposure referred to in paragraph 3 of this Article, and reporting on large exposures.

Business with Persons Connected with a Credit Institution

Article 173

(1) When a credit institution provides to or uses services of persons connected with the credit institution, it shall not provide services to such persons under the conditions that are more favourable than the conditions under which it provides such services to other persons, nor it may use services of persons connected with the credit institution under the conditions that are less

favourable then the conditions under which other persons would have provided such services to the credit institution.

(2) Persons connected to the credit institution, within the meaning of this Law, shall be the following:
1) shareholders of the credit institution holding 5% or more of the holding in capital or shares of the credit institution with voting rights;
2) members of the supervisory or management boards and procurators of the credit institution;
3) persons responsible for work of control functions, authorised person for prevention of money laundering, person responsible for corporate clients, person responsible for retail clients;
4) other persons with an employment contract with the credit institution the provisions of which indicate to significant influence of such persons on operation of the credit institution or contain provisions setting a remuneration for work of such persons under special criteria different from conditions for persons with standard employment contract, and who are not persons referred to items 1, 2, and 3 of this paragraph;
5) legal person where in the credit institution, member of the supervisory or management boards, or procurator of the credit institution has significant holding;
6) legal person whose member of the management body is at the same time a member of the supervisory board or management board or procurator of the credit institution;
7) legal person whose member of the management body holds 10% or more shares of the credit institution with voting rights;
8) member of the management body of the undertaking that is directly or indirectly, parent or subsidiary undertaking of the credit institution;
9) person who acts for the account of persons referred to items 1 to 7 of this paragraph with respect to operations which would have resulted or which would have increased the credit institution exposure;
10) person who together with the person referred to in items 1 to 8 of this paragraph represents a connected person;
11) immediate family member of natural persons referred to in items 1 to 8 of this paragraph.

(3) The immediate family member of a person shall be deemed to be:
1) the spouse or person living in a partnership considered by the law as equivalent to the marriage;
2) the children and adopted children of such person and persons referred to in item 1 of this paragraph;
3) person without full legal capacity and under guardianship of such person.

(4) The Central Bank shall govern business with persons connected with the credit institution.

Approval of the Central Bank for Specific Investments

Article 174

(1) Without an approval of the Central Bank, the credit institution shall be prohibited to establish a legal person or enter into a legal transaction resulting in immediate or gradual, direct or indirect, acquisition of:
1) majority participation in capital or majority decision making rights in another legal person; or
2) 20% or more participation in capital in another legal person, if such participation is higher than 10% of the eligible capital of the credit institution.

(2) The indirect participation referred to in paragraph 1 of this Article shall be deemed to be participation by way of the subsidiary undertaking (direct acquirer).

(3) Notwithstanding paragraph 1 of this Article, the credit institution shall not obtain the Central Bank approval for concluding a legal transaction for acquiring shares or interests in other legal persons if intended to hold them in the trading book.

(4) The following shall be submitted along with the application for granting the approval referred to in paragraph 1 of this Article:
1) detailed description of the legal transaction submitted for approval;
2) description of actions the applicant has already undertaken with regards to the legal transaction submitted for approval;

3) description of the impact of the acquisition of participation in capital or voting rights on operations of the applicant; and

4) business plan including projections of financial reports for the following three years – for the undertaking being established, or latest financial report – for the undertaking in which the participation is acquired based on another legal transaction.

(5) The credit institution shall notify the Central Bank on any change of economic activity of the legal person wherein has majority participation in capital or voting rights before registration of such economic activity in the appropriate register.

Limiting Investments in Persons Carrying-out Non-financial Business Activities

Article 175

(1) The credit institution shall be prohibited from owning a qualifying holding in a legal person carrying out non-financial business activity which exceeds 15% of the eligible capital of the credit institution.

(2) The credit institution shall be prohibited from owning a total qualifying holding in all legal persons referred to in paragraph 1 of this Article which exceeds 60%.

(3) The persons referred to in paragraph 1 of this Article shall be deemed the business undertakings outside the financial sector, except for business undertakings outside the financial sector but carrying out activities for which the Central Bank considers to be:

1) direct extension of banking services;

2) ancillary services;

3) leasing, factoring, the management of investment funds, the management of data processing services and any other similar activity.

(4) Financial sector entities referred to in paragraph 3 of this Article shall be:

1) an institution,

2) a financial institution,

3) an ancillary services undertaking included in the consolidated financial situation of an institution,

4) an insurance undertaking,

5) a third-country insurance undertaking,

6) a reinsurance undertaking,

7) a third country reinsurance undertaking,

8) an insurance holding company, which includes a parent undertaking, other than a mixed financial holding company and having as principal activity acquisition of and participating in subsidiary undertakings, which are principally or predominantly insurance undertakings or reinsurance undertakings, or third-country insurance undertakings or reinsurance undertakings, whereby at least one is insurance undertaking or reinsurance undertaking among its subsidiary undertakings,

9) an insurance undertaking excluded from the application of regulations governing a pursuit of insurance business due to its size,

10) a third-country undertaking with a principal business comparable to any of the entities referred to in indents 1 to 9 of this item;

(5) The calculation of participation referred to in paragraphs 1 and 2 of this Article shall not include shares and interest:

1) held temporarily by the credit institution for financial assistance operation designed to reorganise and save that entity;

2) resulting from underwriting services held for five working days or fewer;

3) shares or interests held in the own name of the credit institution and for account of other persons;

4) shares and interests which are not financial fixed assets.

Investments in Immovable Property and Fixed Assets

Article 176

(1) Total investments of the credit institution in immovable property and fixed assets cannot exceed the level for which a required technical capability of the credit institution to carry out activities is provided.
(2) The Central Bank shall stipulate minimum standards for investments of the credit institution in immovable property and fixed assets.

Purchasing Elements of Own Funds of a Credit Institution

Article 177

Purchasing shares and other elements of the own funds of the credit institution with funds directly or indirectly purchased from loans or other legal transaction concluded with such credit institution shall be null and void legal transaction.

Acquisition of Elements of Own Funds of a Credit Institution

Article 178

(1) Total amount of own shares and other elements of the own funds of the credit institution acquired by such credit institution shall not exceed 5 % of the own funds of the credit institution.
(2) The credit institution shall divest acquired own shares within six months as of the day of acquisition.
(3) If the credit institution fails to divest acquired own shares within the deadline referred to in paragraph 2 of this Article, it shall cancel such shares.

Prohibition of Taking Own Shares under Pledge

Article 179

The credit institution shall be prohibited from taking under pledge own shares or other elements of the own funds of such credit institution.

Prohibition of Paying Profit

Article 180

(1) The credit institution shall be prohibited from paying advance instalments for profit or dividends, profit or dividend, or from making payments for participation of the management board, supervisory board and employees in profit of the undertaking, if:
1) the own funds of the credit institution are lower than the initial capital referred to in Article 18 of this Law;
2) the credit institution fails to settle on time its due liabilities or if the credit institution would fail to pay due liabilities due to payment of profit;
3) the Central Bank has ordered the credit institution to correct weaknesses and shortcomings related to the presentation of asset and liability and capital balance and off-balance sheet items, whereby the accurate presentation would affect the stated operating result in the statement of comprehensive income of the credit institution;
4) the Central Bank has ordered such measure by way of a decision due to shortcomings in risk management the credit institution is exposed to or would be exposed to in its operation.
(2) Prohibitions referred to in paragraph 1 of this Article shall last until:
1) the stipulated level of capital is reached, in the case referred to in paragraph 1 item 1 of this Article;
2) the correction of disruptions in liquidity of the credit institution, in the case referred to in paragraph 1 item 2 of this Article;
3) the correction of shortcomings in the statement of balance sheet and off-balance sheet items, unless reasons for prohibition referred to in paragraph 1 items 1 and 2 of this Article do not occur after the correct statement, in the case referred to in paragraph 1 item 3 of this Article; and

4) the lapse of deadlines for the realisation of measures imposed by the Central Bank decision, in the case referred to in paragraph 1 item 4 of this Article.

Payment of Variable Remunerations

Article 181

The credit institution that has contracted payment of variable remunerations contrary to the provisions of this Law or the provisions of the regulation referred to in Article 124 paragraph 5 of this Law, shall be prohibited from paying such contracted variable remuneration and such contracted provisions shall be null and void.

VII AGREEMENTS FOR INTRA-GROUP FINANCIAL SUPPORT

1. Agreements of Members of a Group from the European Union

Participants in an Agreement for Intra-Group Financial Support

Article 182

(1) Parent credit institution in Montenegro, EU parent credit institution with head office in Montenegro, parent financial holding company in Montenegro, EU parent financial holding company with head office in Montenegro, parent mixed financial holding company in Montenegro, EU parent mixed financial holding company with head office in Montenegro, parent mixed-activity holding company in Montenegro, EU parent mixed-activity holding company with head office in Montenegro, as well as their subsidiary undertaking that is a credit institution, investment firm or a financial institution in other Member States included in consolidated supervision performed by the Central Bank in accordance with this Law, may conclude an agreement for intra-group financial support in Montenegro, based on which the signatories shall provide financial support to any other signatory of such agreement that meets conditions for the use of early intervention measures referred to in Article 288 of this Law.

(2) For the purpose of securing mutual financial support when one or more signatories fulfil conditions for early intervention referred to in Article 288 of this Law, the credit institution may conclude an agreement on financial support of the group of EU credit institutions with the following undertakings:
1) EU parent credit institution with head office outside Montenegro;
2) EU parent financial holding company with head office outside Montenegro;
3) EU parent mixed financial holding company with head office outside Montenegro;
4) EU parent mixed-activity holding company with head office outside Montenegro;
5) Subsidiary undertaking of undertakings referred to in items 1 to 4 of this paragraph with head office outside Montenegro, which is a credit institution, an investment firm or a financial institution.

(3) Undertakings referred to in paragraphs 1 and 2 of this Article may conclude agreements on financial support to the group only if at the time of its proposal or conclusion no early intervention measures are imposed against signatories to the agreement.

(4) Provisions of this Law governing financial support within a group shall not apply to other contracts on financing within a group of credit institutions in Montenegro or group of EU credit institutions where none of the signatories was in the early intervention phase at the time of their conclusion, and which were not concluded in order to secure mutual financial support when one or more signatories fulfil conditions for early intervention referred to in Article 288 of this Law.

(5) Conclusion of the agreement referred to in paragraphs 1 or 2 of this Article shall not represent a condition for credit institution to provide financial support to another member of the group experiencing financial difficulties, if:
1) the credit institution made the decision alone about such individual case;
2) providing such financial support is in accordance with the group policy; and
3) so does not represent a risk for the whole group.

(6) Concluding agreements referred to in paragraphs 1 or 2 of this Article shall not be a condition for operation on the territory of Montenegro for a credit institution that is a member of the group from Montenegro or group from the EU.

Subject Matter to be governed by Agreement on Intra-group Financial Support

Article 183

(1) The agreement referred to Article 182 paragraphs 1 or 2 of this Law may provide financial support:
1) from parent undertaking to subsidiary undertaking;
2) from subsidiary undertaking to parent undertaking;
3) from subsidiary undertaking to another subsidiary undertaking that is the part of the same group; or
4) within members of the group, in any other manner not covered by items 1, 2 and 3 of this paragraph.

(2) Provider of the financial support may provide support though one or several transactions in the form of a credit or loan, the provision of guarantees or provision of sureties, the provision of pledge right or transfer of ownership of assets for use as collateral, or any combination of these instruments.

(3) The financial support forms referred to in paragraph 2 of this Article shall refer to legal transactions between the signatories of the group financial support agreements, as well as to legal transactions with third parties.

(4) The provider of financial support, in the group financial support agreement, may require from the beneficiary of the support to undertake to provide financial support to such provider of support.

(5) Signatories to the agreement shall contract in the group financial support agreement the method for the calculation of interest and other considerations, for any transaction made under the agreement, whereby the level of interest rate and other considerations must be set at the time of the provision of financial support.

(6) When signing the group financial support agreement and defining the calculation of interests and the other considerations, the signatories to the agreement shall comply with the following:
1) the concluded agreement is the expression of their free will;
2) each signatory to the agreement shall be acting in its own best interests, which may take account of any direct or any indirect benefit that may accrue to a signatory to the agreement as a result of the provision of the financial support;
3) each beneficiary of the financial support must provide to each provider of the financial support all relevant information prior to the determination of the interest and other considerations for the provision of financial support and prior to any decision to provide financial support;
4) when determining the interest and other considerations for the provision of financial support the provider of the support may take account information in its possession based on the fact that it belongs to the same group as the beneficiary of the financial support and which is not publicly available; and
5) the method for the calculation of the interest and other considerations for the provision of financial support does not have to take account of any anticipated temporary impact on market prices arising from events external to the operation of the group.

(7) The obligation from the financial support agreement may only be fulfilled by a signatory to the agreement, and only towards the other signatory of such agreement.

Review of Proposed Agreement when the Central Bank is the Consolidating Supervisor

Article 184

(1) The EU parent credit institution with head office in Montenegro and the credit institution referred to in Article 310 paragraph 2 of this Law shall submit to the Central Bank, as the consolidating supervisor, an application for issuing authorisation for concluding a financial support agreement of a group of credit institutions in Montenegro (hereinafter: the support agreement in Montenegro) and submit along with the application the proposal of the text of the agreement with names of the group members proposed to be signatories to the agreement.

(2) The Central Bank shall forward without any delay the application referred to in paragraph 1 of this Article to the competent authority of another Member State of head office of the subsidiary undertaking that proposes to be a signatory to the support agreement.
(3) The Central Bank and the competent authorities of other Member States of head offices of subsidiary undertakings that propose to be signatories to the support agreement in Montenegro shall cooperate with a view to reaching a joint decision on meeting conditions for concluding a support agreement referred to in Article 189 paragraph 1 of this Law, taking into account the potential impact, including any fiscal consequences, of the execution of such agreement in all the Member States where head office of any member of the group in Montenegro is located.
(4) The joint decision referred to in paragraph 3 of this Article must be reached within four months as of the day the Central Bank has received the application referred to in paragraph 1 of this Article, and it must be prepared in writing and be reasoned and submitted to the applicant.
(5) The Central Bank shall, based on the joint decision referred to in paragraph 4 of this Article confirming the compliance with conditions referred to in Article 189 paragraph 1 of this Law, grant the authorisation to conclude the support agreement in Montenegro and shall submit it to the applicant.
(6) The Central Bank shall, based on the joint decision referred to in paragraph 4 of this Article, stating that the conditions referred to in Article 189 paragraph 1 of this Law are not complied with, refuse the application to grant the authorisation to conclude the support agreement in Montenegro and shall submit to the applicant the decision on the denial of the application.
(7) The Central Bank may request the assistance of the European Banking Authority, in accordance with Article 31 of the Regulation (EU) No 1093/2010, in the process of reaching a joint decision referred to in paragraph 4 of this Article.

Autonomous Decision Taking by the Central Bank on Fulfilling Conditions for Concluding an Agreement

Article 185

(1) The Central Bank shall autonomously take decision on the application referred to in Article 184 paragraph 1 of this Law if the joint decision referred to in Article 184 paragraph 4 of this Law has not been adopted within the deadline, whereby it shall take account of views and separate opinions expressed by the other competent authorities and shall submit the decision to the applicant and to the relevant authorities of the Member States where head offices of subsidiary undertakings intending to conclude the agreement are located.
(2) The Central Bank may, within the four-month period from the day of receipt of the application referred to in paragraph 1 of this Article, request mediation of the European Banking Authority, in accordance with Article 19 paragraph 3 of the Regulation (EU) No 1093/2010.
(3) Notwithstanding paragraph 2 of this Article, if within the four-month period from the day of receipt of the application referred to in paragraph 1 of this Article, the Central Bank or any other relevant authority form other Member States request mediation of the European Banking Authority and if such Authority made a decision within one month, the Central Bank shall take the decision in accordance with the such decision, and the four-month period shall be deemed to be the conciliation period within the meaning of the Regulation (EU) No 1093/2010.
(4) The credit institution referred to in Article 184 paragraph 1 of this Law shall be prohibited from concluding the support agreement in Montenegro without the authorisation of the Central Bank.

Review of Proposed Agreement when the Central Bank is not the Consolidating Supervisor

Article 186

(1) If the competent authority of another Member State is as the same time the consolidating supervisor for the EU group of credit institutions, the Central Bank shall, upon request of such authority, participate in the process of taking a joint decision on meeting the conditions referred to in Article 189 paragraph 1 of this Law for concluding agreement on financial support to EU group of credit institutions (hereinafter: the EU support agreement), taking into account the potential impact, including any fiscal consequences, of the execution of such agreement in all the Member States where head office of any member of the EU group of credit institutions is located.
(2) The credit institution shall notify the Central Bank on the intent to conclude the EU support agreement and shall be prohibited from concluding such agreement if the consolidating supervisor has not issued to its parent credit institution the authorisation to conclude the EU support agreement.
(3) The Central Bank may request the assistance of the European Banking Authority, in accordance with Article 31 of the Regulation (EU) No 1093/2010, in the process of reaching a joint decision referred to in paragraph 1 of this Article.
(4) In the process of taking the joint decision on meeting conditions for concluding the support agreement, the Central Bank may, within the four-month period from the day the consolidating supervisor has received the application for granting authorisation for concluding the support agreement, request mediation of the European Banking Authority, in accordance with Article 19 paragraph 3 of the Regulation (EU) No 1093/2010.

Approval for Concluding the Support Agreement by the General Shareholders Assembly

Article 187

(1) When the Central Bank or other consolidating supervisor issues the authorisation to the parent credit institution to conclude the support agreement, the management board of the credit institution intending to conclude such agreement shall receive the approval or authorisation to conclude such agreement from the general shareholders assembly of the credit institution.
(2) The agreement referred to in paragraph 1 of this Article shall have legal effect only in respect of a member of the credit institution group if its general shareholders assembly has authorised the management board to make autonomously a decision that the undertaking shall be beneficiary or provider of the financial support in accordance with terms of the agreement.
(3) If the general shareholders assembly empowers the management board in accordance with paragraph 2 of this Article, the provisions of the article of association of the undertaking or the decision of supervisory board governing that certain part of tasks may be performed only with the prior consent of such board shall not apply, if such provisions or decisions would be limiting the management board in taking decision that the credit institution is going to be beneficiary or provider of the financial support.
(4) The general shareholders assembly may revoke the authorisation referred to in paragraph 2 of this Article and in such case, the support agreement shall not create legal effect for such undertaking.
(5) The credit institution shall submit to the Central Bank and all signatories to such agreement, without any delay, the decision of the general shareholders assembly on granting authorisation to the management board and the decision on revoking it.
(6) The management board of a member of the group of credit institution that is signatory to the agreement shall report at least once a year to the general shareholders assembly on the execution of the agreement and on implementation of any decision taken pursuant to such agreement.
(7) The parent credit institution from Montenegro, the EU parent credit institution with head office in Montenegro and the credit institution referred to in Article 310 paragraph 2 of this Law shall ensure that all members of the group from Montenegro intending to conclude the agreement, and which are not credit institutions or investment firms, act in accordance with provisions of this Law governing the conclusion of the intra-group financial support agreement.

Transmission of the Support Agreements

Article 188

(1) The credit institutions shall notify, without any delay, the Central Bank on the conclusions of the support agreement and supply a copy of such agreement for exercising the supervision function and resolution function of the credit institutions.

(2) When the Central Bank is a consolidating supervisor, the agreement referred to in paragraph 1 of this Article shall be submitted to the relevant resolution authorities in the Member States where head offices of members of the group of credit institution from Montenegro that are signatories to the agreement are located.

Conditions for Providing Support

Article 189

(1) The credit institution may provide support only if the following conditions are met:

1) the financial difficulties of the beneficiary of the support will be significantly redressed with the provided support;

2) the support has the objective of preserving or restoring the financial stability of the group as a whole or any of the signatories to the agreement and if that is in the interest of the provider of support;

3) the support, including interest and other considerations, is provided in accordance with terms referred to in Article 183 paragraphs 5 and 6 of this Law;

4) there is a reasonable prospect, on the basis of the information available to the management board of the provider of support at the time when the decision to grant support is taken, that the beneficiary of the support will pay the interest and consideration for the support and, if the support is given in the form of a loan or credit, that the loan or credit will be reimbursed, and if the support is given in the form of a surety or guarantee or any other form, the same condition must apply to the liability arising for the beneficiary of the support if the payment resulting from the surety, guarantee or any other form of support is enforced;

5) the provision of the support would not jeopardise the liquidity or solvency of the provider of the support;

6) the provision of the support would not create a threat to financial stability of Montenegro or financial stability of another Member State where the other signatory to the agreement has a head office;

7) the provider of the support complies at the time the support is provided with all stipulated requirements of the Regulation (EU) No 575/2013 relating to capital and liquidity, as well as all measures of the Central Bank imposed in line with the powers from this Law and the provision of support does not cause infringement to those requirements;

8) the provider of the support complies, at the time when the support is provided, with the stipulated requirements relating to large exposures, and the provision of the support does not cause infringement to those requirements; and

9) the provision of the support would not undermine the resolvability of the provider of the support.

(2) Notwithstanding paragraph 1 of this Article, the credit institution may provide support in the event that the condition referred to in paragraph 1 items 7 or 8 of this Article is not met, if it received the authorisation by the Central Bank referred to in Article 191 paragraph 8 of this Law.

(3) The Central Bank shall regulate conditions referred to in paragraph 1 of this Article and conditions under which the Central Bank may adopt entire or partial application referred to in Article 191 paragraph 4 of this Law.

Decision to Provide and Receive Support

Article 190

(1) The management board of the provider of the support shall take the decision to provide support, whereby the decision must be reasoned in detail and indicate the objectives of the support, and the manner in which the conditions referred to in Article 189 paragraph 1 of this Law are met.
(2) The decision to accept support shall be taken by the management board of the beneficiary of the support.

Approval of the Central Bank for Provision of Support

Article 191

(1) The credit institution may provide support in accordance with the signed support agreement if it has received the Central Bank authorisation for the provision of the support.
(2) The parent credit institution in Montenegro, the EU parent credit institution with head office in Montenegro or the credit institution referred to in Article 310 paragraph 2 of this Law shall notify the Central Bank if its subsidiary undertaking intends to provide support.
(3) The credit institution intending to provide support shall prior to doing so notify the consolidating supervisor, the competent authority of the beneficiary of the support, and the European Banking Authority.
(4) The application for granting the authorisation referred to in paragraph 1 of this Article shall be deemed as duly submitted if the following conditions are met:
1) application contains all details of the proposed support with a reasoned statement;
2) a copy of the management board decision on the provision of support referred to in Article 190 paragraph 1 of this Law has been submitted along with the application; and
3) the credit institution has submitted to the Central Bank a copy of the support agreement in accordance with Article 188 paragraph 1 of this Law.
(5) Within five working days from the day of the submission of a complete application referred to in paragraph 4 of this Article, the Central Bank shall adopt a decision taking a decision on the application, and if it fails to take a decision on the application within such deadline it shall be deemed that the authorisation for the provision of the financial support was granted.
(6) The Central Bank shall issue authorisation to the credit institution for the provision of the financial support if conditions referred to in Article 189 paragraph 1 of this Law are met.
(7) The Central Bank shall reject the application referred to in paragraph 4 of this Article if it deems that the conditions referred to in Article 189 paragraph 1 of this Law were not fully met, and if it deems that the conditions were partially met, the Central Bank may partially adopt the application referred to in paragraph 4 of this Article.
(8) Notwithstanding paragraph 7 of this Article, if the conditions referred to in Article 189 paragraph 1 items 7 or 8 of this Law were not met the Central Bank may adopt or partially adopt the application referred to in paragraph 4 of this Article.
(9) In the event referred to in paragraph 8 of this Article, the Central Bank shall set a deadline by way of a decision, within which the credit institution shall re-comply operations with the requirements referred to in Article 189 paragraph 1 items 7 or 8 of this Law, and if the credit institution re-complies its operations with these requirements within the set deadline, it shall be deemed that the credit institution did not have non-compliance with those requirements.
(10) The Central Bank shall notify immediately the consolidating supervisor, the competent authority of the beneficiary of the support, and the European Banking Authority of the decision referred to in paragraphs 6, 7, or 8 of this Article.
(11) The Central Bank shall also use the decision referred to in paragraphs 6, 7, or 8 of this Article to exercise a function of the credit institution resolution authority.

Procedure in the Case of Refusal or Partial Adoption of the Application for Provision of Services

Article 192

(1) If the Central Bank receives a decision of the consolidating supervisor or another competent authority on refusing or partially adopting the application for the provision of the support, it may refer the matter to the European Banking Authority within two days and request its assistance in accordance with Article 31 of the Regulation (EU) No 1093/2010.

(2) If any competent authority of signatory to the agreement refuses or partially adopts the application for the provision of the support, pursuant to the support agreement which is included in the recovery plan, the Central Bank shall:

1) as the consolidating supervisor, autonomously or upon request of another competent authority of the signatory to the agreement of which the support was refused or partially approved, initiate reassessment of the group recovery plan in accordance with Article 132 of this Law;

2) for individual group member which is obliged to draw up a recovery plan on an individual basis, for which the Central Bank is the competent authority, to instruct submission of the revised recovery plan.

(3) If the Central Bank is not a consolidating supervisor and the application for support to the credit institution in Montenegro is refused or partially adopted, and the group recovery plan includes the support agreement, the Central Bank may request new assessment of the group recovery plan from the consolidating supervisor in accordance with Article 132 of this Law.

(4) If the Central Bank takes the decision referred to in Article 191 paragraphs 6, 7 or 8 of this Law, or if as the consolidating supervisor receives from another competent authority notification on authorisation, restriction or prohibition of provisions of financial support, it shall immediately inform thereof the other members of the college of supervisors and the other members of the resolution college.

Notification of Taking the Decision on Provision of Financial Support and Disclosure of Information

Article 193

(1) After receiving the authorisation of the Central Bank referred to in Article 191 of this Law, the credit institution or undertaking being a member of the group intending to provide financial support pursuant to the intra-group financial support agreement, shall transmit the notification of such decision to the consolidating supervisor, competent authority of the beneficiary of the support, and the European Banking Authority.

(2) The Central Bank, as the consolidating supervisor, after receipt of the decision referred to in paragraph 1 of this Article, shall immediately inform thereof the other members of the college of supervisors and the other members of the resolution college

(3) The credit institution shall publicly disclose, and update at least annually the information on:

1) entering into a support agreement;

2) general terms of the concluded support agreement; and

3) the names of other signatories to the agreement.

(4) The parent credit institution in Montenegro, the EU parent credit institution with head office in Montenegro and the credit institution referred to in Article 310 paragraph 2 of this Law shall publicly disclose and update at least annually the information referred to in paragraph 3 of this Article for each member of the group from Montenegro that is not a credit institution with head office in Montenegro.

(5) The public disclosure of the notification referred to in paragraph 1 of this Article shall be done in accordance with Articles 431 to 434 of the Regulation (EU) No 575/2013.

Application of Provisions of this Law to the Financial Support Agreement and Amendments to the Agreement

Article 194

(1) Provisions of this Law and other regulations governing the operation with parties connected to the credit institution shall not apply to the group financial support agreement.

(2) Provisions of this Law governing the group financial support shall also apply to any amendment to the financial support agreement.

2. Group Financial Support Agreements from Third Countries

Participants in a Financial Support Agreement

Article 195

(1) A credit institution that is a parent undertaking with a subsidiary undertaking that is a credit institution, an investment firm or a financial institution with head office in Montenegro or a third country included in consolidated supervision performed by the Central Bank in accordance with this Law, may conclude an agreement for intra-group financial support based on which the signatories shall provide financial support to any other signatory of such agreement that meets conditions for the use of early intervention measures referred to in Article 288 of this Law.

(2) A credit institution that is a subsidiary undertaking of another credit institution with head office in Montenegro or a third country may conclude an agreement for intra-group financial support with the parent credit institution and other members of the group based on which the signatories shall provide financial support to any other signatory of such agreement.

(3) The credit institutions referred to in paragraphs 1 and 2 of this Article may conclude a group financial support agreement if:

1) the Central Bank has entered into an agreement on cooperation referred to in Article 336 of this Law with a competent authority of the country where a member of the group intending to conclude agreement has a head office; and

2) at the time of proposal or conclusion of the agreement no early intervention measures are imposed against signatories to the agreement.

(4) Provisions of this Law governing intra-group financial support shall not apply to other contracts on financing where none of the signatories was in the early intervention phase at the time of their conclusion, and which were not concluded in order to secure mutual financial support when one or more signatories fulfil conditions for early intervention referred to in Article 288 of this Law.

(5) Conclusion of the agreement referred to in paragraphs 1 or 2 of this Article shall not represent a condition for credit institution to provide financial support to another member of the group experiencing financial difficulties, if:

1) the credit institution made the decision alone about such individual case;
2) providing financial support is in accordance with the group policy; and
3) so does not represent a risk for the whole group.

(6) Provisions of this Law and other regulations governing the operations with parties connected to the credit institution shall not apply to the financial support agreement referred to in paragraphs 1 or 2 of this Article.

(7) Provisions of this Law governing the financial support of members of the group shall also apply to any amendment to the financial support agreement.

Subject Matter to be Governed by Intra-group Financial Support Agreement

Article 196

(1) The financial support agreement referred to Article 195 paragraphs 1 or 2 of this Law may provide financial support:

1) from parent undertaking to subsidiary undertaking;
2) from subsidiary undertaking to parent undertaking;
3) from subsidiary undertaking to another subsidiary undertaking that is the part of the same group; or
4) within members of the group, in any other manner not covered by items 1, 2 and 3 of this paragraph.

(2) Provider of the financial support may provide support through one or several transactions in the form of a credit or loan, the provision of guarantees or provision of sureties, the provision of pledge

right or transfer of ownership of assets for the use as collateral, or any combination of these instruments.

(3) The financial support forms referred to in paragraph 2 of this Article shall refer to legal transactions between the signatories of the group financial support agreement, as well as to legal transactions with third parties.

(4) The provider of financial support, in the group financial support agreement, may require the beneficiary of the support to undertake to provide financial support to such provider of support.

(5) Signatories to the agreement shall contract in the group financial support agreement the method for the calculation of interest and other considerations, for any transaction made under the agreement, whereby the level of interest rate and other considerations must be set at the time of the provision of financial support.

(6) When signing the group financial support agreement and defining the calculation of interests and other considerations, the signatories to the agreement shall comply with the following principles:

1) the concluded agreement is expression of free will of parties to the agreement;

2) each signatory to the agreement shall be acting in its own best interests, which may take account of any direct or any indirect benefit that may accrue to a signatory to the agreement as a result of provision of the financial support;

3) each beneficiary of the financial support must provide to each provider of the financial support all relevant information prior to determination of the interest and other considerations for the provision of financial support and prior to any decision to provide financial support;

4) determination of the interest and other considerations for the provision of financial support may take into account of information in the possession based on the fact that it belongs to the same group as the beneficiary of the financial support and which is not publicly available; and

5) the method for calculation of the interest and other considerations for the provision of financial support are not obliged to take account of any anticipated temporary impact on market prices arising from events external to the operation of such group.

(7) Obligation from the group financial support agreement may only be fulfilled by a signatory to the agreement, and only towards the other signatory of such agreement.

Review of Proposed Agreement

Article 197

(1) The credit institution referred to in Article 195 paragraphs 1 and 2 of this Law shall submit to the Central Bank an application for issuing authorisation for concluding a group financial support agreement and submit along with the application the proposal of the text of the agreement with names of the group members intended to be signatories to the agreement.

(2) When the condition referred to in Article 195 paragraph 3 item 1 of this Law is met, the Central Bank shall forward, without any delay, the application referred to in paragraph 1 of this Article to the competent authority of a third country of head office of the subsidiary undertaking that intends to be a signatory to the support agreement.

(3) The Central Bank shall cooperate with the competent authorities of third countries of head offices of subsidiary undertakings that propose to be signatories to the support agreement in accordance with the agreement referred to in Article 336 of this Law.

Approval for Concluding the Support Agreement by the General Shareholders Assembly

Article 198

(1) When the Central Bank issues the authorisation to the parent credit institution in Montenegro to conclude the support agreement, the management board of the credit institution intending to conclude the agreement shall receive the approval or authorisation to conclude such agreement from the general shareholders assembly of the credit institution.

(2) If the general shareholders assembly empowers the management board of the undertaking in accordance with paragraph 1 of this Article, the provisions of the article of association of the credit

institution or the decision of supervisory board governing that certain part of tasks may be performed only with the consent of such board shall not apply, if such provisions or decisions would be limiting the management board in taking decision that the credit institution is going to be beneficiary or provider of the financial support.

(3) The general shareholders assembly may revoke the approval or the authorisation referred to in paragraph 1 of this Article and in such case, the support agreement shall not create legal effect for such credit institution.

(4) The credit institution shall submit to the Central Bank and all signatories to such agreement, without any delay, the decision of the general shareholders assembly on granting authorisation to the management board and the decision on revoking it.

(5) The management board of a member of the group of credit institution that is signatory to the agreement shall report at least once a year to the general assembly on execution of the agreement and on implementation of any decision taken pursuant to such agreement.

(6) The parent credit institution from Montenegro shall ensure that all members of the group intending to conclude the agreement, and which are not credit institutions or investment firms, comply with the provisions of this Law governing the conclusion of the intra-group financial support agreement.

Transmission of the Support Agreements

Article 199

The credit institutions shall notify, without any delay, the Central Bank on conclusion of the support agreement and supply a copy of such agreement for exercising the supervision function and the resolution function of the credit institutions.

Conditions for Providing Support

Article 200

(1) The credit institution may provide support only if the following conditions are met:

1) the financial difficulties of the beneficiary of the support will be significantly redressed with the provided support;

2) the support has the objective of preserving or restoring the financial stability of the group as a whole or any of the signatories to the agreement and if it is in the interest of the provider of support;

3) the support, including interest and other considerations, is provided in accordance with conditions referred to in Article 196 paragraphs 5 and 6 of this Law;

4) there is a reasonable prospect, on the basis of the information available to the management board of the provider of support at the time when the decision to grant support is taken, that the beneficiary of the support will pay the interest and consideration for the support and, if the support is given in the form of a loan or credit, that the loan or credit will be reimbursed, and if the support is given in the form of a surety or guarantee or any other form, the same condition must apply to the liability arising for the beneficiary of the support if the payment of the surety, guarantee or any other form of the support is enforced;

5) the provision of the support would not jeopardise the liquidity or solvency of the provider of the support;

6) the provision of the support would not create a threat to financial stability of Montenegro or third country where the other signatory to the agreement has a head office;

7) the provider of the support complies at the time the support is provided with all stipulated requirements relating to capital and liquidity, as well as all measures of the Central Bank imposed in line with the powers from this Law and the provision of support does not cause infringement to those requirements;

8) the provider of the support complies, at the time when the support is provided, with the stipulated requirements relating to large exposures, and the provision of the support does not cause infringement to those requirements; and

9) the provision of the support would not undermine the resolvability of the provider of the support.

(2) Notwithstanding paragraph 1 of this Article, the credit institution may provide support, with the authorisation of the Central Bank, in the event that the condition referred to in paragraph 1 items 7 or 8 of this Article is not met, if it received the authorisation from the Central Bank referred to in Article 202 paragraph 7 of this Law.
(3) The Central Bank shall prescribe a more detailed conditions referred to in paragraph 1 of this Article.

Decision to Provide and Receive Support

Article 201

(1) The decision to provide support shall be taken by the management board of the credit institution provider of the support, which must have a reasoned statement and that decision must indicate the objectives of the support, and indicate how the conditions referred to in Article 200 paragraph 1 of this Law are complied with.
(2) The decision to accept support shall be taken by the management board of the beneficiary of the support.

Approval of the Central Bank for Provision of Support

Article 202

(1) The credit institution may provide support in accordance with the signed support agreement if it has received the Central Bank authorisation for the provision of the support.
(2) The credit institution referred to in paragraph 1 of this Article shall notify the Central Bank if its subsidiary undertaking intends to provide support.
(3) The application for granting authorisation referred to in paragraph 1 of this Article shall be deemed as duly submitted if the following conditions are met:
1) application contains all details of the proposed support with a reasoned statement;
2) a copy of the management board decision on the provision of the support referred to in Article 201 paragraph 1 of this Law was submitted along with the application; and
3) the credit institution has submitted to the Central Bank a copy of the support agreement, which will also be used by the Central Bank for exercising the resolution function of credit institutions.
(4) Within five working days following the day of the receipt of a complete application referred to in paragraph 3 of this Article, the Central Bank shall take a decision on the application, and if it fails to take a decision on the application within such deadline it shall be deemed that the authorisation for provision of financial support was granted.
(5) The Central Bank shall issue authorisation to the credit institution for the provision of financial support if conditions referred to in Article 200 paragraph 1 of this Law are met.
(6) The Central Bank shall reject the application referred to in paragraph 3 of this Article if it deems that the conditions referred to in Article 200 paragraph 1 of this Law were not fully met, and if it deems that such conditions were partially met, the Central Bank may partially adopt the application referred to in paragraph 3 of this Article.
(7) Notwithstanding paragraph 6 of this Article, if the conditions referred to in Article 200 paragraph 1 items 7 or 8 of this Law were not met, the Central Bank may adopt or partially adopt the application referred to in paragraph 3 of this Article.
(8) In the event referred to in paragraph 7 of this Article, the Central Bank shall set a deadline by way of a decision, within which the credit institution shall re-comply operations with the requirements referred to in Article 200 paragraph 1 items 7 or 8 of this Law, and if the credit institution re-complies the operations with these requirements within the set deadline, it shall be deemed that the credit institution was not non-complainant with those requirements.
(9) The Central Bank shall prescribe a more detailed criteria for providing support referred to in paragraph 1 of this Article.

VIII BANKING SECRECY

Banking Secrecy Definition

Article 203

(1) The banking secrecy shall mean:
1) data on individual deposit balance of clients of a credit institution;
2) data on stock and turnover on individual accounts of clients opened in a credit institution;
3) data on users of credits and balance of their credits; and
4) other data and information about the client the credit institution obtained as a result of providing services to the client and executing transactions with the client, unless otherwise provided for by another law.

(2) The client of the credit institution, within the meaning of this Law, shall mean any person requesting or receiving banking and/or financial service from the credit institution.

(3) The banking secrecy shall represent a professional secrecy.

Obligation to Safeguard the Banking Secrecy

Article 204

(1) Members of bodies of the credit institution, shareholders of the credit institution, employees of the credit institution, external auditors and other persons who due the nature of business performing with the credit institution or for the credit institution have access to confidential data shall safeguard data and information considered as the banking secrecy and shall not make them available to third persons, used them against the interest of the credit institution and its clients, or enable third persons to use them.

(2) The obligation of safeguarding the banking secrecy shall continue to exist for persons referred to in paragraph 1 of this Article even after termination of their work in the credit institution or after termination of them being a shareholder or member in bodies of the credit institution, as well as after termination of contractual arrangement for performing duties for the credit institution.

(3) Notwithstanding paragraph 1 of this Article:
1) all data and information considered as the banking secrecy may be made available to:
- the Central Bank,
- competent court,
- other persons based on explicit consent of the client in writing;

2) data may be made available to competent state prosecutor and the administration authority competent for police affairs for the purpose of pursuing perpetrators of crimes;
3) data may be made available to the authority competent for the prevention of money laundering and terrorist financing in accordance with the law governing the prevention of money laundering and terrorist financing;
4) data may be made available to notaries for the need of probate proceedings;
5) data may be made available to public enforcement officers, bankruptcy administrator and liquidator needed for execution of powers in accordance with the law;
6) data may be made available to the Deposit Protection Fund in accordance with the law governing the deposit protection;
7) data may be made available to the tax authority for the purpose of assessing, collecting and controlling taxes, as well as for the exchange of information with other States in accordance with international treaties and the European Union regulation;
8) data on the account number of legal person and natural person pursuing registered economic activity may be made available to the creditor of the credit institution's client that presents to the credit institution enforceable court ruling or other enforceable document set by the law;
9) data on credit worthiness and credit indebtedness of the client with such credit institution may be made available to other credit institution or member of the group of credit institutions for the risk management purpose;

10) data may be made available to social welfare centres for undertaking measures from within their competence to protect minors and persons under guardianship;
11) data on credit indebtedness of the client with such credit institution and regularity in repayment of approved credit may be made available to persons who based on such credit indebtedness have possible obligation towards the credit institution, as co-debtors, endorsers, guarantors and similar;
12) data about the client may be made available to the credit institution used to perform international payment transactions (correspondent bank) needed to perform mandatory identification and verification of clients in accordance with the law governing the prevention of money laundering and terrorist financing;
13) data may be made available on receivables of the credit institution which are subject to sale to persons pursuing activities of factoring or purchase of receivables;
14) data may be made available to insurance undertakings needed in the process of insurance of receivables of the credit institution;
15) data may be made available to a person intending to acquire a qualifying holding in such credit institution, person acquiring or being merged with the credit institution, legal person intending to take-over the credit institution, as well as to auditors and other professional, legal or natural persons authorised by the proposed acquirer of the qualifying holding, with consent of the management board of the credit institution, needed for carrying out assessment of the credit institution;
16) data may be made available to outsourcing providers needed for rendering such outsourcing services;
17) data may be made available to the person who erroneously paid monetary funds to an account of the client of the credit institution, needed for opening court proceedings for return of erroneous payment of monetary funds;
18) data may be made available to other persons in accordance with the law.

(4) The disclosure of data in aggregate form such that individual or business data on the client cannot be identified, as well as the disclosure of data from public registries shall not be deemed to be the disclosure of banking secret.

(5) The credit institution shall ensure that the consent in writing of the client referred to in paragraph 3 item 1 indent 3 of this Article is provided as a separate document.

(6) When the exchange of data representing a banking secret is performed based on consent in writing of the client referred to in paragraph 3 item 1 indent 3 of this Article, the credit institution shall:
1) ensure that all data provided are accurate, complete, and up-to-date;
2) enable the client an insight into his data submitted by the credit institution; and
3) ensure that the exchange of data taking place in such a manner which is not of scope broader than required for the purpose for which the data is being exchanged.

Using and Protecting Confidential Data

Article 205

(1) Persons referred to in Article 204 paragraph 3 of this Law who obtained data representing the banking secret shall use such data only for the purpose for which were obtained and shall be prohibited from disclosing them to third persons, except to a competent judiciary authority and other persons in accordance with the law.

(2) The provision of paragraph 1 of this Article shall also apply to all natural persons who either as employees or in another capacity work or have worked with the persons referred to in Article 204 paragraph 3 of this Article.

IX PROTECTION OF CONSUMERS AND OTHER CLIENTS

Disclosing General Operating Terms

Article 206

(1) The credit institution shall display on a visible location at its business premises general operating terms, as well as amendments and supplements thereof, at least eight days before they become effective.
(2) General operating terms, within the meaning of this Law, shall be any document that contains standard operating terms that may be applied to all clients of the credit institution, general terms that refer to establishing a relationship between the clients and the credit institution, communication procedure between the clients and the credit institution, as well as the general terms of performing transactions between the clients and the credit institution.
(3) In addition to mandatory notification of the clients referred to in paragraph 1 of this Article, the credit institution may also make available information of operating terms in other ways to possible clients.
(4) The client may require from the credit institution additional clarifications and instructions that refer to the application of the general operating terms.

Obligation of Informing Consumers

Article 207

(1) The credit institution shall inform the consumer, in an agreed manner, at least annually without consideration, on the balance of the credit or deposits, and with respect to the approved credits in particular of due outstanding debts toward the credit institution and of deadlines for issuing a notice on debt and warning on cancelation of the credit agreement, as well as to provide him with the access to other data that the consumer may access in accordance with this Law.
(2) The consumer, within the meaning of this Law, shall mean any natural person who is a client of the credit institution and who acts outside of his economic activity or free profession.
(3) The credit institution shall provide information on the credit balance referred to in paragraph 1 of this Article until such time the court procedure for credit collection is initiated.
(4) A credit institution shall, at least 15 day before intending to initiate the enforced collection proceedings of the credit that will be charged against a co-debtor, lienee, and endorser/surety guarantor, including also unilateral cancelation of the credit agreement, notify such persons on the intent to initiate the enforced collection proceedings or unilateral cancelation of the agreement and conditions under which the proceedings will not be initiated.
(5) The credit institution shall, immediately upon cancellation of the credit agreement and without consideration, notify the user of the credit, co-debtor, and endorser/surety guarantor of:
    1) total amount and composition of debt resulting from principal, interest, fees and other costs; and
    2) grounds for individual items for which the collection is requested, with indication of items which are subject to increase and relevant interest rate for such items.
(6) Provision of paragraph 4 of this Article shall not preclude the right of the credit institution to initiate the enforced collection proceedings against the debtor, in accordance with the agreement.

Variable Interest Rate

Article 208

(1) When a variable interest rate is contracted, the credit institution shall, at least 15 days before the new rate is applied, notify the client on change of the interest rate, including explained parameters why the interest rate was changed, and in case of the credit agreement it shall also submit to the client an amended repayment schedule.
(2) If the credit institution fails to notify the consumer on the change of the interest rate for the approved credit at least 15 days before its application, it shall defer the application of the new interest rate until the next accounting period, except in the case when the interest rate was reduced.
(3) If the credit institution fails to notify the consumer on the change of the interest rate for deposit at least 15 days before its application, it shall defer the application of the new interest rate until the next accounting period, except in the case when the interest rate was increased.

(4) If the consumer, user of a credit, after receiving notification on the increase of the interest rate does not agree with the stated changes, he shall be entitled to make early repayment of the credit within three months following the receipt of the notification without obligation of paying any fee to the credit institution, including also the contracted fee for early repayment of the credit, and the credit institution shall not be entitled to compensation for damage as a result of early repayment.

Key Information on Services

Article 209

The credit institution shall draw up a template for each service offered to clients – natural persons which contains key information on the service and make it accessible at a suitable location at its business premises where services to clients are provided.

Informing Other Parties to the Credit Arrangement

Article 210

(1) In case of the credit agreement, the credit institutions shall:
1) notify other parties to the credit arrangement (co-debtors, lienees and endorsers/surety guarantors), before concluding the agreement, on all important terms from the agreement pertaining to their rights and obligations;
2) warn other parties to the credit arrangement (co-debtors, lienees and endorsers/surety guarantors) of the legal nature of being co-debtor or endorser/surety guarantor, as well as of the right of the credit institution that the collection of its receivables may be done from all participants in the credit arrangement;
3) provide relevant evidence on fulfilling obligations referred to in items 1 and 2 of this Article.

(2) When concluding the credit agreement, the credit institution shall provide a copy of the agreement to other participants in the credit arrangement, in addition to the debtor pursuant to the credit.

Calculation of and Presenting the Effective Interest Rate

Article 211

The credit institution shall calculate and present the lending effective interest rate for granted credits and effective deposit interest rate for received deposits and inform the clients and the public on the level of effective interest rates in accordance with the Central Bank regulation.

Contracting Variable Interest Rates

Article 212

(1) If the credit institution offers contracting of a variable interest rate or a credit where the amount to be repaid depends on the exchange rate trend of the currency other than euro, it shall warn the consumer of all risks arising from variability of the interest rate or currency exchange rate trends in a clear and unambiguous manner.

(2) Promotional interest rates offered for sale of services for a specified period after which the level of such interest rate is corrected to the level of the market interest rate may be contracted only for short-term services.

Conditioning Clients

Article 213

The credit institution shall be prohibited from conditioning the granting of credit by use other services or services of persons connected with the credit institution, which are not connected with the principal business.

Protection of Clients in Case of Sale of Clients' Debts

Article 214

(1) The credit institution shall ensure that the client against which it has had receivables pursuant to a credit or on other grounds, and which were sold or otherwise assigned to another person is not placed in a less favourable position relative to the position the debtors have had with respect to such credit institution.
(2) The credit institution, the person to which the receivable referred to in paragraph 1 of this Article is assigned and a third person to which the receivable has been further assigned shall be jointly and severally liable for the damage caused by putting the debtor in legal or actual less favourable position relative to the position the debtor has had with respect to the credit institution.
(3) The provision of paragraph 1 of this Article shall not apply to contracts concluded as part of the measures imposed by the Central Bank against the credit institution with financial difficulties or undertaken by a temporary or resolution administration of the credit institution.
(4) When a transfer of debt is made to another person, in addition to the obligation of notifying the clients about the transfer in accordance with the law, the credit institution shall also submit to the client a report on total balance of receivables with the stock on the date of the receivables transfer and the composition of the receivables broken down by item with clearly stated principle, interests, fees, and other costs.

Protection of Clients in Case of Reduction of Capital

Article 215

(1) If the credit institution, in accordance with the law governing the operation of business undertakings, takes a decision on the reduction of capital thus reducing its nets assets, it shall, upon the request of a depositor which is submitted in accordance with that law, pay the deposit out even before its maturity and interests accrued until the day of the payout, , without charging fees and costs, and to do so within 60 days as of the day the depositor has submitted the request.
(2) The term "deposit" referred to in paragraph 1 of this Article shall have the meaning set by the law governing the obligation relations.

Postponement of Executing Payout of Deposits

Article 216

(1) The credit institution shall not meet the requests referred to in Article 215 of this Law if it decides to carry out the reduction of the capital items after the lapse of the two-year period as of the day of adopting the decision on reduction of the common equity Tier 1 capital items.
(2) In the case referred to in paragraph 1 of this Article, the credit institution shall publish on its website, without any delay, the decision on the reduction of the capital and the decision on the deadline for payout.

Treatment of Reduction of the Common Equity Tier 1 Capital Items

Article 217

The credit institution shall treat the amount, for which it reduced the common equity Tier 1 capital items by adopting a decision on the reduction of capital which reduces its net assets, as items no longer available to the credit institution for unrestricted and immediate use to cover risks or losses, thus such amount shall not be stated as the part of the common equity Tier 1 capital of the credit institution.

Procedure of the Credit Institution related to Complaint from a Client

Article 218

(1) The client who believes that the credit institution is failing to comply with obligations from the concluded agreement may file a complaint to the competent organisational unit or the credit institution body in charge of taking decision upon complaints from clients.
(2) The credit institution shall respond to the person filing the complaint referred to in paragraph 1 of this Article within reasonable timeframe, but no later than 15 days as of the day the complaint is received, unless the law sets a different deadline for specific services.
(3) The credit institution shall assign tasks of taking decision upon complaints from clients to at least one person employed by the credit institution.
(4) Protection of consumers' rights, within the meaning of the law governing the consumer credits, shall be carried out in accordance with provisions of that law.

Out-of-court Settlement of Disputes

Article 219

(1) A client of a credit institution who is not satisfied by a document, action or failure to act by the credit institution may lodge a complaint to the Central Bank.
(2) A client of the credit institution may appeal to the Central Bank only if it has previously used all legal possibilities to protect its rights in the proceedings with the credit institution.
(3) With the objective of protection of clients referred to in paragraph 1 of this Article, the Central Bank shall review complaints from clients and may:
   1) give recommendations to the credit institutions for the improvement of clients' relationships;
   2) give advice to clients pertaining to different dispute resolution methods;
   3) perform other tasks contributing to exercising the protection of the rights of clients.
(4) The Central Bank shall not resolve individual complaints from clients of a credit institution.
(5) The Central Bank shall monitor number and type of complaints from clients by individual credit institutions and trends thereof.
(6) The credit institutions shall submit to the Central Bank data on complaints from clients in the manner and within the deadline designated by the Central Bank.
(7) The client of the credit institution referred to in paragraph 1 of this Article may initiate an out-of-court dispute resolution even by submitting a proposal for opening a mediation procedure or arbitration procedure in accordance with a law.
(8) The out-of-court dispute resolution in the manner set out in paragraphs 1 to 7 of this Article shall also apply to disputes between users of financial services and providers of financial services, stipulated by the law governing financial leasing, factoring, purchase of receivables, micro-lending and credit guarantee operations.
(9) The Central Bank may stipulate by way of its regulation the procedure for the protection of rights of clients of credit institutions referred to in this Article.

X ACCOUNTING, AUDITING AND REPORTING

1. Accounting

Keeping Business Books

Article 220

(1) The credit institution shall keep business books, compile bookkeeping documents, evaluate assets and liabilities, and to compile and publish financial statements in accordance with this Law, regulations adopted pursuant to this Law and the International Accounting Standards or the International Financial Reporting Standards (hereinafter: the IAS/IFRS).
(2) The credit institution shall apply the International Accounting Standards and the International Financial Reporting Standards from the date the International Accounting Standards Board (IASB) has designated as the commencement date for their application, unless the Central Bank designates a different date for a specific IAS/IFRS as the day for the commencement of its application.

(3) The credit institution shall keep business books and other business documentation and records in such a manner as to enable, at any time, the examination whether the credit institution operates in accordance with applicable regulations and professional standards.

Chart of Accounts

Article 221

(1) The credit institution shall keep business books in accordance with the chart of accounts for credit institutions.
(2) The Central Bank shall prescribe the chart of accounts referred to in paragraph 1 of this Article.

2. External Audit

Requirement to Carry out External Audit

Article 222

(1) The requirement to carry out external audit shall apply to annual financial statements of the credit institution, consolidated financial statements of the group of credit institutions from Montenegro, and consolidated financial statements of the group if the group members include also non-financial institutions.
(2) The audit of annual financial statements referred to in paragraph 1 of this Article shall be carried out in accordance with the law governing auditing, unless otherwise specified by this Law and regulations adopted pursuant to this Law.
(3) The audit, within the meaning of this Law, shall include:
1) statutory audit of annual financial statements of the credit institution; and
2) audit for the Central Bank needs.
(4) The same external auditor or audit firm must carry out the audit of annual financial statements and audit for the Central Bank needs, except in the case referred to in Article 231, paragraph 4, item 2 of this Law.

Selecting an Audit Firm

Article 223

(1) General shareholders assembly of the credit institution shall, with the approval of the Central Bank, select the audit firm (hereinafter: the external auditor) to audit the financial statements for a specific business year by no later than 30 September of that business year.
(2) The supervisory board of the credit institution shall submit the decision on the appointment of the external auditor to the Central Bank within eight days as of the day the decision was taken.
(3) Contract on performing audit of financial statements must be concluded in written form.
(4) The external auditor shall submit to the Central Bank a plan of carrying out audit for that business year, for each credit institution that assigned it to perform audit, no later than by 31 October of the current year, which shall contain area of operation to be audited, description of the content of the planned audit by specific area, and planned duration of the audit.

Reasons for Refusing to Issue Approval

Article 224

(1) The Central Bank shall refuse the request to issue approval referred to in Article 223 paragraph 1 of this Law, if:
1) at least three persons who are certified auditors are not hired to carry out the audit of the credit institution with at least three years of experience as auditor of credit institutions from Montenegro or other countries;

2) the external auditor, or a person hired by the external auditor, is connected to the credit institution or a member of the group to which the credit institution is a part;
3) the external auditor or an undertaking connected to the external auditor, or a person hired by the external auditor has provided non-auditing services to the credit institution referred to in Article 225 of this Law, the performance of which represents an impediment for carrying out the audit of the financial statements of the credit institution;
4) the audit firm, or a person hired by the external auditor has performed the audit of the financial statements of such credit institution for previous four consecutive years;
5) based on data available to the Central Bank, is derived that the external auditor has not carried out the audit of the financial statements of the credit institution in a satisfactory manner.

(2) The Central Bank shall stipulate documentation to be submitted along with the request to issue the approval referred to in paragraph 1 of this Article.

Impediments for Carrying Out Audit

Article 225

(1) Audit of financial statements of the credit institution may not be performed by an external auditor that has provided, directly or indirectly, non-auditing services referred to in paragraph 2 of this Article to the credit institution subject to the audit, its parent undertaking or its subsidiary undertakings, and so as follows:
1) one or more non-auditing services referred to in paragraph 2 of this Article in the period from the beginning of the year which is subject to an audit and issuing an audit report; and
2) non-auditing services referred to in paragraph 2 item 5 of this Article in the financial year preceding the period referred to in item 1 of this paragraph.

(2) Non-auditing services referred to in paragraph 1 of this Article shall mean:
1) tax services connected with preparation of tax forms/returns, wage taxes and custom duties;
2) services including any role for the auditor in management or taking decisions in the credit institution which is subject to an audit;
3) bookkeeping services and compiling accounting records and financial reports;
4) wage calculation services;
5) services of designing and implementing the internal control or risk management procedure related to preparation and/or oversight of financial information or designing and implementing technological systems for financial information;
6) legal services connected with the general counselling, negotiation on behalf of the credit institution which is subject to the audit, and legal representation in settling court disputes;
7) services connected to the internal audit function of the credit institution;
8) services connected to the financing, composition and distribution of capital and investment strategy of the credit institution, except for provision of services connected to financial reports, such as issuing letter of support related to the prospectus issued by the credit institution;
9) trade with shares or underwriting issues of shares of the credit institution and related advertising activities;
10) services pertaining to:
- seeking candidates for a member of the management board who can have significant influence on compiling accounting records or financial reports subject to the statutory audit, or reviewing his references,
- restructuring of the organisation model of the credit institution, and
- costs control.

Notification in Event of Termination of an Audit Contract

Article 226

In case of the termination of an audit contract by mutual agreement, the credit institution or the group parent undertaking and the external auditor shall submit in writing to the Central Bank, within an appropriate timeframe, a reasoned statement for termination of the contract by mutual agreement; and

in case of an unilateral termination of the contract, the party that terminated the contract shall provide reasoned statement for the termination, while the other party shall take view of the reasons for the termination stated in the reasoned statement.

Audit in Case of the Credit Institution Restructuring

Article 227

(1) In case of restructuring, the credit institution established by merger, the credit institution that acquired another credit institution, or the credit institution created by division or demerger, shall hire an external auditor to audit their financial statements as of the day of merger, division or demerger.
(2) The credit institutions referred to in paragraph 1 of this Article shall submit to the Central Bank a report of the external auditor on the accuracy and impartiality of its opening statement of financial position on the day of the merger, acquisition, division or demerger, within 60 days as of the day of registration in the Central Registry of Business Entities.

Cooperation of the Auditor with the Central Bank

Article 228

(1) The external auditor shall notify the Central Bank in writing, immediately upon having knowledge, about:
1) established illicit or other facts and circumstance that may jeopardise in any way further operation of the credit institution;
2) facts representing reasons for withdrawing the license of the credit institution;
3) materially significant difference in risk assessment present in operation of the credit institution and valuation of balance sheet and off-balance sheet items and profit and loss account items;
4) severe breach of internal acts of the credit institution;
5) significant weaknesses in the internal controls system structure or failures in the application of the internal controls systems; and
6) facts that could lead to a qualified opinion, adverse opinion, or disclaimer opinion on the financial statements of the credit institution.
(2) The external auditor shall notify the Central Bank in writing of any fact or circumstance referred to in paragraph 1 of this Article that it learns during the audit of the financial statements of an undertaking connected by a control relationship with the credit institution being audited.
(3) The submission of data referred to in paragraphs 1 and 2 of this Article to the Central Bank shall not represent a breach of information confidentiality requirements resulting from the law governing the audit or from a contract entered into with the credit institution.
(4) If the external auditor notifies the Central Bank of facts and circumstances referred to in paragraphs 1 and 2 of this Article, it shall notify at the same time the management and supervisory boards of the credit institution, unless it deems that there are justified reasons for which those bodies should not be notified.

Audit Report

Article 229

(1) The external auditor shall, after the completed audit referred to in Article 222 paragraph 3 item 1 of this Law, draw up a report and issue opinion on compliance of annual financial statements of the credit institution with this Law, the International Accounting Standards or International Financial Reporting Standards, the law governing the audit and other regulations, and whether the annual financial statements present accurately and impartially the financial position of the credit institution, its operating results and cash flows for such business year in all materially significant matters.
(2) The Central Bank may request from the external auditor additional information related to the performed audit.

Rejecting Annual Financial Reports

Article 230

(1) If the Central Bank determines that the annual financial statements and annual consolidated financial statements are prepared contrary to regulations or that do not provide true and fair presentation of financial position and performance of the credit institution or the group, and an unqualified opinion or qualified opinion was issued in the audit report for such reports, it shall not accept such annual financial reports or annual consolidated financial reports and shall notify thereof the credit institution.
(2) In the event referred to in paragraphs 1 and 6 of this Article, the credit institution shall prepare again annual financial statements or annual consolidated financial statements, hire another external auditor in accordance with provisions of this Law and submit to the Central Bank a new audit report, including also relevant financial statements, within the deadline set by the Central Bank.
(3) The rejection of the financial statements shall also have as a consequence the rejection of the assessment referred to in Article 231 paragraph 1 of this Law.
(4) The Central Bank shall notify, without any delay, the authority competent for oversight of persons authorised to perform audit services in accordance with the law governing the audit, on the rejection of financial statements, with reasoned statement for the rejection of financial statements of the credit institution.
(5) The credit institution shall be prohibited from publicly disclosing the annual financial statements or annual consolidated financial statement not accepted by the Central Bank.
(6) If the annual financial statements that were not accepted by the Central Bank, have been already submitted to other authorities for public disclosure, the credit institution shall immediately upon receipt of notification referred to in paragraph 1 of this Article notify thereof such authorities.

Audit for the Central Bank Needs

Article 231

(1) Based on the performed audit for the needs of the Central Bank referred to in Article 222 paragraph 3 item 2 of this Law, the external auditor shall provide an assessment on:
   1) compliance with regulations on risk management in the credit institution;
   2) adequacy of performing tasks related to risk control function, compliance monitoring function, and internal audit function;
   3) state of the information system and adequacy of information system management; and
   4) fairness, accuracy and completeness of reports which are being submitted to the Central Bank.
(2) The Central Bank may request additional information from the auditor on the performed audit.
(3) The assessment referred to in paragraph 1 of this Article shall be descriptive and shall range from entirely satisfactory to entirely unsatisfactory (entirely satisfactory, satisfactory, unsatisfactory, and entirely unsatisfactory).
(4) If the Central Bank determines that the assessment referred to in paragraph 1 of this Article is not provided in accordance with this Law, the law governing the audit and rules of audit profession, or if it determines based on the exercised control of operation of the credit institution or otherwise that the assessment is not based on true and impartial facts, it may:
   1) request from the external auditor to correct or supplement is assessment; or
   2) request from the credit institution to hire another external auditor to perform audit referred to in paragraph 1 of this Article at the cost of the credit institution.
(5) Non-acceptance of the assessment referred to in paragraph 1 of this Article shall not have as a consequence the rejection of the audit report on performed audit of financial statements of the credit institution for that year if the audit report on performed audit was acceptable to the Central Bank.

Submitting Audit Report

Article 232

(1) The credit institution shall submit to the Central Bank annual financial statements, with the external auditor's report and opinion, within 120 days following the day of the lapse of the business year covered by the report.
(2) The parent undertaking in the group shall submit to the Central Bank the annual consolidated financial statements of the group of credit institution with the external auditor's report and opinion within 150 days following the day of the lapse of the business year covered by the report.

3. Reporting and Public Disclosure of Data

Reporting to the Central Bank

Article 233

(1) Credit institutions and branches of credit institution from other countries providing banking and/or financial services on the territory of Montenegro shall prepare and within deadlines set in the regulation referred to in paragraph 2 of this Article submit to the Central Bank accurate and complete reports and other data:
   1) which pertain to meeting of capital requirements referred to in Article 134 of this Law;
   2) on liquidity coverage and stable sources of funding referred to in Article 114 of this Law;
   3) on large exposures referred to in Article 172 of this Law;
   4) on financial leverage ratio referred to in Article 115 of this Law;
   5) on classification of assets referred to in Article 118 of this Law; and
   6) other reports and data required for exercising the supervision function of the Central Bank.
(2) The Central Bank shall stipulate types of reports, the form and the content of reports and data referred to in paragraph 1 of this Article and timeframes for their submission to the Central Bank.

Reporting at the Request of the Central Bank

Article 234

The credit institution shall submit, at the request and within the deadline set by the Central Bank, reports, information and data on all matters of importance for performing supervision or for carrying out other tasks from within the competence of the Central Bank.

Notifying the Central Bank

Article 235

(1) The credit institution shall notify the Central Bank, within three working days, on:
   1) every registration of change in data made in the Central Registry of Business Entities;
   2) convening and date of holding the general shareholders assembly and of all decisions adopted at such general assembly;
   3) every planned change of 10% or more in the Tier 1 capital of the credit institution;
   4) termination of providing specific services that the credit institution was providing pursuant to a license or special authorisation;
   5) knowledge that a natural or legal persons has acquired or increased the qualifying holding in the credit institution above the level for which it has the authorisation of the Central Bank, or knowledge that the person with qualifying holding has sold or otherwise divested shares which resulted in reducing participation in capital of the credit institution below the level for which has the authorisation of the Central Bank;
   6) created close links of the credit institution and other natural and legal persons; and
   7) changes in composition of the group of connected persons to which the credit institution is exposed.
(2) The credit institution having its shares admitted to trading on the regulated market shall, at least annually, notify the Central Bank on shareholders with qualifying holding in the credit institution and on the level of holding, in accordance with Article 233 paragraph 2 of this Law.

(3) The management board of the credit institution shall notify immediately the Central Bank on:
1) jeopardised liquidity or solvency of the credit institution;
2) occurrence of reasons for withdrawal of the license of the credit institution and for withdrawal of authorisation from this Law;
3) change in the financial situation of the credit institution resulting from the reduction of the own funds and/or performance indicators of the credit institution below the statutory level;
4) dismissal or resignation of member of supervisory board or management board, member of the audit committee, executive director, or internal auditor and reasons for dismissal or resignation of such persons.

Submitting Data on Cross-Border Activities

Article 236

(1) The credit institution providing service in other countries shall submit to the Central Bank annually data pertaining to the previous financial year, by country where it provides services, and so as follows, on:
1) banking and financial services it provides, nature of activities and geographic areas of such services;
2) amount of total income (turnover);
3) number of employees using full-time equivalent;
4) profit or loss amount before taxation;
5) amount of tax on profit (or loss); and
6) amount of received public subsidies.
(2) Data referred to in paragraph 1 of this Article shall be reviewed and published as an annex to the annual financial statements, and where applicable, to the consolidated annual financial statements.

Public Disclosure of Data on the Credit Institution

Article 237

(1) The credit institution shall publicly disclose accurate and complete quantitative and qualitative data of relevance for informing the public on its financial situation, operations and risk profile, within the deadlines and in the manner set out in the regulation referred to in paragraph 3 of this Article.
(2) The credit institution, depending on its size, scope and complexity of activities, level of tolerated risk and financial situation of the credit institution, shall determine:
1) type of data for public disclosure;
2) deadlines and the manner of public disclosure of data.
(3) The Central bank shall stipulate minimum data referred to in paragraph 1 of this Article for public disclosure, the manner of publication, and deadlines for public disclosure of data referred to in paragraph 1 of this Article.

Disclosure of Information on Management

Article 238

(1) The credit institution shall disclose publicly the manner in which it has complied with provisions of this Law governing:
1) organisational structure of the credit institution;
2) composition, duties and responsibilities of the supervisory and management boards of the credit institution, and responsibility of the nomination committee;
3) obligation of the supervisory board to establish remuneration committee, nomination committee, and risk committee;
4) remuneration policies, including variable parts of remunerations and responsibility of the remuneration committee;
5) information referred to in Article 236 paragraph 1 of this Law.

(2) The credit institution shall publish and regularly update information referred to in this Article on its website.

Disclosure of Information on Organisation and Performance Indicators

Article 239

(1) The credit institution which is a parent undertaking to the group of credit institutions and the credit institution referred to in Article 310 paragraph 2 of this Law shall disclose publicly the description of their legal structure within the group and description of governance system and organisational structure of the group, either directly or by way of reference to links to the websites containing published equivalent information.
(2) The credit institution shall disclose in its annual reports among the key indicators its return on assets indicator (net profit divided by total assets, in percentage).
(3) The credit institution shall disclose on its website information referred to in this Article at least annually, and update it regularly.

XI SUPERVISION OF CREDIT INSTITUTIONS

1. Basic Provisions

Supervision of Credit Institution

Article 240

The Central Bank shall have powers to exercise supervision of credit institutions, with the objective of maintaining sound banking system in Montenegro and support and preserve its safety and stability, which include:

1) off-site examination exercised by collecting and analysing reports, information and other data the credit institutions are submitting in accordance with the law and regulations of the Central Bank, information and data the credit institutions are submitting at the request of the Central Bank, and other data on operations of credit institutions the Central Bank has available and by continuous monitoring of operations of credit institutions;
2) on-site examination exercised by reviewing business books, accounting and other documentation in credit institution and with another participant in the transaction subject of the examination;
3) imposing supervisory measures on the credit institution, including supervisory measures in the early intervention phase;
4) giving authorisations, approvals, consents, and opinions, as well as the evaluation of operations of the credit institution in accordance with this Law and other regulations governing the operations of credit institutions;
5) communication with credit institutions in accordance with Article 243 of this Law.

Legal Protection

Article 241

(1) The members of the Council of the Central Bank, persons authorised for examination and other employees in the Central Bank, as well as agents, temporary members of management board of the credit institution, authorised persons and assistants to authorised persons, administrators and assistants to administrators, members of the temporary administration and assistants to the temporary administration, external auditors and other persons retained by the Central Bank in connection with the exercise of functions in accordance with this Law, shall not be held liable for damages that could be incurred during the exercise of duties in accordance with the law and regulations adopted pursuant to the law, unless it is proven that the particular action has been done deliberately or by gross negligence.

(2) The Central Bank shall bear costs of protection of persons referred to in paragraph 1 of this Article in court proceedings pertaining to exercise of duties referred to in paragraph 1 of this Article.

Supervised Entities

Article 242

(1) The Central Bank shall exercise the supervision of:
1) credit institutions and their branches outside of Montenegro;
2) credit institutions from other Members States in the segment of operations performed by providing directly services on the territory of Montenegro.
3) branches of credit institutions with head office in another Member State operating in Montenegro;
4) branches of credit institutions with head office in a third country operating in Montenegro.

(2) Authorised persons of the Central Bank referred to in Article 250 of this Law may also examine part of operations of persons connected with the credit institution or persons to which the credit institution has delegated part of its activities, in order to achieve objectives of supervision of credit institutions.

(3) When other oversight authorities or institutions exercise oversight of operations of persons referred to in paragraph 2 of this Article, in accordance with powers set by the law, the Central Bank may participate in oversight of operations of persons with such oversight authorities or request from the oversight authority to provide it with required data and information for the purpose of supervising the credit institution.

(4) Provisions of paragraph 1 of this Article shall not preclude exercise of supervision on a consolidated basis in accordance with this Law.

Communication with Credit Institutions

Article 243

As a part of the continuous supervision process, the Central Bank shall maintain communication with credit institutions, in particular addressing:
1) holding, as needed, consultative meetings with members of the management board of the credit institution before commencing on-site examination of the credit institution;
2) holding meeting with the management board of the credit institution after preparing a report on performed examination;
3) issuing preventive warnings aimed at ensuring that the operations of the credit institution are in accordance with the regulations;
4) attendance at meetings of the supervisory or management boards of the credit institution by authorised representatives of the Central Bank;
5) correspondence related to monitoring of measures imposed to the credit institution;
6) holding meetings and having correspondence related to matters of regulatory nature, good risk management practice in operation of the credit institutions, and other matters related to the banking sector functioning.

Obtaining Information from Other Persons

Article 244

(1) Persons with quaffing holding and persons connected with the credit institutions, as well as persons to which the credit institution has delegated part of its activities, shall submit to the Central Bank, upon the request of the Central Bank, relevant documentation and information for the purpose of achieving objectives of supervision of credit institutions.

(2) For the purpose of exercising its powers, the Central Bank may request periodically and in the defined format the submission of required information, including the submission of information for the supervisory purposes and related statistical purposes, and so from the following entities:
1) credit institution;

2) financial holding company with head office in Montenegro;
3) mixed financial holding company with head office in Montenegro;
4) mixed activity holding company with head office in Montenegro;
5) provider of outsourced service to one the persons referred to in items 1 to 4 of this paragraph.

(3) In order to determine facts and circumstance on persons referred to in paragraph 2 of this Article, required for exercising its powers, including determining whether the conditions for initiating a misdemeanour procedure are present, the Central Bank may:
1) request from any legal or natural person for which is estimated to have relevant documentation to submit such documentation;
2) carry out review of business books and documentation of persons referred to in paragraph 1 of this Article, including obtaining copies of such documentation;
3) require explanations in writing and verbal explanations from persons referred to in paragraph 1 of this Article, as well as from their employees;
4) have discussions in order to collect information with any person for which it estimates that has relevant knowledge, conditioned by explicit consent of such person.

(4) The Central Bank may carry out on-site examination of operation of persons referred to in paragraph 2 of this Article, with prior notification of the relevant competent authority, and if the required conditions are met and of all other undertakings taking part in the supervision on a consolidated basis and so in the head office and other places of operation of such undertakings.

2. Supervision of Credit Institutions

Scope of Supervision

Article 245

(1) When exercising supervision the Central Bank shall, starting from the technical criteria referred to in Article 246 of this Law, examine legality of operations of the credit institution, including the organisation, strategies, policies, processes and mechanisms implemented by the credit institution to comply with this Law in its operations, and shall evaluate:
1) risks to which the credit institution is or might be exposed in its operations;
2) risks that the credit institution poses to the financial system, taking into account the criteria for identification and measurement of systemic risk;
3) risks identified by stress testing, taking into account the nature, scale and complexity of activities of the credit institution.

(2) Based on the examination referred to in paragraph 1 of this Article, the Central Bank shall determine whether the organisation, strategies, processes and mechanisms implemented by the credit institution, as well as the own funds and liquidity held by the credit institution, ensure a sound governance arrangements and coverage of all risks.

(3) The Central Bank shall establish the frequency and intensity of exercising the examination referred to in paragraph 1 of this Article having regard to the size and importance of the credit institution for the banking system of Montenegro, nature, scale and complexity of the activities pursued by the credit institution, as well as the principle of proportionality.

(4) The Central Bank shall execute the examination referred to in paragraph 1 of this Article at least on an annual basis for each credit institution covered by the supervisory examination plan referred to in Article 249 of this Law.

(5) The Central Bank shall carry out, on as needed basis and at least on an annual basis, adequate stress testing of credit institutions.

Technical Criteria for Supervision

Article 246

(1) In addition to credit, market and operational risks assessment and management of those risks, the supervision of credit institutions, shall include at least:

1) the results of the stress test carried out by the credit institution applying an internal ratings based approach;
2) the exposure to and management of concentration risk by the credit institution, including compliance of the credit institution with the stipulated requirements;
3) the robustness, suitability and manner of application of the policies and procedures implemented by the credit institution for the management of the residual risk associated with the use of recognised credit risk mitigation techniques;
4) the extent to which the own funds held by a credit institution in respect of assets which the credit institution has securitised are adequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved;
5) the exposure to, measurement and management of liquidity risk by the credit institution, including the development of alternative scenario analyses, the management of risk mitigants (in particular the level, composition and quality of liquidity buffers), as well as effective contingency plans;
6) the impact of diversification effects and how such effects are factored into the risk measurement system;
7) the results of stress tests carried out by the credit institution, using an internal model to calculate capital requirements for market risk;
8) the geographical location of the credit institution's exposures;
9) the business model of the credit institution; and
10) the assessment of systemic risk, in accordance with the criteria referred to in Article 245 of this Law.

(2) When assessing the liquidity risk to which the credit institution is exposed, the Central Bank shall regularly and comprehensively carry out assessment of the overall liquidity risk management by the credit institution and promote the development of sound internal methodologies, while having regard to the importance and the role played by such credit institution in the financial markets and duly consider the potential impact of their decisions on the stability of the financial system in all other Member States concerned.

(3) If the Central Bank determines during exercise of examination that the credit institution has provided implicit support to a securitisation, and if the credit institution is likely to continue to provide support to a securitisation, thus failing to achieve transfer of a significant part of related risk, the Central Bank shall impose appropriate supervisory measures on the credit institution.

(4) In exercising examination, the Central Bank shall consider whether the valuation adjustments taken for positions or portfolios in the trading book, enable the credit institution to sell its positions or hedge them against the risk within a short period without incurring material losses under normal market conditions.

(5) In exercising examination, the Central Bank shall include the:
1) exposure of the credit institution to the interest rate risk arising from non-trading activities, and if it is established that the credit institution's economic value declines by more than 20 percent of the own funds of the credit institution as a result of a sudden and unexpected change in interest rate of 200 basis points or changes as defined in the Central Bank regulation governing the management of such risk, the Central Bank shall impose appropriate supervisory measures on the credit institution, including also the measures of providing additional capital if established that the negative impact on net interest income or profit is significant with respect to the own funds of the credit institution;
2) exposure of the credit institution to the risk of excessive financial leverage as reflected by indicators of excessive financial leverage, whereby the Central Bank shall take into account the business model of the credit institution, as well as evaluation of the adequacy of the organisation, strategy, policy, processes and procedures implemented by the credit institution to manage the risk of excessive financial leverage;
3) governance arrangements of the credit institution, its corporate culture and values, as well as the qualification of members of the supervisory and management boards to perform their duties, whereby in conducting that review and evaluation, the Central Bank shall, at least, have access to documents containing agendas and materials from the meetings of the supervisory and management boards, as well as meetings of committees and other working bodies of those management bodies.

Ongoing Review of the Permission to Use Internal Approaches

Article 247

(1) The Central Bank shall review on a regular basis, and at least every three years, the credit institution's compliance with the requirements regarding internal approaches for the calculation of capital requirements in accordance with the Central Bank regulation governing the capital adequacy of credit institutions, that required permission of the Central Bank, in particular having regard to changes in business of the credit institution, as well as to the implementation of those approaches to new products.

(2) The Central Bank shall in particular review and assess whether the credit institution uses well-developed and up-to-date techniques and practices for internal approaches.

(3) Where material deficiencies are identified in risk exposure captured by a credit institution's internal approach, the Central Bank shall impose on the credit institution appropriate supervisory measures to rectify them or to mitigate their consequences, which may include imposing higher multiplication factors, or imposing additional capital requirements, or taking other appropriate and efficient measures.

(4) If it is established that the internal model applied by the credit institution for the calculation of capital requirements for market risks is not or is no longer sufficiently accurate due to numerous breaches which are the result of application of back- testing of hypothetical changes in the value of the portfolio in accordance with the Central Bank regulation governing the capital adequacy of credit institutions, the Central Bank shall revoke the permission for using the internal model or impose appropriate supervisory measures to ensure that the model is improved as soon as possible.

(5) If it is established that the credit institution does not comply with the stipulated requirements for applying the internal approach for the calculation of capital requirements anymore, the Central Bank shall require from the credit institution to:

1) demonstrate that the effect of such non-compliance is immaterial; or

2) present a plan to the Central Bank for the timely restoration of compliance with the requirements and set a deadline for its implementation, whereby the Central Bank may require improvements to that plan if it estimates that the presented plan is unlikely to result in full compliance or if the deadline for its implementation is inappropriate.

(6) Based on the review procedure referred to in paragraph 1 of this Article, the Central Bank shall revoke from the credit institution the permission to use the internal approach or shall limit it to those areas where the compliance can be achieved within an appropriate deadline, if:

1) it is unlikely that the credit institution will be able to restore compliance within an appropriate deadline; or

2) the credit institution has not satisfactorily demonstrated that the effect of non-compliance is immaterial, where applicable.

Review of Internal Approaches for the Calculation of Capital Requirements for Exposures or Positions included in the Benchmark Portfolios

Article 248

(1) The credit institution that has approval to use internal approaches, in accordance with the Regulation (EU) No 575/2013, for the calculation of risk weighted exposure amounts or capital requirements, except for the operational risk, shall submit to the Central Bank and the European Banking Authority at least annually the reports on the results of the calculations of its internal approaches for exposures or positions that are included in the benchmark portfolios, which contain presentation of results of calculation made with an explanation of the methodologies used to calculate them.

(2) The portfolio set by the technical standards adopted by the European Commission shall be applied as the benchmark portfolio referred to in paragraph 1 of this Article.

(3) The Central Bank may adopt a regulation governing in details the content, method and deadlines for the submission of the reports referred to in paragraph 1 of this Article and may stipulate a specific portfolios for which the calculation of capital requirements is required.
(4) Before stipulating the specific portfolio referred to in paragraph 3 of this Article, the Central Bank shall consult the European Banking Authority.

(5) Based on the information submitted by credit institutions in accordance with paragraph 1 of this Article, the Central Bank shall, as needed, monitor and analyse the range of amounts of risk-weighted exposures or capital requirements, except for operational risk, for the exposures or transactions in benchmark portfolio, which arise from internal approaches applied by the credit institution.
(6) The Central Bank shall, at least once a year, conduct quality assessment of the approaches referred to in paragraph 1 of this Article, whereby it shall pay particular attention in respect of the approaches:
1) manifesting significant differences in capital requirements for the same exposure;
2) in which there is a significantly large or small difference; and
3) in which there is a significant and systemic underestimation of capital requirements.
(7) If the results of calculations of certain credit institutions significantly differ from the results of the majority of comparable credit institutions or if the approaches lead to a large number of different results, the Central Bank shall examine the reasons of such differences.
(8) Once it establishes that the internal models applied by the credit institution underestimate capital requirements, which does not arise from differences in relevant risk exposures or positions, the Central Bank shall undertake adjustment measures.
(9) Adjustment measures referred to in paragraph 8 of this Article must be compliant with the objectives of applying internal approaches and for that purpose they must not:
1) lead to the standardisation of internal approaches or to the use of the preferred methods;
2) create wrong incentives; or
3) lead to all credit institutions undertaking the same activities without any ground.

Supervisory Examination Plan

Article 249

(1) The Central Bank shall, taking into consideration the coverage of the supervision referred to in Article 245 of this Law, at least once a year adopt supervisory examination plan for credit institutions, which shall include the following:
1) credit institutions for which the stress testing results or results of the supervision referred to in Article 245 of this Law suggest the existence of significant risks in respect of their current financial soundness or point to a violation of the provisions of this Law or regulations adopted pursuant to this Law;
2) credit institutions which pose systemic risk to the financial system; and
3) other credit institutions for which the Central Bank assesses that tightened supervision is needed because of some other circumstances.
(2) In the supervisory examination plan referred to in paragraph 1 of this Article, the Central Bank shall set out the following:
1) activities it intends to undertake in respect of a specific credit institution and requirements for the performance of such activities;
2) credit institutions which will be subject to the tightened supervisory activities and measures to be taken in accordance with paragraph 3 of this Article; and
3) on-site examination plan, including branches and subsidiary undertakings of the credit institution established in other Member States in accordance with this Law.
(3) Once the Central Bank establishes that the tightened supervision is required for a specific credit institution, the supervisory examination plan referred to in paragraph 1 of this Article shall include the following activities and/or measures:
1) increased number and frequency of on-site examinations of that credit institution;

2) appointment of the authorised person to monitor situation in the credit institution, in accordance with Article 282 of this Law;
3) additional or more frequent reporting of the credit institution;
4) additional or more frequent checks of operational, strategic or business plans of the credit institution; or
5) examination of operations of a specific part of credit institution and monitoring risks which are likely to materialise.

(4) The Central Bank may, pursuant to the provisions of this Law, carry out on-site examination of operations of the branch of credit institution from another Member State which provides services in Montenegro through the branch, regardless of the supervisory examination plan of the competent authority of the home Member State.

Persons Authorised for Examination

Article 250

(1) On-site examination shall be performed by the Central Bank employees authorised by the Central Bank to perform such activities (hereinafter: the authorised examiners).
(2) Notwithstanding paragraph 1 of this Article, the Central Bank may also authorise persons who are not the Central Bank employees to perform certain tasks related to on-site examination of operations of a credit institution.
(3) In the performance of tasks related to on-site examination of operations of the credit institution for which they are authorised, the persons referred to in paragraph 2 of this Article shall have the same powers and responsibilities as the authorised examiners referred to in paragraph 1 of this Article.
(4) Off-site examination shall be carried out by the employees who have been entrusted with the performance of such tasks, in accordance with the act on internal organisation of the Central Bank.

Notification of Credit Institution about On-site Examination

Article 251

(1) As a rule, ten days prior to the commencement of the examination, the Central Bank shall notify credit institution about the intended on-site examination.
(2) The notification referred to in paragraph 1 of this Article shall specify subject-matter of the examination, data on the planned commencement and the duration of the examination, as well as the information on the documents which the credit institution needs to prepare for the purpose of on-site examination.
(3) Notwithstanding paragraph 1 of this Article, if it is concluded based on reports and information in possession by the Central Bank that there are irregularities which may be relevant for the safety and stability of operations of the credit institution, on-site examination may commence even without prior announcement.

Creation of Working Conditions for Authorised Examiners

Article 252

(1) The credit institution shall ensure that authorised examiners of the Central Bank have unimpeded insight into the business books, other business documents and records, as well as insight into the functioning of information technology and computer database and shall also, at the request of the authorised examiners, put at disposal the copies of business books, other business documents and records, in hard copy and/or in electronic form.
(2) The credit institution shall ensure that authorised examiners, at their request, are enabled to carry out on-site examination in the head office of the credit institution and in other places in which the credit institution, or another person on the basis of authorisation granted by the credit institution, perform activities and tasks in relation to which the Central Bank carries out the examination.
(3) The credit institution shall provide appropriate premises to the authorised examiners during working hours, and if the scope or nature of the supervision so require even after the working hours,

where they can carry out the examination without any obstacles and without the presence of other persons.

(4) The credit institution shall ensure the presence of persons authorised by credit institution during the on-site examination in the premises referred to in paragraph 3 of this Article and they, at the request by the authorised examiner, may give appropriate explanations related to business records, business documents, business events and administrative or business registers that are subject to examination.

Report on Examination

Article 253

(1) Following the completion of the examination of operations of a credit institution, a report on examination shall be compiled.

(2) Notwithstanding paragraph 1 of this Article, in the event of off-site examination, if no irregularities in operations of the credit institution are identified during the examination procedure, the report on examination shall not be compiled.

(3) The report on examination shall be confidential and shall not be published either partly or in its entirety without the consent by the Central Bank.

Acting upon Objections to the Report

Article 254

(1) The credit institution may submit to the Central Bank the objections to the report on the performed examination within eight working days following that of its receipt.

(2) The Central Bank may directly verify claims of the credit institution contained in the objections to the report on examination and in that case it shall draw up an appendix to the report to which the credit institution may submit objections within three working days from the day of receiving the appendix.

(3) Within eight days following the day of receiving of the objections to the report, or objections to the appendix to the report on examination, the Central Bank shall consider the received objections and notify the credit institution in writing on whether it accepts such objections or not.

3. Supervision of Credit Institutions Which Provide Services in Other Member States

Cooperation in Supervision

Article 255

(1) The Central Bank shall cooperate with competent authority of the host Member State during the supervision of the credit institution which provides services within the territory of that Member State through a branch.

(2) The Central Bank shall submit to the competent authority of the host Member State the information that is relevant for the supervision, and particularly the information:

1) in relation to the management and ownership structure of credit institutions, which may facilitate the exercise of supervisions and verification of the fulfilment of the requirements for granting of the authorisation from within their powers;

2) which may facilitate monitoring of credit institutions from within their powers which refer to liquidity, solvency, deposit insurance, limitation of large exposures;

3) other facts that may influence systemic risk posed by such credit institution, as well as on administrative and accounting procedures and internal control mechanisms.

(3) The Central Bank shall inform without any delay the competent authorities of all host Member States about liquidity problems of the credit institution if they have occurred or can realistically be expected to occur, while such notification should contain data on planning and implementing the recovery plan and data on all prudential supervisory measures taken by the Central Bank on that basis.

(4) The Central Bank shall inform without any delay the competent authority of the host Member State of all the information and findings related to the supervision of liquidity of operations of the credit institution which operates through the branch in accordance with Part VI of the Regulation 575/2013 (EU) and provisions of this Law governing supervision on a consolidated basis, if such information and findings are relevant for the protection of depositors or investors from the host Member State.

(5) The Central Bank shall inform without any delay the competent authorities of all host Member States about liquidity problems of the credit institution if they have occurred or can realistically be expected to occur, while such notification should contain data on planning and implementing the recovery plan and data on all prudential supervisory measures taken by the Central Bank on that basis.

(6) The Central Bank shall, at the request of competent authority of the host Member State, elaborate in which manner it considered the information and findings submitted to it by the competent authority in its actions towards the credit institution, and if the competent authority of the host Member State believes that the Central Bank did not take appropriate measures, it may, after notifying the Central Bank and European Banking Authority, take appropriate measures to prevent further violations, with the aim of protecting general interests of depositors, investors and other persons to whom banking and financial services are provided or with the aim of protecting stability of the financial system of the host Member State.

(7) The Central Bank, as the competent authority of the home Member State may, in the event of disagreeing with the measures referred to in paragraph 5 of this Article taken by the competent authority of the host Member State, or measures which the competent authority of the host Member State intends to take, request mediation by the European Banking Authority, in accordance with Article 19 of the Regulation (EU) No 1093/2010.

(8) The Central Bank may request mediation from the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010 also if the competent authority from another Member State rejects its request for cooperation, and particularly request for information exchange, or if it failed to act upon such request within a suitable time limit.

On-site Examination of Operations of Branch in Host Member State

Article 256

(1) The Central Bank, or persons authorised by the Central Bank to perform certain examination tasks, may carry out on-site examination of operations, including verification of information referred to in Article 255 of this Law, in branch of the credit institution which operates within the territory of another Member State through the branch, subject to prior notification of the competent authority of the host Member State.

(2) The Central Bank may request from competent authority of the host Member State, in which the credit institution provides services that such authority or other professionally trained person authorised by such authority carry out the on-site examination of the branch.

(3) The Central Bank may participate in on-site examination of the branch of credit institution in the Member State, regardless of whether who carries out the on-site examination.

(4) If the competent authority of the host Member State, for the purpose of preserving stability of the financial system of that Member State, carried out the on-site examination of the operations of the branch of credit institution with head office in Montenegro and submitted to the Central Bank the information and findings obtained which were relevant for risk assessment of the credit institution or for stability of the financial system of the host Member State, the Central Bank shall take into consideration such information as well as stability of the financial system of the host Member State when establishing the supervisory examination plan referred to in Article 249 of this Law.

Measures towards Branch in Host Member State regarding Provision of Services within the Territory of that Member State

Article 257

(1) If competent authority of the host Member State in which credit institution provides services through the branch notifies the Central Bank, based on the information submitted by the Central Bank in accordance with Article 255 of this Law, that such credit institution, in respect of the provision of services within the territory of that Member State, violates legislation of that state into which Directive 2013/36/EU or provisions of the Regulation (EU) No 575/2013 were transposed, or if there is a significant risk that the credit institution will not comply with such legislation, the Central Bank shall, if the decision on reorganisation measures has not been adopted in Montenegro, without any delay impose supervisory measures on the credit institution for the purpose of eliminating lack of compliance and shall without any delay notify competent authority of the host Member State thereof.

(2) If competent authority of the host Member State in which credit institution provides services through the branch took preventive measures related to the violations referred to in paragraph 1 of this Article, the Central Bank may, should it disagree with the measures taken, request mediation from the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010.

Notification of Competent Authorities of Host Member State

Article 258

If the Central Bank withdraws authorisation for the provision of banking and/or financial services from the credit institution, or if it imposes supervisory measure that involves prohibition to provide certain financial services, it shall notify thereof without any delay a competent authority of the host Member State.

Supervision of Credit Institution which Directly Provides Services in another Member State and of Financial Institution which Provides Services in another Member State

Article 259

(1) Provisions of Articles 255 through 258 of this Law shall apply to the supervision of a credit institution which directly provides services in another Member State.

(2) Provisions of this Law governing the supervision of credit institutions which provide services in other Member States shall apply to the supervision of financial institutions which in accordance with Article 74 of this Law provide mutually recognised services within the territory of another Member State.

4. Supervision of Credit Institutions from another Member States which Provide Services in Montenegro

Power to Exercise Supervision

Article 260

(1) In addition to the supervision of operations of branch of the credit institution with head office in another Member State which provides mutually recognised financial services within the territory of Montenegro, which is exercised by competent authority of the home Member State, the Central Bank shall also exercise supervision of that branch, in accordance with Articles 261 through 267 of this Law.

Powers to Collect Information and Exercising Direct Supervision of the Branch

Article 261

(1) Branch of the credit institution with head office in another Member State which provides mutually recognised services within the territory of Montenegro shall submit to the Central Bank the

information on all the services provided by that branch within the territory of Montenegro in the manner and within the time limits set out in Article 233 paragraph 2 of this Law, as well as other information in accordance with Article 234 of this Law.

(2) The Central Bank may use the information obtained in accordance with paragraph 1 of this Article for:
1) informative or statistical purposes;
2) establishing significance of the branch in accordance with the provisions of this Law; and
3) exercising supervision of the branch in accordance with this Law.

(3) The Central Bank shall keep data obtained in accordance with paragraph 1 of this Article as confidential in accordance with this Law.

(4) If the branch of the credit institution with head office in another Member State operates within the territory of Montenegro, a competent authority of the home Member State may:
1) subject to prior notification of the Central Bank, either independently or through the person it authorised, carry out the on-site examination of that branch including verification of the information referred to in Article 248 of this Law; or
2) request from the Central Bank that the authorised examiners or other persons authorised by the Central Bank carry out the on-site examination of operations of that branch.

(5) In the case referred to in paragraph 4 item 2 of this Article, competent authority of the home Member State may participate in the on-site examination of the branch carried out by authorised examiners or other persons authorised by the Central Bank.

(6) The Central Bank may exercise on-site examination of operations of branch of the credit institution from another Member State and request that the information on branch operations as well as the information needed for the supervision of operations of that branch are submitted to it, if that is necessary to preserve stability of the financial system of Montenegro, whereas prior to the commencement of examination the Central Bank shall consult competent authorities of the home Member State.

(7) After completion of the examination referred to in paragraph 6 of this Article, the Central Bank shall deliver to the competent authority of the home Member State the collected information and findings that are relevant for the assessment of risk of the credit institution or of stability of the financial system of Montenegro.

(8) On-site examination of a branch of the credit institution from another Member State shall be carried out in accordance with the legislation of Montenegro.

(9) When imposing measures on a branch of the credit institution from another Member State, the Central Bank shall not take measures of discriminatory or restricting nature due to the fact that the credit institution has been granted authorisation in another Member State.

Cooperation in Supervision of Credit Institutions with Head Offices in another Member State Which Provide Services within the Territory of Montenegro

Article 262

(1) The Central Bank shall cooperate with a competent authority of the home Member State in the supervision of the credit institution with head office in that Member State which provides services within the territory of Montenegro through a branch.

(2) In addition to other obligations related to the notification that are set out by this Law, the Central Bank and the competent authority of the home Member State shall mutually exchange information relevant for the supervision, and particularly information:
1) related to the management and ownership structure of the credit institution, which may facilitate the exercise of supervision and verification of the fulfilment of the requirements for granting of the authorisations from within their powers;
2) which may facilitate monitoring of credit institutions from within their powers related to liquidity, solvency, deposit insurance, by limiting large exposures;
3) other facts that may affect systemic risk posed by such credit institution, as well as on administrative and accounting procedures and internal control mechanisms.

(3) The Central Bank may request from the competent authority of the home Member State an explanation of how it took into consideration, in its actions towards that credit institution, the information and findings on operations provided by it on the credit institution referred to in paragraph 1 of this Article.
(4) If it concludes that the competent authority of the home Member State failed to take proper measures, after having obtained information and findings referred to in paragraph 3 of this Article, the Central Bank may, after notifying the competent authority of the home Member State and European Banking Authority, take proper measures to prevent further violations, for the purpose of protecting general interests of depositors, investors and other persons to whom banking or financial services are provided or for the purpose of protecting stability of the financial system in Montenegro.
(5) The Central Bank may request mediation by the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010 if the competent authority from another Member State has rejected its request for cooperation, and particularly request for information exchange, or if it has failed to act upon such request within a proper deadline.

Supervisory Measures Taken by Competent Authority of the Home Member State in respect of Services Provided in Montenegro

Article 263

(1) If the Central Bank, based on the information it has obtained in accordance with Articles 233, 260, and 261 of this Law, establishes that the credit institution from another Member State which provides services in Montenegro violates regulations of that Member State into which the Directive 2013/36/EU or the Regulation (EU) No 575/2013 were transposed and if there exists a significant risk of it not complying with those regulations, in respect of services provided by the credit institution in Montenegro, the Central Bank shall notify the competent authority of the home Member State thereof.
(2) If the Central Bank concludes that competent authority of the home Member State failed to take or does not intend to take measures to eliminate lack of compliance or measures to prevent risk of non-compliance, it may request mediation of the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010.

Preventive Measures

Article 264

(1) Prior to initiation of the procedure referred to in Article 263 of this Law, and also prior to adoption of the measures by competent authority of the home Member State or the reorganisation measures referred to in Article 356 of this Law, the Central Bank shall in extraordinary circumstances impose preventive measures once it establishes that they are necessary to prevent financial instability which might seriously compromise joint interests of depositors, investors and other persons receiving services from that credit institution within the territory of Montenegro and shall notify without any delay the competent authority of the home Member State, the European Banking Authority and the European Commission thereof.
(2) Preventive measures referred to in paragraph 1 of this Article must be proportionate to their purpose, that purpose being preventive protection against financial instability which might seriously compromise joint interests of depositors, investors and other persons receiving services from that credit institution within the territory of Montenegro, while such measures may involve temporary prohibition of payments.
(3) When imposing preventive measures referred to in paragraph 1 of this Article, the Central Bank shall be considerate so as not to place creditors in Montenegro at a disadvantage compared to the creditors of that credit institution from other Member States.
(4) Preventive measures referred to in paragraph 1 of this Article shall cease to operate once the competent administrative authority, authority entrusted with public powers or court of the home

Member State renders a decision on reorganisation measures in accordance with Article 356 of this Law and such measure becomes enforceable.

(5) The Central Bank shall suspend enforcement of preventive measures referred to in paragraph 1 of this Article should it establish that such measures are no longer needed, because competent authority of the home Member State acted in compliance with the notification referred to in Article 263 paragraph 1 of this Law, or if such measures ceased to be valid in accordance with paragraph 4 of this Article.

Actions to Prevent or Punish Violations and Protect General Good

Article 265

(1) Notwithstanding provisions of Articles 263 and 264 of this Law, the Central Bank may, on the basis of powers set out by this Law, take actions to prevent or punish violations of provisions of this Law and other legislation to which the Directive 2013/36/EU has been transposed or of the regulations adopted to protect general good in Montenegro, for whose supervision it is authorised under such legislation.

(2) Actions referred to in paragraph 1 of this Article may also include a prohibition for branch of the credit institution from another Member State to enter into new legal transactions within the territory of Montenegro.

Measures following Withdrawal of Authorisation from Parent Credit Institution

Article 266

The Central Bank shall take proper measures to prevent branch of the credit institution from another Member State which provides services in Montenegro from entering into new legal transactions within the territory of Montenegro, if the competent authority of the Member State abolished authorisation of the parent credit institution.

Supervision of Credit Institution from another Member State Which Directly Provides Services in Montenegro and of Financial Institution Which Provides Services within Montenegro

Article 267

(1) Provisions of Articles 260 through 266 of this Law shall apply to the supervision of credit institution from another Member State which provides services directly in Montenegro.

(2) Provisions of this Law governing the supervision of credit institutions from other Member States which provide services in Montenegro shall apply to the supervision of the financial institution from another Member State which in accordance with Article 85 of this Law provides mutually recognised services within the territory Montenegro.

5. Supervision of Branches of Third-Country Credit Institutions in Montenegro

Manner and Extent of Supervision of Branches of Third-Country Credit Institutions

Article 268

The Central Bank shall exercise the supervision of branches of the third-country credit institutions which provide services in Montenegro in the manner and to the extent in which it the exercises supervision of the credit institution with head offices in Montenegro.

6. Supervision Fee

Types of Fees

Article 269

(1) A fee shall be paid to the Central Bank for exercising the supervision referred to in Article 240 of this Law.
(2) The fee referred to in paragraph 1 of this Article shall include the fees for:
1) granting of licenses to credit institutions;
2) granting of authorisations, consents and opinions set out by this Law;
3) supervision of credit institutions and branches of third-country credit institutions.

Amount of Fees

Article 270

(1) Total annual amount of fees referred to in Article 269 paragraph 1 of this Law shall not exceed 0.25% of total assets of credit institutions and branches of foreign credit institutions in Montenegro at the end of the year preceding the year for which the fee is calculated.
(2) The Central Bank shall regulate the amount, base, manner of calculation and manner of paying total annual fee referred to in paragraph 1 of this Article and amounts of individual fees.

XII SUPERVISORY MEASURES

1. General Provisions

Imposing Measures on Credit Institution

Article 271

(1) If the credit institution, within the deadlines prescribed by this Law, fails to submit remarks to the report on the performed examination or the submitted remarks lack grounds to challenge findings specified in the report, or in the appendix to the report, in which it identified irregularities in operations of the credit institution, the Central Bank shall impose measures on the credit institution for the purpose of eliminating the identified irregularities.
(2) Irregularities in operations of the credit institution, for the purpose of this Law, shall mean:
1) inadequate management of risks that the credit institution is exposed to in its operations;
2) conduct of the credit institution (by act or failure to act) which is not in accordance with this Law and legislation adopted pursuant to this Law;
3) application of unsafe or unsound practices in operations of the credit institution.
(3) Unsafe or unsound practices in operations of the credit institution referred to in paragraph 2 item 3 of this Article shall mean any action or failure to act which are contrary to the generally accepted standards of prudent operations and the consequences of which, in case of a continuing risk, could result in loss or damage to the credit institution.

Objective and Manner of Enforcing Measures

Article 272

(1) The objective of supervisory measures of the Central Bank is to implement in a timely manner the activities for improving safety and stability of operations of a credit institution, as well as to remove the identified irregularities.
(2) Supervisory measures for the removal of identified irregularities in operations of credit institution shall be:
1) a written warning;
2) an agreement on the removal of irregularity;
3) a decision to impose measures to remove the irregularities.
(3) Supervisory measures of the Central Bank must be efficient, proportionate and oriented towards the achievement of the objective involving general and specific prevention.

Written Warning

Article 273

(1) Written warning shall be imposed on a credit institution in whose operations irregularities were identified, which did not directly influence its financial soundness, but could have such influence if not removed.
(2) Written warning shall also specify deadlines for the removal of identified irregularities.

Agreement on Removal of Irregularities

Article 274

(1) The Central Bank may conclude agreement on the removal of identified irregularities with a credit institution in whose operations irregularities have been identified, which do not have significant influence on financial soundness of the credit institution.
(2) The Central Bank may propose to the credit institution to conclude an agreement on the removal of the irregularities if:
1) the credit institution has started to remove the irregularities during or immediately after the examination had been performed;
2) the credit institution is ready to commit to the removal of irregularities within the proposed time limits and in the proposed manner;
3) it can be concluded from the attitude of the credit institution so far in respect of measures, objections and instructions of the Central Bank that it will duly fulfil its obligations assumed under the agreement;
4) it can be concluded from the operations of the credit institution so far and the frequency of irregularities in operations that the credit institution will ensure legality, safety and stability of operations in its future operations.
(3) The agreement referred to in paragraph 1 of this Article shall set out the deadlines and manner of the credit institution's action with a view to removing irregularities in its operations and deadline, or schedule of reporting to the Central Bank on the fulfilment of credit institution's obligations assumed under the agreement.

Consequences of the Failure to Fulfil Obligations Laid Down in Written Warning or in Agreement on the Removal of Irregularities

Article 275

Where the credit institution fails to fulfil obligations laid down in the written warning referred to in Article 273 of this Law or in the agreement referred to in Article 274 of this Law, the Central Bank shall render a decision by which it shall impose measures on the credit institution, and shall issue a warning referred to in Article 57 of this Law to the responsible person of the management board of the credit institution.

Decision to Impose Measures

Article 276

(1) The Central Bank shall render a decision by which it shall impose measures referred to in Article 279 of this Law and other measures established pursuant to this Law on a credit institution, should it establish within the scope of its powers that:
1) credit institution has, with its actions or failures to act, acted contrary to this Law or other regulations governing the operations of credit institutions;
2) according to the data in possession of the Central Bank, it can be reasonably expected that in the course of the next 12 months the provisions of this Law or of other regulations governing the operations of credit institutions will be violated; or

3) there are weaknesses or shortcomings in the operations of the credit institution which do not constitute the violation of regulations, but the credit institution needs to take actions and conduct procedures aimed at improving operations.

(2) The decision referred to in paragraph 1 of this Article shall mandatory:

1) specify the deadlines and the manner of the credit institution's actions for the purpose of removing irregularities identified in operations or preventing the occurrence of irregularities in operations;

2) specify the deadlines within which the credit institutions shall notify the Central Bank of the measures taken to remove identified irregularities;

3) if appropriate, order to a responsible person or the credit institution to stop with and not to repeat action determined by this Law as a misdemeanour; and

4) determine the amount of funds the credit institution is obliged to pay to the Central Bank, whereby that amount may be set at the level up to 0.5% of the own funds of the credit institution.

(3) Credit institution shall implement measures in the manner and within the deadlines imposed by the decision rendered by the Central Bank.

(4) Notwithstanding paragraph 3 of this Article, the Central Bank may, upon the reasoned request of the credit institution, extend the deadline for the fulfilment of one or several obligations from the decision, if it deems the request justified, of which it shall notify the credit institution.

Decision during On-site Examination

Article 277

Notwithstanding Article 271 of this Law, the Central Bank may, upon the proposal by the person leading the examination, render an interim decision and during the on-site examination it may impose on a credit institution the measures which it shall implement without delay, if:

1) authorised examiners establish, during the on-site examination, that the credit institution did not organise operations nor did it keep business books, business documents and other business records in the manner which at any moment makes it possible to verify whether operations of the credit institution are compliant with risk management regulations and rules;

2) the credit institution performs activities in the manner which may deteriorate or compromise its liquidity and solvency;

3) the credit institution performs activities in the manner which may lead to reasonable expectation that, by the time the report on performed on-site examination is completed or immediately after completing such report, the provisions of this Law or other regulations governing the operations of credit institutions will be violated; or

4) it is not possible to continue the on-site examination in the credit institution.

Procedure after Imposing Measures

Article 278

(1) Upon the removal of identified irregularities, and at the latest immediately after the expiry of the final deadline set for the removal of identified irregularities, the credit institution shall submit to the Central Bank the report on the removal of irregularities, substantiated by appropriate evidence.

(2) The Central Bank shall render a conclusion by which it shall establish that the credit institution has removed irregularities in its operations, once it establishes on the basis of the report referred to in paragraph 1 of this Article or by carrying out the on-site examination, that the credit institution has removed the irregularities identified in its operations.

(3) If the credit institution has submitted to the Central Bank the report referred to in paragraph 1 of this Article, the Central Bank shall, within 30 days following the day of the receipt of such report, adopt a conclusion on the removal of irregularities if based on such report it establishes that the credit institution has removed the identified irregularities.

(4) Where it concludes that, based on the report referred to in paragraph 1 of this Article, it cannot reliably establish that the credit institution has removed identified irregularities, the Central Bank

shall carry out on-site targeted examination of the credit institution in order to establish whether the credit institution has removed such irregularities.

(5) Where it establishes that the credit institution failed to execute the imposed measures or that it did not remove identified irregularities within the deadlines set out for their removal, the Central Bank shall take new measures towards the credit institution in accordance with this Law, depending on the significance of irregularities which have not been, or have not been completely, removed.

Types of Measures

Article 279

(1) In addition to other measures prescribed by this Law, the Central Bank may order a credit institution to:

1) increase the amount of own funds above the minimum prescribed level, if the requirements referred to in Article 281 of this Law have been met;

2) Improve the governance arrangements in accordance with Article 104 of this Law, and improve strategies and procedures for the assessment of internal capital adequacy;

3) submit to the Central Bank a plan to restore compliance with the regulatory requirements set out by this Law and regulations adopted for the purpose of the implementation of this Law, and the Central Bank shall set a deadline for the implementation of such plan, including improvements to that plan regarding the scope and deadlines for its implementation;

4) implement specific policies on provisions or asset treatment in respect of calculation of capital requirements;

5) restrict operations or the expansion of business network of business units of the credit institution or cease to perform an economic activity which poses excessive risk to the stability of the credit institution;

6) reduce the risks arising from economic activities, products and systems of the credit institution;

7) restrict variable remunerations to the percentage of net income when such remunerations are not in accordance with maintaining good capital base;

8) use net profit to reinforce own funds;

9) temporarily stop or restrict payment of the dividend or of any other form of profit sharing to shareholders, as well as the calculation and distribution to the holders of instruments of additional Tier 1 capital, if the prohibition or restriction do not lead to the default status of the credit institution;

10) report to the Central Bank additionally or more frequently, including reporting on capital and liquidity positions;

11) meet special requirements regarding liquidity, including the restrictions on maturity mismatch between assets and liabilities;

12) publicly disclose additional information;

13) temporarily suspend granting loans and providing other services to the persons with inadequate creditworthiness;

14) temporarily suspend or restrict operations with the persons connected with that credit institution;

15) temporarily suspend acquisition of shares in investment funds and investments in other legal persons;

16) temporarily suspend taking deposits and other repayable funds or introducing new products;

17) not increase or limit the growth of assets and risk-bearing off-balance sheet items of the credit institution;

18) cut operating costs;

19) establish special operating conditions, which may contain the lowest or the highest interest rates, maturity dates for receivables and liabilities, as well as other conditions;

20) sell tangible and other assets;

21) sell stocks or business shares or initiate the procedure for the liquidation of the subsidiary undertaking of the credit institution;

22) remove a member of the supervisory or management boards and prohibit such persons to perform a function until a procedure under the order for removal is completed;

23) change areas of operations, or the structure of the services it provides;
24) adopt and implement measures for improving the procedures for the collection of outstanding receivables, improve accounting and information systems and/or improve the internal controls and internal audit systems;
25) improve or restrict the application of a specific internal approach or model referred to in Article 135 paragraph 2 of this Law;
26) reduce or restrict the exposures of the credit institution;
26a) carry out actions to ensure safe and efficient payment system transactions and alignment of operations with the law governing the payment system, including the actions to prohibit disposal of funds from the accounts and the actions to prohibit accounts' crediting or debiting;
26b) cease temporarily to provide one or more payment services;
27) take other measures that the Central Bank deems suitable and proportionate, in order for the credit institution to make its operations compliant with provisions of this Law and other regulations governing the operations of credit institutions.

(2) When imposing the supervisory measures, the Central Bank shall, where appropriate, order the credit institution to cease with unlawful actions and not to repeat such action.

(3) In addition to measures referred to in paragraph 1 of this Article imposed on the credit institution, the Central Bank may, by way of a special decision, temporarily but no longer than six months, suspend the voting right to a person with a qualifying holding in the credit institution, if there is a probability that such person will exercise their influence contrary to the rules of good and reasonable management of the credit institution or that it will not act with diligence of a prudent businessperson.

(4) In the event referred to in paragraph 3 of this Article, a person with suspended voting rights may not exercise the voting right against shares for which the approval of the Central Bank was needed, and the quorum for deciding and needed majority for passing decisions of the general shareholders assembly shall be calculated with respect to the total number of shares with voting rights less the amount of shares attached to such person that may not exercise the voting right.

(5) If the Central Bank determines, during exercise of supervision, that credit institutions of similar risk profiles (e.g. similar business models or geographical location of exposures) are or might be exposed to similar risks or pose similar risks to the financial system, it may apply identical supervision and impose similar or equal supervisory measures to such credit institutions.

(6) In identifying the credit institutions referred to in paragraph 5 of this Article, the Central Bank may use in particular the criteria referred to in Article 246 paragraph 1 item 10 of this Law.

(7) In the event referred to in paragraph 5 of this Article, the Central Bank shall also stipulate, by way of an enabling regulation, additional prudential requirements and other restrictions determining special conditions for operations of credit institutions.

(8) The Central Bank shall notify the European Banking Authority of actions referred to in paragraph 5 of this Article.

Specific Liquidity Requirements

Article 280

(1) For the purpose of determining the appropriate level of liquidity requirements on the basis of the carried out examination, the Central Bank shall assess whether it is necessary to impose specific liquidity requirements in order to cover liquidity risks which the credit institution is exposed to or could be exposed to in its operations.

(2) In reaching a decision referred to in paragraph 1 of this Article, the Central Bank shall take into consideration the following:
1) business model of a credit institution;
2) systems, processes and mechanisms of a credit institution prescribed by this Law, and particularly liquidity requirements referred to in Article 114 of this Law;
3) findings specified in the report on examination of the credit institution referred to in Article 253 of this Law;
4) systemic liquidity risk which poses threat to the stability of the financial system of Montenegro.

Capital above the Minimum Requirement

Article 281

(1) The Central Bank shall impose a measure referred to in Article 279 paragraph 1 item 1 of this Law on the credit institution in the following cases:
1) if the credit institution failed to set up or does not consistently implement an adequate governance arrangements in accordance with Article 104 of this Law and regulations governing the risk management;
2) if the credit institution failed to set up or does not consistently implement adequate administrative and accounting procedures and appropriate internal controls system for identifying, managing, monitoring and reporting on large exposures in accordance with Article 172 of this Law;
3) if the credit institution failed to set up or does not consistently implement adequate strategies and procedures for the assessment of internal capital adequacy in accordance with the provisions of Article 136 of this Law and regulations governing the risk management;
4) if risks or elements of risks are not covered by capital requirements in the manner prescribed by the provisions of this Law governing capital buffers or a regulation of the Central Bank governing the capital adequacy of credit institutions;
5) if there is a likelihood that the risks of a credit institution will be underestimated, despite the compliance with the provisions of this Law;
6) if it is established in the examination carried out in accordance with Article 246 of this Law or Article 247 paragraphs 5 and 6 of this Law that the lack of compliance with the requirements for the application of internal approaches is likely to lead to inadequate amounts of capital requirements;
7) if it is unlikely that solely the implementation of other measures will lead to sufficient improvement to the organisation, strategies, policies, processes and procedures within the appropriate time limit; or
8) if the results of stress testing carried out by the credit institution which applies an internal model for the calculation of capital requirement for the correlation trading portfolio significantly exceed its capital requirements for the correlation trading portfolio.

(2) The decision referred to in paragraph 1 of this Article shall be based on:
1) the assessment of qualitative and quantitative aspects of the process and procedure for the assessment of internal capital adequacy in accordance with Article 136 of this Law;
2) the assessment of the systems, processes and mechanisms of the credit institution referred to in Article 104 of this Law;
3) the report on performed examination referred to in Article 253 of this Law; and
4) the assessment of systemic risk.

2. Appointment of Authorised Person

Requirements for Appointment of Authorised Person

Article 282

(1) Once the Central Bank takes measures against a credit institution referred to in Article 279 of this Law or once it establishes that the tightened supervision is needed for monitoring the financial soundness and operations of the credit institution, it may render a decision by which it appoints a person responsible for monitoring the implementation of the measures imposed on the credit institution or a person responsible for monitoring the soundness in the credit institution (hereinafter: the authorised person).

(2) The Central Bank may appoint, by way of a decision on the appointment of the authorised person, one or more assistants of the authorised person, of whom it shall appoint one to act as a deputy to the authorised person.

(3) The decision referred to in paragraph 2 of this Article shall also specify the period during which such persons will be engaged to discharge the obligations referred to in Article 283 of this Law, which may not be longer than 12 months.
(4) The Central Bank employee or another person may be appointed as the authorised person.
(5) The authorised person and assistants to the authorised person shall be entitled to the remuneration for their work, the amount of which shall be determined and paid by the Central Bank.
(6) The Central Bank shall determine, by way of a decision on the appointment of the authorised person, the content of the report on financial soundness referred to in Article 284 of this Law Under, which shall be drawn up by the authorised person.
(7) The Central Bank may revoke the authorised person during his term of office and appoint another authorised person.

Rights and Responsibilities of the Authorised Person

Article 283

(1) Authorised person shall monitor all activities undertaken by the credit institution in respect of imposed measures or to monitor the situation in the credit institution and to report to the Central Bank thereof.
(2) Credit institution shall invite the authorised person to attend the meetings of the general shareholders assembly, meetings of the supervisory and management boards, audit committee and bodies of the supervisory board and to submit to him in a timely manner the agenda with the necessary documents, whereas the authorised person shall have the right to attend these sessions and to participate in the work without the voting right.
(3) The authorised person shall have the right to request convening of the general shareholders assembly, meetings of the supervisory and management boards, and audit committee, to propose the agenda and give proposals of decisions, whereas members of such authorities and bodies shall respond to the invitation.
(4) Credit institution shall enable the authorised person and his assistants the exercise of rights referred to in paragraphs 2 and 3 of this Article, unhindered insight to business books, other business documents and records, as well as the insight into the functioning of the information technology and computer database.
(5) The authorised person and assistant to the authorised person may not delegate their powers to other persons and shall be accountable to the Central Bank for their work.

Report by the Authorised Person on Financial Soundness of Credit Institution

Article 284

(1) Within 30 days following the day of the appointment, the authorised person shall draft a report on the financial soundness and operating conditions of the credit institution, along with an assessment of its financial stability and possibilities for its further operations (hereinafter: the report on financial soundness) and submit it to the Central Bank.
(2) The Central Bank shall submit the report referred to in paragraph 1 of this Article to the credit institution for review, and the credit institution shall reach an opinion thereof within five working days following the day of the receipt of the report.

Obligation of the Authorised Person in respect of Additional Reporting

Article 285

(1) Authorised person shall inform the Central Bank, without any delay, of all the circumstances which, according to his judgement, may lead to the failure to implement the imposed measures and of all the circumstances which, according to his judgement, may lead to the deterioration of financial soundness of the credit institution or may affect the fulfilment of the requirements for early intervention referred to in Article 288 of this Law.

(2) If the authorised person finds that there exist circumstances referred to in paragraph 1 of this Article, he shall compile a separate report thereon and submit it to the Central Bank.

Action by the Central Bank on the basis of the Report Submitted by the Authorised Person

Article 286

(1) On the basis of the report on financial soundness of the credit institution, the Central Bank may impose on the credit institution the measures prescribed in Articles 279, 280, and 281 of this Law.
(2) If the Central Bank establishes, on the basis of the report on financial soundness, that requirements referred to in Article 288 of this Law have been met, it shall impose measures in accordance with Article 289 of this Law.

Termination of Engagement of the Authorised Person

Article 287

(1) Engagement of the authorised person or of his assistants shall be terminated:
1) upon the expiry of the period specified in the decision on appointment;
2) by revoking his appointment;
3) upon the appointment of temporary administration in the credit institution
4) by the withdrawal of the license of the credit institution;
5) upon the appointment of resolution administration in the credit institution.
(2) In the event of revocation or termination of engagement of the authorised person for other reasons and the appointment of another authorised person, the engagement of that other authorised person shall last at the latest until the expiry of the period set for the previously appointed authorised person in the decision referred to in Article 282 paragraph 3 of this Law.

XIII EARLY INTERVENTION PROCEDURE AND MEASURES

1. Early Intervention

Conditions for Early Intervention

Article 288

(1) The Central Bank shall impose early intervention measures by way of a decision, if one of the following conditions has been met:
1) where a credit institution, with its actions or failures to act, acted contrary to this Law, regulation governing capital adequacy of credit institutions or regulation governing operations of credit institutions, to the extent which jeopardises or might jeopardise its liquidity, solvency or sustainability of operations, or
2) according to the data in possession of the Central Bank, it can be reasonably expected that credit institution will, in the immediate future, violate provisions of this Law, regulation governing capital adequacy of credit institutions or other regulation governing operations of credit institutions, to the extent that might jeopardise its liquidity, solvency or sustainability of operations, and particularly due to a rapidly deteriorating financial soundness of the credit institution, including deteriorating liquidity, indicators of capital adequacy and other performance indicators, increase in the level of non-performing loans, increase in the concentration of exposures, impaired business model sustainability or impaired efficiency and reliability of the management and internal control systems.

Early Intervention Measures

Article 289

(1) Under the decision referred to in Article 288 of this Law, the Central Bank may, in addition to other measures for the removal of identified irregularities set out by this Law, also:
1) require the credit institution to implement one or more of the measures set out in the recovery plan or to revise the recovery plan when the circumstances that led to early intervention are different from the assumptions set out in the recovery plan and to implement one or more of the measures set out in the revised plan, within a specific timeframe;
2) require the credit institution to examine the current situation in the credit institution, define measures to overcome any potential identified problems and draw up a programme of activities to overcome those problems, including deadlines for its implementation;
3) require the credit institution to convene general shareholders assembly with the agenda set by the Central Bank and the request that shareholders consider adopting specific decisions;
4) require the credit institution to draw up a plan for negotiation on debt restructuring with some or all creditors of the credit institution in accordance with the recovery plan;
5) require the credit institution to make changes to the business strategy;
6) require the credit institution to make changes to the organisational structure of the credit institution;
7) require the credit institution to provide information necessary in order to update a resolution plan and prepare for the possible resolution of the credit institution and for the valuation of the assets and liabilities of the credit institution in accordance with the law governing the resolution of credit institutions;
8) require the credit institution to remove one or more members of the senior management, should it establish that they do not have sufficiently good reputation or appropriate expert knowledge, capability, readiness or experience to perform functions and to appoint other persons in accordance with this Law;
9) require the credit institution to remove one or more members of the supervisory or management boards or to withdraw the authorisation for the appointment of one or more of members of the supervisory or management board in accordance with Article 291 of this Law;
10) appoint the administrator in accordance with Article 292 of this Law; and/or
11) appoint temporary administration in the credit institution in accordance with Article 295 of this Law.

(2) The Central Bank shall set an appropriate deadline for the implementation of the specific imposed measures referred to in paragraph 1 of this Article.

(3) The Central Bank Council shall adopt the decisions referred to in paragraph 1 items 10 and 11 of this Article.

(4) Provisions of Article 254 of this Law shall not apply to the procedure for taking measures referred to in this Article.

(5) The Central Bank shall use the decision referred to in paragraph 1 of this Article also to exercise the function of the authority competent for the resolution of credit institutions, within which it may require a credit institution to contact potential buyers in order to be prepared for the potential application of resolution instruments in accordance with the provisions of the law governing the resolution of credit institutions, while taking into account the provisions of that law pertaining to the professional secrecy requirements.

Convening General Shareholders Assembly

Article 290

(1) If the credit institution fails to act in accordance with the order referred to in Article 289 paragraph 1 item 3 of this Law in the manner and within the deadlines set out by the decision, the Central Bank may, at least 15 days prior to the date set for holding general shareholders assembly, convene general shareholders assembly and draw up an agenda along with proposals of the decisions that need to be adopted at the general assembly.

(2) The Central Bank shall, based on the performed examination, draw up and submit to the shareholders the report on the operations of the credit institution to be considered at the general assembly referred to in paragraph 1 of this Article.
(3) Shareholders may not raise objection, nor can they amend or supplement the agenda proposed by the Central Bank.

2. Removal of Management Bodies and Senior Management

Removal Requirements

Article 291

(1) If financial soundness of the credit institution is significantly deteriorated or in the event of a serious breach of this Law and other regulations and occurrence of other irregularities, and if measures referred to in Article 289 paragraph 1 items 1 to 7 of this Law would not be sufficient to improve the soundness of the credit institution, the Central Bank may order the credit institution to remove one or more members of the management board, supervisory board and senior management of the credit institution and/or withdraw the authorisation for the appointment of one or more members of the management board and supervisory board.
(2) In the event of the removal of one or more members of the management board, the Central Bank may appoint a necessary number of persons who will temporarily perform the function of a member of the management board (hereinafter: temporary member of the management board), who shall have the rights and responsibilities of a member of the management board, set out by this Law.
(3) Temporary member of the management board may be the Central Bank employee or another person who holds minimum VII-1 level of educational qualification, appropriate expert knowledge and capabilities for the performance of his duties, who is not connected with the credit institution and if there are no reasons for a potential conflict of interest in the event of the appointment of that person as a temporary member of the management board.
(4) Temporary member of the management board shall be entitled to the remuneration for his work, which is determined by the Central Bank, and paid at the expense of the credit institution.
(5) Decision on the appointment of the temporary member of the management board of the credit institution shall set out the duration of his term of office, powers and duties, and timetable for reporting to the Central Bank, as well as termination of powers.
(6) Under the decision referred to in paragraph 5 of this Article, the Central Bank may order that the management board of the credit institution may not render a specific decision if the temporary member of the management board has not voted in favour of it.

3. Appointment of Administrator

Requirements for Appointment of Administrator

Article 292

(1) If the measure referred to in Article 291 of this Law is not sufficient to improve the soundness of the credit institution, the Central Bank may, by way of a decision, appoint an administrator and one or more assistants to the administrator (hereinafter: the assistant).
(2) The administrator and assistants may be the Central Bank employees or other persons who meet the requirements referred to in paragraph 3 of this Article.
(3) Administrator or assistant may be a person who holds at least VII-1 level of educational qualification, appropriate expert knowledge and capabilities to perform his tasks and duties, who is not connected with the credit institution and if there are no reasons for potential conflict of interest in the event of the appointment of that person as administrator.
(4) Administrator and assistants shall be appointed for a period of up to 12 months.
(5) If the Central Bank assesses that the requirement referred to in Article 288 of this Law still exists, it may extend term of office of the administrator and assistants for the additional period of maximum

12 months, in which case it shall submit to the credit institution also the reasoning for the decision to extend the term of office.

(6) Administrator and assistants shall be entitled to a wage and/or the remuneration for their work, the amount of which shall be determined by the Central Bank and paid at the expense of the credit institution.

(7) In respect of the lawsuit filed against the decision referred to in paragraph 1 of this Article, the competent court shall render a decision in abridged proceedings no later than 30 days from the day of receiving the lawsuit.

Powers and Duties of Administrator and Assistants

Article 293

(1) Decision on the appointment of the administrator and assistants shall set out their powers and duties, duration of their term of office, reporting timetables, while it may also specify the tasks to be performed by the administrator only with the previous consent given by the Central Bank.

(2) Decision on the appointment may, in addition to the powers and duties of the authorised person under Articles 283 and 285 of this Law, grant the powers to the administrator to:

1) give prior consent to certain decisions of supervisory and management boards of the credit institution; and/or

2) give expert opinion to the supervisory and management boards of the credit institution before decisions are made.

(3) The Central Bank may order the administrator to draw up a report on the financial soundness of the credit institution and on the actions taken during his term of office, in the periods determined by the Central Bank and at the end of the term of office.

(4) In the case referred to in paragraph 2 item 1 of this Article, members of the supervisory and management boards may not render decisions autonomously, while the decisions rendered without prior consent of the administrator shall be considered null and void.

(5) In the case referred to in paragraph 2 item 2 of this Article, supervisory and management boards shall, when rendering decisions, take into account the administrator's opinion.

(6) Where the Central Bank has ordered, by way of the decision on the appointment of administrator, that specific actions or decisions in the credit institution may be taken or adopted only subject to prior consent of the administrator, such limitation shall be recorded in the Central Registry of Business Entities as a limitation of the powers of persons authorised to represent the credit institution.

(7) Application for the registration of limitations referred to in paragraph 6 of this Article in the Central Registry of Business Entities shall be filed by the Central Bank.

Termination of Powers of Administrator and Assistant

Article 294

(1) Powers of administrator and assistants shall terminate upon the expiry of the term of office or prior to the expiry of the term of office, if:

1) there is no longer need for their engagement;

2) temporary administration is appointed in the credit institution in accordance with this Law;

3) procedure for the resolution of the credit institution is initiated in accordance with the law governing the resolution of credit institutions;

4) license is withdrawn from the credit institution;

5) they are removed from office due to reasons referred to in paragraph 2 of this Article, or they resign; or

6) there are other reasons for which they are not able to perform tasks delegated to them.

(2) The Central Bank may remove the administrator and assistant during their term of office and may appoint another administrator or assistant if they fail to perform their duties in a satisfactory manner.

4. Appointing Temporary Administration in Credit Institution

Requirements for Appointing Temporary Administration

Article 295

(1) The Central Bank shall render a decision to appoint temporary administration in the credit institution if:
1) the credit institution significantly violates the provisions of this Law and other regulations governing operations of credit institutions or if there are significant deficiencies in the operations of the credit institution; or
2) despite the imposed measures, financial soundness of the credit institution has not improved, or it has found that measures referred to in Article 292 of this Law are not sufficient to improve the soundness of the credit institution.

(2) By way of the decision referred to in paragraph 1 of this Article, the Central Bank shall appoint members of the temporary administration, while it may also appoint one or more persons who are not members of the temporary administration to perform ancillary, administrative and technical tasks by order of the temporary administration (hereinafter: the assistants to temporary administration).

(3) The decision to appoint the temporary administration shall:
1) specify that the temporary administration has been appointed in the credit institution;
2) appoint a chairperson and members of the temporary administration;
3) appoint assistants to the temporary administration;
4) set out term of office of the temporary administration;
5) specify role and functions of the temporary administration, which may include establishing financial position of the credit institution, management of operations or a part of operations of the credit institution for the purpose of preserving or restoring the financial position of the credit institution, and taking measures to restore sound and stable operations of the credit institution;
6) specify content and deadlines for the submission of the report referred to in Article 301 of this Law.

(4) The decision referred to in paragraph 3 of this Article may also specify:
1) types of tasks managed by a specific member of the temporary administration;
2) actions which temporary administration may take only if granted prior consent by the Central Bank.

(5) The Central Bank shall appoint the temporary administration for a period which cannot exceed 12 months.

(6) The term of office referred to in paragraph 5 of this Article may be extended for additional 12 months if the Central Bank deems that the reasons referred to in paragraph 1 of this Article still exist, in which case the Central Bank shall also submit the reasoning for such decision to the credit institution.

(7) In respect of the lawsuit filed against the decision of the Central Bank on the appointment of the temporary administration, the competent court shall render a decision in abridged proceedings no later than 30 days from the day of receiving the lawsuit.

Members of and Assistants to Temporary Administration

Article 296

(1) The temporary administration of a credit institution shall have at least two members, one of whom shall be appointed as a chairperson of the temporary administration.

(2) Member of the temporary administration of a credit institution may be a person who holds minimum VII-1 level of educational qualification, appropriate expert knowledge and capabilities for the performance of his duties, is not connected with the credit institution and there are no reasons for potential conflict of interest in the event of the appointment of that person as member of the temporary administration.

(3) Members of and assistants to the temporary administration may be the Central Bank employees or other persons meeting requirements set out by this Law.
(4) Members and assistants shall be entitled to a wage and/or remuneration for their work, the amount of which shall be determined by the Central Bank, which shall be paid out of the funds of the credit institution.
(5) The Central Bank may, during the temporary administration, if it determines that he does not perform his duties in a satisfactory manner, remove the member of or assistant to the temporary administration and appoint another member of or assistant to the temporary administration, whose term of office may last at the latest until the expiry of the term of office of temporary administration.
(6) Members of the temporary administration shall manage affairs of the credit institution jointly, and shall represent the credit institution individually.
(7) The temporary administration shall pass decisions by the majority of votes of its members, and if there is a tie in voting, the chairperson of the temporary administration shall have the casting vote.
(8) Term of office of the member of temporary administration shall cease upon the expiry of the period specified in the decision to appoint the temporary administration, or before the expiry of that period in the event of:
1) revocation or resignation;
2) shortening of the period of duration of the temporary administration;
3) withdrawal of license from the credit institution;
4) initiation of the resolution proceedings in accordance with the law governing the resolution of credit institutions; or
5) existence of other reasons for which a member of the temporary administration is not able to perform the delegated tasks.
(9) Term of office of assistant to the temporary administration shall also be terminated on the date of termination of the temporary administration.

Publication of the Decision to Appoint the Temporary Administration

Article 297

(1) The Central Bank shall, without any delay, submit the decision to appoint temporary administration to the credit institution.
(2) Decision to appoint the temporary administration shall be submitted by the Central Bank to the Official Gazette of Montenegro for publication and to the Central Registry of Business Entities for the purpose of recording change to the data.

Legal Consequences of the Decision to Appoint the Temporary Administration

Article 298

On the day of delivery of the decision to appoint the temporary administration to the credit institution:
1) all powers of the supervisory and management boards and representatives of the credit institution shall be transferred to the temporary administration;
2) functions to which members of the supervisory and management boards of the credit institution were appointed shall be terminated; and
3) authorisations for the exercise of the function of chairperson and members of the supervisory and management boards of the credit institution shall cease to be valid.

Duty to Cooperate with the Temporary Administration

Article 299

(1) Members of the supervisory and management boards and senior management of the credit institution shall ensure that temporary administration and assistants to the temporary administration have immediate access to the entire business and other records of the credit institution, and to draw up a report on the handover of tasks.

(2) Persons referred to in paragraph 1 of this Article shall provide all the information or additional reports on operations of the credit institution to the temporary administration or a member of the temporary administration.
(3) All employees at the credit institution shall cooperate with the temporary administration and assistants to temporary administration.

Tasks of Temporary Administration

Article 300

(1) Temporary administration shall manage the operations of the credit institution.
(2) The Central Bank shall have powers to give written orders and instructions to the temporary administration.
(3) In managing the affairs of the credit institution, the temporary administration shall comply with the limitations set out in the decision on its appointment rendered by the Central Bank.
(4) If, during the term of office of the temporary administration, the credit institution transfers deposit agreements or loan agreements to another credit institution, such transfer may not be carried out without prior consent granted by the counterparty.

Duties of the Temporary Administration

Article 301

(1) Temporary administration shall, following its appointment, within the deadline set by the Central Bank, draw up and deliver to the Central Bank the report on financial soundness and operating conditions of the credit institution, accompanied by the assessment of financial stability and of possibilities for the continuation of operations of the credit institution.
(2) Notwithstanding paragraph 1 of this Article, the temporary administration shall not draw up and submit the report referred to in paragraph 1 of this Article if the administrator drew up the report referred to in Article 293 paragraph 3 of this Law immediately prior to the appointment of the temporary administration.
(3) The temporary administration shall, at the request by the Central Bank, submit additional reports and information concerning all the matters relevant for carrying out the examination and the assessment of financial soundness and possibilities for further operations of the credit institution.
(4) The temporary administration shall notify the Central Bank without any delay of all the facts and circumstances that may lead to the deterioration of the financial soundness of the credit institution.
(5) The temporary administration shall comply with orders and instructions given by the Central Bank and regularly report on execution of such orders and instructions.
(6) The Central Bank may order the temporary administration to convene general shareholders assembly of the credit institution with the prepared agenda and proposal of decisions.
(7) During the term of office of the temporary administration, the general shareholders assembly of the credit institution may be convened only by the order or with the previous consent of the Central Bank, at the latest within eight days from the day of receiving the order from the Central Bank referred to in paragraph 6 of this Article.
(8) The temporary administration may convene the general shareholders assembly of the credit institution referred to in paragraph 6 of this Article at least 15 days before the day scheduled for holding the general shareholders assembly.
(9) Shareholders may not raise objections, nor may they propose amendments to the proposed agenda.

5. Imposing Measures on the Group of Credit Institutions in Early Intervention Phase

Imposing Measures where Central Bank is Consolidating Supervisor

Article 302

(1) If the conditions are in place for the implementation of early intervention measures or for the appointment of the administrator or temporary administration in the EU parent credit institution

with head office in Montenegro, the Central Bank as the consolidating supervisor, shall notify the European Banking Authority thereof and shall consult other competent authorities included in the college of supervisors regarding the fulfilment of such requirements and regarding the intention to take measures referred to in Article 289 paragraph 1 of this Law against that credit institution.

(2) The Central Bank may impose on the EU credit institution with head office in Montenegro some of the measures referred to in Article 289 paragraph 1 of this Law after obtaining opinions from other competent authorities included in the college of supervisors or upon the expiry of the deadline for the submission of the opinion set by the Central Bank, which may not exceed five days.

(3) When deciding on taking measures referred to in paragraph 2 of this Article, the Central Bank shall take into account all the effects that the adoption of such measures may have on members of the group in other Member States.

(4) The Central Bank shall notify other competent authorities included in the college of supervisors and the European Banking Authority about the adoption of the measures referred to in paragraph 2 of this Article.

(5) If the competent authority of another Member State, in which the head office of the subsidiary undertaking of the EU parent credit institution with head office in Montenegro is located, intends to impose some of the measures set out in a separate regulation, the content of which corresponds to the measures referred to in Articles 27 and 29 of the Directive 2014/59/EU, against that subsidiary undertaking and informs the Central Bank as the consolidating supervisor thereof, the Central Bank may give an opinion on the intended adoption of measures and assess the effects of such measures on the EU parent credit institution with head office in Montenegro, as well as on the group of credit institutions in Montenegro and on other members of that group and inform the competent authority thereof at the latest within three days from the day of receiving such notification.

(6) If the Central Bank as the consolidating supervisor intends to impose the measure referred to in Article 289 paragraph 1 of this Law on the EU parent credit institution with head office in Montenegro and if it has received the notification from one or several competent authorities of other Member States referred to in paragraph 5 of this Article, it shall submit to such competent authorities the notification on all measures and shall cooperate with such competent authorities in rendering a joint decision on the possibility of aligning the application of measures, the content of which corresponds to the measures referred to in Articles 27 and 29 of the Directive 2014/59/EU, in two or more credit institutions or investment firms from the same group of credit institutions in Montenegro, with the aim of enabling easier implementation of measures for the improvement of the financial position of that credit institution or investment firm.

(7) Joint decision referred to in paragraph 6 of this Article shall be rendered within five days from the day on which the Central Bank submitted the notification of all the planned measures, it shall be in writing and shall contain a reasoning, and the Central Bank shall submit that decision to the EU parent credit institution with head office in Montenegro.

(8) On the basis of the joint decision referred to in paragraph 6 of this Article, the Central Bank shall render a decision and submit it to the member of the group of credit institutions in Montenegro for which the Central Bank acts as a competent authority.

(9) Where the Central Bank has received the notification referred to in paragraph 5 of this Article from several competent authorities from other Member States, it shall submit to such competent authorities the notification of all the planned measures and shall cooperate with such authorities in rendering a joint decision on the possibility of harmonising the implementation of measures set out in a separate regulation, the content of which corresponds to the measures referred to in Articles 27 and 29 of the Directive 2014/59/EU, in two or more credit institutions or investment firms from the same group of credit institutions in Montenegro, with the aim of enabling easier implementation of measures for improving financial position of that credit institution or investment firm.

(10) Joint decision referred to in paragraph 8 of this Article shall be rendered within five days from the day on which the Central Bank submitted the notification of all the measures it intends to undertake, it shall be in written form and shall contain a reasoning, and the Central Bank shall submit that decision to the EU parent credit institution with head office in Montenegro.

(11) In the procedure of adopting the joint decision referred to in paragraphs 6 or 8 of this Article, the Central Bank may request assistance from the European Banking Authority in accordance with Article 31 of the Regulation (EU) No 1093/2010.

Procedure in the case of Different Opinions of Competent Authorities on Measures

Article 303

(1) If different opinions are expressed in respect of the adoption of the decision referred to in Article 302 paragraph 6 of this Law, and the competent authority of another Member State in which the head office of the subsidiary undertaking of the EU parent credit institution with head office in Montenegro is located intends to take measures set out in a separate regulation, the content of which corresponds to the measures referred to in Article 27 paragraph 1 item a) which refer to items 4, 10, 11 and 19 of Section A of the Annex, item e) or item g) of the Directive 2014/59/EU, within the deadline set for consultation referred to in paragraph 5 of this Article, the Central Bank may request mediation of the European Banking Authority in accordance with Article 19 paragraph 3 of the Regulation (EU) No 1093/2010.
(2) If the joint decision referred to in Article 302 paragraph 6 of this Law is not adopted within the set deadline, the Central Bank shall independently decide on the adoption of the measure for the EU parent credit institution with head office in Montenegro, while taking into account views and dissenting opinions expressed by other competent authorities and the potential impact of such measures on the stability of financial systems of all the relevant Member States.
(3) The Central Bank shall submit the decision referred to in paragraph 2 of this Article to the EU parent credit institution with head office in Montenegro.
(4) Notwithstanding Article 302 paragraph 2 of this Law, if, within five days from the day on which the Central Bank submitted notification of the planned measures referred to in paragraph 1 of this Article, any competent authority from another Member State requests mediation of the European Banking Authority in accordance with Article 19 paragraph 3 of the Regulation (EU) No 1093/2010 and if the European Banking Authority renders a decision within three days, the Central Bank shall adopt measure for the EU parent credit institution with head office in Montenegro in accordance with that decision.
(5) Notwithstanding Article 302 paragraph 9 of this Law and paragraph 1 of this Article, if within five days from the day when the Central Bank has submitted the notification of all the measures referred to in Article 302 paragraph 9 of this Law it intends to undertake, the competent authority of any other Member State or the Central Bank request mediation of the European Banking Authority in accordance with Article 19 paragraph 3 of the Regulation (EU) No 1093/2010 and if the European Banking Authority has rendered a decision within three days, the Central Bank shall adopt the measure for the EU parent credit institution with head office in Montenegro in accordance with that decision.
(6) The five-day deadline referred to in paragraphs 4 and 5 of this Article shall be deemed to be a deadline for conciliation within the meaning of the Regulation (EU) No 1093/2010.

Imposition of Measures in Early Intervention Phase when the Central Bank is not Consolidating Supervisor

Article 304

(1) If competent authority of another Member State is at the same time the consolidating supervisor, the Central Bank may, at the request of such authority, give its opinion in the procedure for rendering a decision on imposing measures set out under a separate regulation, the content of which corresponds to the measures referred to in Articles 27 and 29 of the Directive 2014/59/EU for the EU parent credit institution.
(2) If the Central Bank intends to impose the measure referred to in Article 289 paragraph 1 of this Law on the credit institution with head office in Montenegro, which is a subsidiary undertaking of the EU parent credit institution, it shall notify the consolidating supervisor and the European Banking Authority thereof.

(3) Following the consultation with the consolidating supervisor which may not last longer than three days, and taking into account the opinion of the consolidating supervisor, the Central Bank shall autonomously render the decision referred to in paragraph 2 of this Article and notify the consolidating supervisor, other competent authorities included in the college of supervisors, and the European Banking Authority thereof.
(4) Where several competent authorities intend to impose measures set out in separate regulations, the content of which corresponds to the measures referred to in Articles 27 or 29 of the Directive 2014/59/EU on two or more credit institutions or investment firms from the EU group of credit institutions, the Central Bank shall, at the request of the consolidating supervisor, participate in rendering a joint decision on the possibility of harmonising the implementation of measures, the content of which corresponds to the measures referred to in Articles 27 and 29 of the Directive 2014/59/EU, in several credit institutions or investment firms of that group, including the appointment of joint temporary administrator.
(5) Joint decision referred to in paragraph 4 of this Article shall be rendered within five days from the day of receiving the notification from the consolidating supervisor regarding intention to impose some of these measures on several members of the group, and on the basis of the joint decision, the Central Bank shall render a decision and submit it to the member of the EU group of credit institutions for which the Central Bank acts as the competent authority.
(6) In the procedure for rendering the joint decision referred to in paragraph 4 of this Article, the Central Bank may request assistance from the European Banking Authority in accordance with Article 31 of the Regulation (EU) No 1093/2010.

Procedure in the case of Different Opinions of Competent Authorities Regarding Measures

Article 305

(1) If there are different opinions regarding the adoption of the decision referred to in Article 304 paragraph 3 of this Law, which refers to the measures referred to in Article 289 of this Law, the content of which corresponds to the measures referred to in Article 27 paragraph 1 item a) which refer to items 4, 10, 11 and 19 set out in section A of the Annex, item e) or item g) of the Directive 2014/59/EU and if the consolidating supervisor requested mediation from the European Banking Authority in accordance with Article 19 paragraph 3 of the Regulation (EU) No 1093/2010, and such regulator adopted decision within three days from the day of receiving the request for mediation, the Central Bank shall render a decision in accordance with that decision.
(2) If the European Banking Authority does not render a decision within three days from the day of receiving the request for mediation, the Central Bank shall autonomously render a decision on imposing such measures on the credit institution for which the Central Bank acts as competent authority.
(3) If the joint decision referred to in paragraph 4 of this Article is not adopted within the deadline, the Central Bank shall decide autonomously on the adoption of the measure for the credit institution with head office in Montenegro which is a subsidiary undertaking of the EU parent credit institution.
(4) The Central Bank may, upon the receipt of the notification from the consolidating supervisor regarding the intention to impose measures set out in a separate regulation, the content of which corresponds to the measures referred to in Article 27 paragraph 1 item a) which refer to items 4, 10, 11 and 19 set out in Section A of Annex, item e) or item g) of the Directive 2014/59/EU on the EU parent credit institution, request mediation from the European Banking Authority in accordance with Article 19 paragraph 3 of the Regulation (EU) No 1093/2010, if it disagrees with the proposal put forward by the consolidating supervisor.
(5) The Central Bank may request mediation from the European Banking Authority in accordance with Article 19 paragraph 3 of the Regulation (EU) No 1093/2010 within five days from the day of receiving notification from the consolidating supervisor, if there are different opinions on the adoption of the joint decision referred to in paragraph 4 of this Article.
(6) The five-day deadline referred to in paragraph 5 of this Article shall be deemed the deadline for conciliation within the meaning of the Regulation (EU) No 1093/2010.

(7) If the European Banking Authority renders a decision within three days from the day of receiving the request for mediation, the Central Bank shall render a decision in accordance with that decision, and if the decision of the European Banking Authority has not been adopted within that deadline, the Central Bank shall autonomously render a decision to impose measures on the credit institution for which it acts as the competent authority.

Setting up Temporary Management in Branch of the Third-Country Credit Institution

Article 306

(1) The Central Bank shall render a decision to set up the temporary management in a branch of the third-country credit institution in Montenegro, if:
1) the implementation of supervisory measures has been imposed on the branch of the third-country credit institution, but the branch did not start to implement them or it did not implement them within the deadline specified for their implementation, as result of which its liquidity and solvency might be jeopardized, in order to protect interests of its creditors;
2) despite imposed supervisory measures, branch of the third-country credit institution failed to reach the required capital adequacy ratio referred to in Article 134 paragraph 2 of this Law; or
3) as a result of irregularities in operations, its liquidity or solvency are jeopardized or might be jeopardized, for the purpose of protecting interest of its creditors.

(2) Notwithstanding paragraph 1 of this Article, if the Central Bank establishes the existence of the facts which indicate with high likelihood that the situation in the branch has improved, the Central Bank may postpone the adoption of the decision on the temporary management.

(3) Members of the temporary management of the branch shall be appointed by way of the decision referred to in paragraph 1 of this Article and such decision shall also set out the scope of work performed and/or managed by an individual member of the temporary management, and the period for which the temporary management is appointed, which may not be longer than one year counting from the day of rendering the decision.

(4) The Central Bank shall be authorised to give orders to the temporary management regarding the management of the operations of that branch.

(5) The competent court shall decide in an urgent proceedings on the lawsuit filed against the Central Bank decision referred to in paragraph 1 of this Article, at the latest within 30 days from the day of receiving the lawsuit.

Legal Effects of the Decision on Temporary Management

Article 307

On the day of submitting the decision on the temporary management to the branch of the third-country credit institution, all powers of the persons responsible for managing the affairs of that branch shall be terminated.

Application of Provisions of this Law to the Temporary Management

Article 308

Provisions of this Law governing temporary administration in the credit institutions shall apply *mutatis mutandis* to the temporary management of the branch of the third-country credit institution.

XIV SUPERVISION ON A CONSOLIDATED BASIS

1. Scope of Requirements on Individual and Consolidated Basis

Requirements on Individual Basis

Article 309

(1) Credit institution shall, on an individual basis, meet the requirements set out in this Law and regulations adopted pursuant to this Law, which refer to the following:
1) Governance arrangements referred to in Article 104 of this Law;
2) strategies and procedures for assessing internal capital adequacy referred to in Article 136 of this Law;
3) capital conservation buffer referred to in Article 138 of this Law;
4) countercyclical buffer referred to in Article 139 of this Law;
5) structural systemic risk buffer referred to in Article 150 of this Law, in the manner set out in Article 165 of this Law;
6) buffer for the O-SICI referred to in Article 161 of this Law, in the manner set out in Article 165 of this Law;
7) investing in immovable property and fixed assets referred to in Article 176 of this Law;
8) drawing up and submitting financial and other reports for the purposes of the Central Bank;
9) capital requirements referred to in Article 134 paragraph 2 of this Law;
10) large exposures;
11) exposure to the transferred credit risk;
12) liquidity;
13) financial leverage governed by the regulation referred to in Article 115 paragraph 7 of this Law;
14) data disclosure;
15) qualifying holdings in persons performing non-financial business activities.

(2) Notwithstanding paragraph 1 of this Article:
1) credit institution included in the group of credit institutions in Montenegro, if having a position of the parent credit institution in Montenegro or subsidiary undertaking of the parent credit institution in Montenegro, parent financial holding company in Montenegro or parent mixed financial holding company in Montenegro, shall not be obliged to meet, on an individual basis, the requirements set out in paragraph 1 item 2 of this Article;
2) credit institution which is a parent undertaking or a subsidiary undertaking in the group from Montenegro and a credit institution included in the consolidation shall not meet, on an individual basis, the requirements referred to in paragraph 1 item 15 of this Article;
3) credit institution which is a parent undertaking or a subsidiary undertaking and every institution included in the consolidation shall not meet, on an individual basis, the requirements referred to paragraph 1 item 10 of this Article.

(3) The obligation referred to in paragraph 1 item 2 of this Article shall also refer to the credit institution, which is excluded from the group of credit institutions in Montenegro in accordance with Article 313 of this Law.

(4) Notwithstanding paragraph 1 of this Article, the Central Bank may:
1) relieve of the obligation to meet, on an individual basis, the requirements set out in paragraph 1 items 5, 6, 7, and 10 of this Article, the credit institution which is a subsidiary undertaking of another credit institution with head office in Montenegro and which is included in the supervision of the parent credit institution on a consolidated basis, if for the purpose of ensuring proper distribution of own funds between parent credit institution and subsidiary credit institution, the following requirements have been met:
- there are no current or predictable significant practical or legal obstacles to the fast transfer of own funds, or to the repayment of liabilities by the parent credit institution;
- parent credit institution meets the Central Bank requirements regarding the prudential management of the subsidiary credit institution;
- parent credit institution, with the consent of the Central Bank, has made a statement to the effect that it guarantees for the liabilities of the subsidiary credit institution or that the risks of the subsidiary credit institution are negligible;
- procedures for assessment, measurement and control of risks of the parent credit institution also include the subsidiary credit institution;

– parent credit institution has more than 50% of voting rights related to the participation in capital of the subsidiary credit institution, or it is entitled to appoint or dismiss the majority of members of supervisory or management boards.

2) entirely or partly relieve the parent credit institution and all or some of the credit institutions with head office in Montenegro, which are subsidiary undertakings of that credit institution, of the obligation to meet, on an individual basis, the requirements referred to in paragraph 1 item 12 of this Article, provided that the following requirements are met:

– parent credit institution, on a consolidated basis, or subsidiary credit institution, on a sub-consolidated basis, fulfils the obligations set out in paragraph 1 item 12 of this Article;

– parent credit institution, on a consolidated basis, or subsidiary credit institution, on a sub-consolidated basis, monitors and in every moment has access to the liquidity positions of all credit institutions within the group or subgroup, which the exception set out in this item refers to, and ensures satisfactory level of liquidity for all those credit institutions;

– credit institutions have, in accordance with the Central Bank requirements, concluded contracts which enable free movement of funds between those credit institutions, for the purpose of settling individual and joint liabilities when due; and

– there are no current or predictable significant practical or legal obstacles to fulfilling the obligations referred to in indent 3 of this item.

Requirements on Consolidated and Sub-consolidated Basis

Article 310

(1) Parent credit institution with head office in Montenegro being a parent undertaking to a group of credit institutions in Montenegro, shall, in respect of such group, on a consolidated basis meet the requirements related to the following:

1) Governance arrangements referred to in Article 104 of this Law,
2) strategies and procedures for the assessment of internal capital adequacy referred to in Article 136 of this Law;
3) capital conservation buffer referred to in Article 138 of this Law;
4) countercyclical buffer referred to in Article 139 of this Law;
5) structural systemic risk buffer referred to in Article 150 of this Law, in the manner referred to in Article 165 of this Law;
6) buffer for G-SICI referred to in Article 160 of this Law, in the manner referred to in Article 165 of this Law;
7) buffer for O-SICI referred to in Article 161 of this Law, in the manner referred to in Article 165 of this Law;
8) investing in immovable property and fixed assets referred to in Article 176 of this Law;
9) drawing up and submitting the financial and other reports for the purposes of the Central Bank;
10) own funds;
11) capital requirements;
12) large exposures;
13) exposure to the transferred credit risk;
14) liquidity;
15) financial leverage;
16) data disclosure;
17) qualifying holdings outside the financial sector.

(2) Meeting the requirements on the consolidated basis referred to in paragraph 1 of this Article shall mean meeting the requirements on the basis of the consolidated situation of the credit institution, which means the situation that results from applying the requirements from this Law pertaining to consolidated supervision, which refer to one credit institution as if that institution formed, together with one or more other entities makes a single institution.

(3) The obligation referred to in paragraph 1 of this Article shall also apply to the EU parent credit institution with head office in Montenegro.

(4) Credit institution which is a subsidiary undertaking of a financial holding company or a mixed financial holding company in the manner referred to in Article 312 of this Law, shall meet the requirements referred to in paragraph 1 of this Article on a consolidated basis for a group of credit institutions in Montenegro of which it is a part, and if several credit institutions in Montenegro are a subsidiary undertaking of the same parent financial holding company or of the same parent mixed financial holding company, the obligation to meet the requirements referred to in paragraph 1 of this Article shall be fulfilled by the credit institution which has the highest balance sheet amount.

(5) Parent credit institution shall, on a sub-consolidated basis, for its group of credit institutions in Montenegro meet the following requirements which relate to:

1) governance arrangements referred to in Article 104 of this Law;

2) structural systemic risk buffer referred to in Article 150 of this Law, in the manner set out in Article 165 of this Law, if that is prescribed in accordance with Article 150 or Article 163 paragraph 1 of this Law; and

3) buffer for the O-SICI referred to in Article 161 of this Law, in the manner set out in Article 165 of this Law, if so regulated under a legislation adopted on the basis of Article 163 paragraph 1 of this Law or Article 150 paragraph 4 of this Law.

(6) Meeting the requirements on a sub-consolidated basis referred to in paragraph 5 of this Article means meeting the requirements on the basis of a sub-consolidated situation which means on the basis of a consolidated situation of a parent credit institution, financial holding company or mixed financial holding company, excluding a sub-group of entities, or on the basis of a consolidated situation of a parent credit institution, financial holding company or mixed financial holding company that is not the ultimate parent institution, financial holding company or mixed financial holding company.

(7) If a credit institution is a subsidiary undertaking of a financial holding company or mixed financial holding company in the group of credit institutions in Montenegro, and such credit institution or parent financial holding company or parent mixed financial holding company holds a position in the parent undertaking or holds a participating interest in the other credit institution, financial institution or undertaking for UCITS management, such credit institution shall, on a sub-consolidated basis, meet the requirements referred to in paragraph 1 item 2 of this Article.

(8) Parent credit institution in the group of credit institutions in Montenegro and a parent financial holding company and a parent mixed financial holding company referred to in Article 312 of this Law, as well as their subsidiary undertakings in the group of credit institutions in Montenegro shall set up organisational structure and internal controls mechanisms which ensure proper processing and exchange of data needed for the supervision, and they particularly need to ensure that subsidiary undertakings to which this Law applies use systems, processes and mechanisms which enable appropriate supervision.

(9) Parent credit institution in the group of credit institutions in Montenegro and parent financial holding company and parent mixed financial holding company referred to in Article 312 of this Law, as well as their subsidiary undertakings in the group of credit institutions in Montenegro shall:

1) fulfil obligations, on consolidated or sub-consolidated basis, in respect of the governance arrangements system referred to in Article 104 of this Law, as well as the obligations referred to in Article 134 paragraph 9 of this Law (capital adequacy which refers to exposures to the transferred credit risk at the level of the group of credit institutions in Montenegro), with the aim of ensuring that organisational structure, procedures and systems within the group of credit institutions are harmonised and applied and that they enable unimpeded collection of all the data and information needed for the supervision;

2) ensure that organisational structure, procedures and systems referred to in item 1 of this paragraph are established in their subsidiary undertakings in third countries, in the manner which enables such subsidiary undertakings to collect without any impediments all the data and information needed for the supervision.

(10) Notwithstanding paragraph 9 of this Article, parent credit institution in the group of credit institutions in Montenegro and parent financial holding company and parent mixed financial holding company referred to in Article 312 of this Law, as well as their subsidiary undertakings in the group of credit institutions in Montenegro shall not obliged to fulfil obligations referred to in Article 104 of this Law in respect of subsidiary undertakings in third countries if they are able to

prove to the Central Bank that the fulfilment of such requirements would constitute a violation of the regulations of the third-country in which the subsidiary undertaking was established.

2. Exercise of Supervision on a Consolidated Basis

Central Bank Powers Related to the Supervision on a Consolidated Basis

Article 311

(1) In addition to the supervision of credit institutions on an individual basis, the Central Bank shall also be responsible for the supervision of groups of credit institutions with head office in Montenegro on a consolidated basis.
(2) Provisions of this Law governing the supervision of credit institutions on an individual basis shall apply *mutatis mutandis* on the exercise of supervision on a consolidated basis.

Supervised Entity

Article 312

(1) The supervised entities on a consolidated basis shall be a group of credit institutions in Montenegro, comprised of credit institutions, investment firms and financial institutions with head office in Montenegro or other state, in which at least one institution has a position of:
1) a credit institution with head office in Montenegro, that is a parent undertaking of members of the group from Montenegro and/or third countries;
2) an EU parent credit institution with head office in Montenegro;
3) a parent financial holding company in Montenegro that has as its subsidiary undertaking at least one credit institution licensed by the Central Bank, and other members of the group have their head office in Montenegro and/or third country;
4) an EU parent financial holding company with head office in Montenegro that has as its subsidiary undertaking at least one credit institution licensed by the Central Bank;
5) a parent mixed financial holding company in Montenegro that has as its subsidiary undertaking at least one credit institution licensed by the Central Bank, and other members of the group have head office in Montenegro and/or third country;
6) an EU parent mixed financial holding company with head office in Montenegro that has as its subsidiary undertaking at least one credit institution licensed by the Central Bank;
7) a credit institution licensed by the Central Bank, which is linked with another credit institution, investment firm or financial institution by joint directorship in the manner referred to in Article 11 paragraph 1 items 1 and 3 of this Law.
(2) The Central Bank may, by way of a decision, determine that in specific cases a group of credit institutions in Montenegro may also be comprised of credit institutions, investment firms and financial institutions linked by a relationship referred to in Article 9 paragraph 1 item 2 of this Law.
(3) A group of credit institutions in Montenegro shall also exist if:
1) in addition to the credit institution with head office in Montenegro, credit institutions from third countries are also subsidiary undertakings of the same parent financial holding company in Montenegro, or parent mixed financial holding company in Montenegro;
2) in addition to the credit institution with head office in Montenegro, credit institutions from third countries are also subsidiary undertakings of the same parent financial holding company, EU parent financial holding company with head office in Montenegro, or EU parent mixed financial holding company with head office in Montenegro .
(4) A group of credit institutions in Montenegro shall also exist if a credit institution with head office in Montenegro is a subsidiary undertaking in relation to several financial holding companies or several mixed financial holding companies with head offices in Montenegro and other Member States, and if each of such holding company's subsidiary credit institution is in each of such Member States and if the credit institution with head office in Montenegro has the highest balance sheet total in relation to credit institutions in other Member States.

(5) A group of credit institutions in Montenegro shall also exist if the same EU parent financial holding company or the same EU parent mixed financial holding company with head office in other Member State has one or more subsidiary credit institutions with head office in Montenegro, or if the same EU parent financial holding company or the same EU parent mixed financial holding company with head office in other Member State, in addition to the credit institution with head office in Montenegro, has subsidiary credit institutions from other Member States, provided that none of the subsidiary credit institutions has been licensed in the Member State of the establishment of such financial holding company or mixed financial holding company and that the credit institution with head office in Montenegro has the highest balance sheet total in relation to credit institutions in other Member States.

Exclusion from Consolidation

Article 313

(1) The Central Bank may, at request of a parent credit institution in Montenegro, for the purposes of supervision on a consolidated basis, exclude from a group of credit institutions a financial institution or an ancillary services undertaking that is a subsidiary undertaking of or an undertaking where such credit institution has significant participating interest, provided that at least one of the following conditions has been met:
1) balance sheet total of that member of the group is less than 1% of the balance sheet total of the parent member of the group, but not exceeding 10,000,000 euro;
2) inclusion of that member in the consolidation has a negligible impact, taking into account the objectives of the supervision on a consolidated basis;
3) inclusion of that member in the consolidation would not be appropriate or would lead to misconclusions taking into account the objectives of the supervision of credit institutions; or
4) a member of a group of credit institutions is established in a third country where legal obstacles exist related to the provision of the required data and information to the parent credit institution.

(2) If several subsidiary undertakings of the parent credit institution meet the condition referred to in paragraph 1 item 1 or 2 of this Article, the Central Bank may order such members of the group of credit institutions to be included in consolidated financial reports if they jointly have an impact on reaching the objectives of supervision on a consolidated basis.

Consolidation in Other Cases

Article 314

(1) The Central Bank may impose on a credit institution that is a parent undertaking to legal persons that are not an institution or a financial institution, or on a credit institution that is linked to such persons by a relationship referred to in Article 11 of this Law to also include such persons in the group of credit institutions in Montenegro and, in accordance with this Law, exercise consolidation of all members of the group, irrespective of their economic activity, if it is required for the purposes of a more complete and objective presentation of the financial position and operating results of a credit institution.

(2) In the case referred to in paragraph 1 of this Article, the Central Bank shall set a method for exercising consolidation by way of a decision.

(3) The persons referred to in paragraph 1 of this Article shall, in a timely manner, provide all the data required for the preparation of financial reports to the credit institution.

Obligor of the Preparation of Consolidated Reports

Article 315

(1) The parent credit institution shall prepare consolidated financial reports for a group of credit institutions in Montenegro that has a parent credit institution.

(2) Consolidated financial reports for a group of credit institutions in Montenegro that has a parent financial or mixed holding company shall be prepared by a credit institution with head office in Montenegro that is under control of that holding company.
(3) Members of a group of credit institutions in Montenegro shall provide all the data required for the exercise of consolidation to the reporting entity on a consolidated basis.

Assumption and Delegation of Powers for Supervision on a Consolidated Basis

Article 316

(1) The Central Bank may, in the cases referred to in Article 312 paragraphs 3, 4 and 5 of this Law, taking into account the relative importance of the activities of individual members of the group of credit institutions in Montenegro and in other Member States, and in an agreement with competent authorities of such Member States:
1) assume the power for the supervision on a consolidated basis from the competent authority of another Member State where the other credit institution that is a member of the group is established; or
2) delegate the power for the supervision on a consolidated basis to the competent authority of the Member State where the other credit institution that is a member of the group is established.
(2) Before making the decision on the delegation of the powers referred to in paragraph 1 item 2 of this Article, the Central Bank shall ensure an opportunity to an EU parent credit institution, an EU parent financial holding company, an EU parent mixed financial holding company or a credit institution with the highest balance sheet total to give an opinion regarding such a decision.

Inclusion of Holding Companies in Consolidated Supervision

Article 317

(1) Subsidiary members of a group of credit institutions in Montenegro, as well as the parent mixed financial holding companies and parent financial holding companies referred to in Article 312 of this Law, shall provide to a parent credit institution in Montenegro, or a credit institution referred to in Article 310 paragraph 2 of this Law:
1) data required for consolidation;
2) appropriate internal control procedures to check the regularity of such data and information; and
3) data of significance for establishing the scale of consolidation.
(2) A parent credit institution in Montenegro or a credit institution referred to in Article 310 paragraph 2 of this Law shall ensure that its subsidiary undertakings that are the members of a group of credit institutions in Montenegro, a parent mixed financial holding company and a parent financial holding company provide the data required for consolidation.
(3) If a parent mixed financial holding company or a parent financial holding company referred to in paragraph 2 of this Article fails to deliver the data required for consolidation, the credit institution shall immediately inform the Central Bank thereof.
(4) The persons referred to in paragraph 1 of this Article shall enable the Central Bank, as a consolidating supervisor, to carry out the examination of operations for the purposes of verifying the information referred to in paragraphs 1 and 2 of this Article.
(5) A parent undertaking of a credit institution with head office in Montenegro that is excluded from the supervision on a consolidated basis of the parent undertaking shall provide information required for supervision of that credit institution at the request of the Central Bank.
(6) An investment firm, financial institution, or ancillary services undertaking that is a subsidiary undertaking of a parent credit institution in Montenegro, or of a mixed financial holding company or a financial holding company referred to in Article 312 of this Law, which is not included in the supervision on a consolidated basis, shall provide, at the request of the Central Bank, the information required for the supervision of individual credit institutions in a group of credit institutions in Montenegro and enable carrying out of the on-site examination of operations for the purposes of verifying the provided information.

(7) If the person referred to in paragraph 6 of this Article has a head office in an EU Member State, the examination of operations of such person shall be carried out in accordance with Article 333 of this Law.

Additional Tasks of the Supervision on a Consolidated Basis

Article 318

(1) In addition to the obligations set out in this Law, the Central Bank as a consolidating supervisor shall:
1) coordinate, gather and ensure the dissemination of relevant and essential information between competent authorities from other states that are included in the supervision on a consolidated basis, as part of regular activities and in emergency situations;
2) plan and coordinate supervisory activities as a part of regular activities, in cooperation with other competent authorities from other states, particularly in relation to the activities of the supervision on a consolidated basis;
3) in cooperation with competent authorities from other states and, if necessary, with the ESCB central banks, plan and coordinate supervisory activities in preparation for and during the emergency situations, including adverse developments in credit institutions in Member States or in financial markets using, where possible, the existing channels of communication for facilitating crisis management.

(2) The planning and coordination of supervisory activities referred to in paragraph 1 item 3 of this Article shall include more significant measures referred to in Article 327 paragraph 6 item 4 of this Law, the preparation of joint assessments, the implementation of contingency plans, and communication to the public.

(3) Where the Central Bank is competent for the supervision on a consolidated basis, and the competent authorities included in the supervision on a consolidated basis do not cooperate with the Central Bank in the manner required to carry out the tasks referred to in paragraph 1 of this Article, the Central Bank may seek mediation from the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010.

(4) When the Central Bank is not competent for supervision on a consolidated basis, and the authority that is competent does not carry out the tasks equivalent to the obligations referred to in paragraph 1 of this Article, the Central Bank may seek mediation from the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010.

Consolidation Method

Article 319

(1) Credit institutions that are obliged to meet the requirements referred to in Article 310 paragraph 1 of this Law based on their consolidated position, shall, using the appropriate consolidation methods, carry out the consolidation of all credit and financial institutions that are their subsidiary undertakings or, where necessary, of the subsidiary undertakings of the same parent financial holding company or parent mixed financial holding company.

(2) Consolidation methods applied to consolidation of subsidiary undertakings referred to in paragraph 1 of this Article and the reports submitted to the Central Bank for the purposes of supervision on a consolidated basis shall be set by the Central Bank.

College of Supervisors

Article 320

(1) If a member of a group of credit institutions in Montenegro is established in another Member State, the Central Bank shall, as a consolidating supervisor, establish a college of supervisors to carry out the tasks referred to in Articles 318, 322, and 325 of this Law.

(2) The College of Supervisors shall provide a framework for the Central Bank, the European Banking Authority and other competent authorities concerned to carry out the following tasks:

1) exchanging information between each other, whereby the exchange of information with the European Banking Authority shall be done in accordance with Article 21 of the Regulation (EU) No 1093/2010;

2) agreeing on entrustment of tasks and voluntary delegation of responsibilities, where necessary;

3) determining supervision plans based on the assessment of operational risk of the group of credit institutions;

4) working on increasing the efficiency of supervision by removing potential duplication of identical supervisory requirements, particularly in relation to the information requests referred to in Article 325 of this Law and Article 327 paragraph 6 of this Law;

5) consistently applying the prudential requirements in accordance with the provisions of special regulations transposing the Directive 2013/36/EU and the Regulation (EU) No 575/2013 across all members of a group of credit institutions, taking into account national regulations of other Member States with regard to the used options and national discretions in accordance with the European Union regulations governing operations of credit institutions from Member States; and

6) carrying out the tasks referred to in Article 318 paragraph 1 item 3 of this Law, taking into account the activities of working bodies established in that area.

(3) The Central Bank shall cooperate closely with other competent authorities, the members of the college of supervisors and the European Banking Authority taking into account the powers of those authorities.

(4) The establishment and functioning of the college of supervisors shall not affect the powers of the Central Bank envisaged by this Law.

(5) Where a member of a group of credit institutions in Montenegro exists in a third country or a member of such group has a branch in a third country, the Central Bank may, taking into account the provisions of Article 327 of this Law and legislation comparability, ensure cooperation and coordination of activities with competent authorities of the third country.

(6) In the event referred to in paragraph 5 of this Article, the Central Bank may establish a college of supervisors.

Functioning of the College of Supervisors

Article 321

(1) When the consolidation is under the responsibility of the Central Bank, it may engage the following in the work of the college:

1) competent authorities from Montenegro or the European Union Member States where the members of the group of credit institutions in Montenegro are established;

2) competent authorities from the European Union Member States where a credit institution with head office in Montenegro has significant branches;

3) central banks from other Member States, if necessary; and

4) competent authorities from third countries, where appropriate and if, according to the opinions of all competent authorities members of the college, the meeting of the requirement to keep confidential information that is equivalent to the requirement to keep confidential information under Article 347 of this Law is ensured.

(2) When the Central Bank is a consolidating supervisor, it shall chair the meetings of the college and decide which competent authorities shall participate in a meeting and/or in a specific activity of the college and it shall ensure that all members of the college are fully and timely informed about the following:

1) the place and time of meetings, as well as the basic issues to be discussed in such meetings and activities to be considered; and

2) the actions taken in those meetings or the measures carried out.

(3) The decision of the Central Bank, when it is a consolidating supervisor, shall take account of the relevance of the planned supervisory activities for the members of the college, in particular the potential impact of such activities on the stability of their financial system, as well as of the obligations referred to in Article 342 paragraphs 5 and 6 of this Law.

(4) When it is a consolidating supervisor, the Central Bank shall, subject to the information confidentiality provisions under this Law, report to the European Banking Authority of the activities of the college of supervisors in regular and emergency situations and communicate to this authority all information that is of particular relevance for the purposes of supervisory convergence.
(5) In the event of a disagreement between competent authorities on the functioning of the college of supervisors, the Central Bank may seek mediation of the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010.

Joint Decisions on Specific Requirements Where the Central Bank is a Consolidating Supervisor

Article 322

(1) The Central Bank, as a consolidating supervisor, shall cooperate with competent authorities of other Member States in which the head offices of other undertakings included in a group of credit institutions with head office in Montenegro is located in order to reach a joint decisions:
1) from the area of supervision and concerning the determination of adequacy of the established assessment procedure and maintenance of internal capital, for the purposes of determining the adequacy of the consolidated level of own funds held by the group of credit institutions with head office in Montenegro, corresponding to its financial situation and risk profile and on the measure of imposing additional amount of own funds corresponding to the measure referred to in Article 104 paragraph 1 point (a) of the Directive 2013/36/EU on each individual member within a group and on a consolidated basis; and
2) on imposing the measures to address any significant matters and findings relating to supervision of liquidity, adequacy of the organisation and the liquidity risk management, as well as regarding the need for specific liquidity requirements for an individual group member corresponding to requirements referred to in Article 105 of the Directive 2013/36/EU.
(2) Based on the exercised examination and assessment of adequacy of the established assessment procedure and the maintenance of internal capital of a group of credit institutions in Montenegro, the Central Bank shall submit to the competent authorities of other Member States in which the head offices of other undertakings included in the group of credit institutions in Montenegro are located a report on the assessment of operational risk of the group of credit institutions in Montenegro.
(3) Based on the exercised examination and assessment, the Central Bank shall submit to the authorities referred to in paragraph 2 of this Article a report containing an assessment of liquidity risk profile of the group of credit institutions in Montenegro.
(4) The joint decision referred to in paragraph 1 item 1 of this Article shall be reached within four months following the day of the submission of the report referred to in paragraph 2 of this Article, whereby the assessment of relevant competent authorities of other Member States on the operational risk of the members of the group of credit institutions in Montenegro which are under their responsibility shall be also considered.
(5) The joint decision referred to in paragraph 1 item 2 of this Article shall be reached within one month following the day of the submission of the report referred to in paragraph 3 of this Article, whereby the assessment of relevant competent authorities of other Member States on the operational risk of the members of the group of credit institutions in Montenegro which are under their responsibility shall be also considered.
(6) The decisions referred to in paragraph 1 items 1 and 2 of this Article shall be in written form and reasoned, and the Central Bank shall communicate these decisions to the EU parent credit institution with head office in Montenegro.

Procedure in the Event of Disagreement of the Members of the College of Supervisors in Reaching a Joint Decision Referred to in Article 322 of this Law

Article 323

(1) In the event of disagreement regarding the reaching of a joint decision referred to in Article 322 paragraph 1 of this Law, the Central Bank shall, at the request of a competent authority of other Member State, to seek advice from the European Banking Authority, whereby it may seek such advice on its own initiative.
(2) In the absence of a joint decision within the deadlines referred to in Article 322 paragraphs 4 and 5 of this Law, the Central Bank shall, after considering the operational risk assessment of individual members of the group of the credit institutions in Montenegro performed by relevant competent authorities, on its own on take such individual decisions or decision on a sub-consolidated basis, for members of the group for which the Central Bank is a competent authority.
(3) Notwithstanding paragraph 2 of this Article, if, at the end of four months following the day of the submission of the report referred to in Article 322 paragraph 2 of this Law, or one month following the day of the submission of the report referred to in Article 322 paragraph 3 of this Law, and before a joint decision has been reached, the Central Bank or a competent authority of other Member State seeks mediation from the European Banking Authority, the Central Bank shall defer the adoption of such decision, and if the European Banking Authority takes a decision within one month after the receipt of the request for mediation, the Central Bank shall take a decision in conformity with that decision.
(4) The deadlines referred to in paragraph 3 of this Article shall be deemed the conciliation periods within the meaning of the Regulation (EU) No 1093/2010.
(5) In the event referred to in paragraph 2 of this Article the decisions of all competent authorities for individual members of the group shall be set in a single document containing reasons of each decision individually with regard to the assessment of operational risk of each individual member of the group of credit institutions in Montenegro, as well as the views and reservations expressed during the time periods referred to in paragraphs 4 and 5 of this Article and such document shall be provided by the Central Bank to all competent authorities referred to in paragraph 1 of this Article and to the EU parent credit institution with head office in Montenegro.
(6) In the event referred to in paragraph 3 of this Article, individual competent authorities shall consider the advice of the European Banking Authority and explain any significant deviation from such advice.
(7) Based on the decisions referred to in Article 322 paragraphs 4 and 5 of this Law, or the decisions referred to in paragraphs 2 or 3 of this Article, the Central Bank shall pass a decision and communicate it to members of the group of credit institutions in Montenegro for which the Central Bank is a competent authority.
(8) The Central Bank shall review the decisions referred to in paragraph 7 of this Article at least once a year.
(9) Notwithstanding paragraph 8 of this Article, the revision of the decisions referred to in Article 322 paragraph 1 of this Law shall be carried out on bilateral basis, if a competent authority of other Member State has submitted, in a written form, reasoned request to the Central Bank to update the decision.

Joint Decisions in the Event where the Central Bank is Not a Consolidating Supervisor

Article 324

(1) If a competent authority of other Member State is at the same time a consolidating supervisor, the Central Bank shall, at a request of that authority, participate in the procedure of reaching a joint decision:

1) from the area of supervision and concerning the determination of adequacy of the established assessment procedure and maintenance of internal capital, for the purposes of determining the adequacy of the consolidated level of own funds held by the group of credit institutions with head office in Montenegro, corresponding to its financial situation and risk profile and the measure of imposing additional amount of own funds which is correspondent to the measure referred to in Article 104 paragraph 1 point (a) of the Directive 2013/36/EU on each individual member of the group and on a consolidated basis; and

2) on imposing the measures to address any significant matters and findings relating to supervision of liquidity, adequacy of the organisation and the liquidity risk management and regarding the need for specific liquidity requirements for an individual group member, correspondent to the requirements referred to in Article 105 of the Directive 2013/36/EU.

(2) Based on the exercised examination and determination of adequacy of the established assessment procedure and the maintenance of internal capital of the member of the relevant group of credit institutions for which the Central Bank is the competent authority, the Central Bank shall produce a report on the assessment of its operational risk and a report that includes the assessment of the liquidity risk profile, and communicate it to the consolidating supervisor.

(3) If a joint decision referred to in paragraph 1 of this Article has been reached, the Central Bank shall, on the basis of that decision, pass a decision and communicate it to the member of the group of credit institutions for which the Central Bank is a competent authority.

(4) In the event of disagreement regarding the reaching of a joint decision referred to in paragraph 1 of this Article, the Central Bank may submit a request to the consolidating supervisor to seek advice from the European Banking Authority.

(5) Where the European Banking Authority, at request of the consolidating supervisor, provides its advice regarding the rendering the decision referred to in paragraph 1 of this Article, the Central Bank shall consider that advice when rendering the decision referred to in paragraph 6 of this Article, as well as explain any significant deviation from such advice in rendering the decision.

(6) In the absence of a joint decision referred to in paragraph 1 item 1 of this Article within four months following the date when the consolidating supervisor submitted the report on the operational risk assessment of the relevant group of credit institutions, or in the absence of a joint decision referred to in paragraph 1 item 2 of this Article within one month following the date when the consolidating supervisor submitted a report containing the assessment of the liquidity risk profile, the Central Bank shall render the individual decision referred to in paragraph 1 of this Article for each member of the group for which it is a competent authority or on a sub-consolidated basis for the group for which it is a competent authority, taking into consideration views and reservations of the consolidating supervisor.

(7) Notwithstanding paragraph 6 of this Article, if the Central Bank or a competent authority of other Member State within four months following the date when the consolidating supervisor submitted the report on the assessment of operational risk of the relevant group of credit institutions or if the joint decision referred to in paragraph 1 item 2 of this Article has not been reached within one month following the date when the consolidating supervisor submitted the report containing the assessment of liquidity risk profile, and before a joint decision has been reached, have sought mediation from the European Banking Authority and if the European Banking Authority in the mediation procedure has taken a decision, the Central Bank shall take a decision in conformity with such decision.

(8) The deadlines referred to in paragraph 7 of this Article shall be deemed as the conciliation periods within the meaning of the Regulation (EU) No 1093/2010.

(9) The Central Bank may submit a written and reasoned request to the consolidating supervisor to review the decision referred to in paragraph 1 of this Article.

(10) The Central Bank shall review the decisions referred to in paragraphs 6 or 7 of this Article at least once a year.

Information Requirements in Emergency Situation

Article 325

(1) Where an emergency situation, including a situation referred to in Article 18 of the Regulation (EU) No 1093/2010 or a situation of adverse market developments arises, which could potentially jeopardise the market liquidity and the stability of the financial system in any of the Member States where the members of the group of credit institutions have been authorised or where a significant branch of the credit institution with head office in Montenegro operates, the Central Bank shall, if it is a consolidating supervisor, without any delay and in accordance with the provisions of this Law governing the exchange of confidential information inform thereof the European Banking

Authority, the authorities referred to in Article 346 paragraph 1 item 6 of this Law and Article 349 paragraph 1 item 1 of this Law, as well as the European Systemic Risks Board and shall forward to them the information essential for the pursuance of their tasks, using the existing channels of communication.

(2) Where the Central Bank is not a consolidating supervisor, and within its legal powers it assesses that an emergency situation referred to in paragraph 1 of this Article might occur, it shall inform thereof the authority in the other Member State that is a consolidating supervisor, using the existing channels of communication.

(3) If the Central Bank as a consolidating supervisor needs information on a group of credit institutions and such information has already been given to another competent authority, the Central Bank shall request such information from that competent authority, where possible, in order to prevent duplication of reporting to various competent authorities involved in supervision.

Coordination and Cooperation Agreements

Article 326

(1) In order to establish effective supervision on a consolidated basis, the Central Bank and the other competent authorities of Member States included in that supervision shall have written coordination and cooperation agreements in place.

(2) Under the agreements referred to in paragraph 1 of this Article, additional tasks may be entrusted to the consolidating supervisor and detailed procedures for the decision-making process and for cooperation with other competent authorities may be specified.

(3) The Central Bank may delegate, by a bilateral agreement in accordance with Article 28 of the Regulation (EU) No 1093/2010, the responsibility for supervising a credit institution with head office in Montenegro that is a subsidiary undertaking of a parent credit institution from other Member State to the competent authority of that Member State which supervises that parent credit institution.

(4) The Central Bank may, on the basis of a bilateral agreement entered into with the competent authority of other Member State, assume from that authority the responsibility for supervising a credit institution from that Member State that is a subsidiary undertaking of the credit institution with head office in Montenegro.

Exchange of Information with Competent Authorities of Member States

Article 327

(1) The Central Bank shall cooperate with the competent authorities of other Member States and provide them with information which is essential or relevant for the exercise of supervision in accordance with this Law and the Regulation (EU) No 575/2013 and, for such purposes, the Central Bank may communicate to other competent authority :

1) on its request, all information relevant or relating to the supervision conducted by that competent authority; or

2) on its own initiative, all information that could materially influence the assessment of the financial soundness of a credit or financial institution in another Member State.

(2) The Central Bank shall, in accordance with the Regulation (EU) No 1093/2010, cooperate with the European Banking Authority for the purposes of applying this Law and the Regulation (EU) No 575/2013 and shall provide that Authority with all information necessary to carry out its duties in the way manner set out in Article 35 of the Regulation (EU) No 1093/2010.

(3) The Central Bank may seek mediation of the European Banking Authority, if the other competent authority has failed to provide it with essential information referred to in paragraph 1 item 1 of this Article, or if it has rejected or failed to act upon the request of the Central Bank for cooperation within a reasonable time, in particular to exchange relevant information.

(4) If the Central Bank is a consolidating supervisor of an EU parent credit institution with head office in Montenegro, a credit institution controlled by the EU parent financial holding company with head office in Montenegro or a credit institution controlled by an EU parent mixed financial holding

company with head office in Montenegro, it shall provide all relevant information to the competent authorities from other Member States supervising the subsidiary undertakings of those parent undertakings.

(5) When setting the scope of relevant information provided in accordance with paragraph 4 of this Article, the significance that those subsidiary undertakings have for the financial system in Member States where those subsidiary undertakings are established shall be taken into consideration.

(6) The essential information, within the meaning of this Article, shall be deemed to include materially essential information for the assessment of financial stability of an individual member of the group in a Member State, including in particular:

1) essential data on legal relations within the group, on governance and organisational structure of the group, covering all regulated and non-regulated entities, non-regulated subsidiary undertakings and significant branches belonging to the group, as well as parent undertakings, in accordance with Article 69 paragraph 1 items 7 and 8, Article 310 paragraph 6 and Article 104 of this Law, as well as essential data on the competent supervising authorities of the regulated entities within the group;

2) procedures for the collection of data from the credit institutions within a group and for the verification of such data;

3) adverse developments in the credit institution within a group or in another member of the group which could seriously affect other credit institutions in a group; and

4) significant offences and more significant measures imposed by a competent authority against a credit institution within a group, including imposition of additional capital requirements pursuant to Articles 279 and 281 of this Law and imposition of any limitation on the use of the Advanced Measurement Approach for calculating capital requirements in accordance with Article 312 paragraph 2 of the Regulation (EU) No 575/2013.

(7) If the Central Bank exercises supervision of a credit institution controlled by an EU parent credit institution and if it needs information regarding the implementation of approaches and methodologies set out in this Law and in the Regulation (EU) No 575/2013, it shall, where possible, contact the consolidating authority to seek the information that is available to that authority.

Cooperation with Competent Authorities of the Member States that are Included in the Consolidated Supervision

Article 328

(1) Before taking a decision that is of importance for the competent authorities of other Member States for the exercise of supervision within their powers, the Central Bank shall consult those competent authorities about:

1) the changes in the shareholder, organisational or management structure of a credit institution within a group, which require the approval of the competent authority; and

2) the significant measures it intends to impose on a credit institution in accordance with this Law, including the imposition of an additional amount of own funds and the establishment of any limitation on the use of the advanced measurement approach for the calculation of capital requirements in accordance with Article 312 paragraph 2 of the Regulation (EU) No 575/2013.

(2) In the event referred to in paragraph 1 item 2 of this Article, the Central Bank shall consult the consolidating supervisor.

(3) Notwithstanding paragraphs 1 and 2 of this Article, the Central Bank shall not be obliged to consult other competent authorities in cases of urgency or where such consultation could jeopardise the effectiveness of the decision it intends to take, but shall, without any delay, inform the other competent authorities about the decision taken.

Obligations of a Mixed Activity Holding Company and its Subsidiary Undertakings Related to Consolidated Supervision

Article 329

(1) In the case when a mixed activity holding company from Montenegro is a parent undertaking in relation to one or more credit institutions, that mixed activity holding company and its subsidiary

undertakings shall, upon a request of the Central Bank, transmitted directly or via credit institutions that are subsidiary undertakings of that holding company, provide all information required for the supervision of credit institutions that are subsidiary undertakings of that holding company.

(2) Authorised examiners of the Central Bank, or other person based on the authorisation of the Central Bank, may carry out the on-site examination to check the information received from a mixed-activity holding company and its subsidiary undertakings.

(3) In case when a mixed-activity holding company or one of its subsidiary undertakings is an insurance undertaking, the supervision procedure referred to in Article 332 of this Law may be applied.

(4) Where a mixed-activity holding company or one of its subsidiary undertakings does not have a head office in the same Member State as a subsidiary credit institution, the on-site examination procedure for the purpose of verifying the received information shall be carried out in accordance with Article 333 of this Law.

Supervision of Intra-group Transactions

Article 330

(1) In addition to the requirement of this Law relating to large exposures, in the case where a mixed-activity holding company is a parent undertaking of one or more credit institutions, the Central Bank shall, within its powers for the supervision of credit institutions, carry out the examination of the transactions between those credit institutions and the mixed-activity holding company and its subsidiary undertakings.

(2) The credit institutions referred to in paragraph 1 of this Article shall:

1) have in place adequate risk management procedures and internal control mechanisms, including reporting and accounting procedures in order to adequately identify, measure, monitor and control intra-group transactions with the parent mixed-activity holding company and its subsidiary undertakings; and

2) inform the Central Bank of any significant intra-group transaction with the parent mixed activity holding company and its subsidiary undertakings, other than the transactions representing large exposures, of which the Central Bank is informed in accordance with the regulation referred to in Article 172 paragraph 5 of this Law.

(3) The procedures and significant intra-group transactions referred to in paragraph 2 of this Article shall be subject to the control of the Central Bank.

Exchange of Information for the Purposes of Consolidated Supervision

Article 331

(1) When a parent undertaking and any credit institution that is a subsidiary undertaking of that parent undertaking have their head offices in different Member States and any of those undertakings has its head office in Montenegro, the Central Bank and competent authorities of Member States shall exchange all necessary information allowing or aiding the exercise of supervision on a consolidated basis.

(2) When the Central Bank does not exercise supervision on a consolidated basis over the parent undertaking with head office in Montenegro, it may be invited by a competent authority of the other Member State responsible for exercising such supervision to ask the parent undertaking for any information which are required for the purposes of supervision on a consolidated basis and to transmit such data to the competent authorities of other Member States.

(3) Pursuant to this Law, the Central Bank, , shall not be responsible for the supervision on an individual basis of financial holding company, mixed financial holding company, other financial institution, ancillary services undertaking, mixed-activity holding company and its subsidiary undertakings that are not credit institutions, as well as undertakings not included in the supervision on a consolidated basis, for which the information referred to in paragraph 2 of this Article is collected or possessed.

Cooperation of Supervisory Authorities where one of Subsidiary Undertakings is an Insurance Undertaking or an Undertaking Authorised to Provide Investment Services

Article 332

(1) When a credit institution, financial holding company, mixed financial holding company or mixed-activity holding company controls one or more subsidiary undertakings which are insurance undertakings or undertakings providing investment services that are subject to authorisation, the Central Bank shall cooperate with the authorities responsible for supervising such undertakings, by exchanging with those authorities the information likely to simplify the performance of their tasks and allow oversight of the activities and overall financial position of those undertakings.

(2) Information received within the framework of supervision on a consolidated basis in accordance with paragraph 1 of this Article, and in particular any exchange of information between supervisory authorities which is provided for in this Law, shall be subject to information confidentiality requirements.

Powers in Exercising On-site Examinations

Article 333

(1) A competent authority of another Member State that, in special cases, intends to verify the information relating to a credit institution, a mixed financial holding company, a financial holding company, another financial institution, an ancillary services undertaking, a mixed-activity holding company, subsidiary undertakings referred to in Article 332 paragraph 1 of this Law or subsidiary undertakings of a credit institution, a mixed financial holding company or a financial holding company not included in the supervision on a consolidated basis, and such undertakings have their head offices in Montenegro, may submit a request to the Central Bank to approve the performance of the on-site examination.

(2) Pursuant to the request of the competent authority of another Member State referred to in paragraph 1 of this Article, within the powers envisaged by this Law, the Central Bank may:
1) on its own, carry out on-site examination of the entities referred to in paragraph 1 of this Article;
2) pursuant to an agreement, issue a consent to carry out on-site examination, , to the competent authority of another Member State that has submitted a request to carry out an on-site examination of the operations of the entities referred to in paragraph 1 of this Article; or
3) authorise an auditor or other professionally capable person to carry out an on-site examination of the operations of the entities referred to in paragraph 1 of this Article.

(3) In the case when it does not carry out the on-site examination referred to in paragraph 1 of this Article, the competent authority of another Member State may participate in an on-site examination that is carried out by authorised examiners of the Central Bank or persons referred to in paragraph 2 item 3 of this Article.

(4) Where the Central Bank intends, in special cases, to verify the information related to a credit institution, a mixed financial holding company, a financial holding company, other financial institution, an ancillary services undertaking, a mixed-activity holding company, subsidiary undertakings referred to in Article 332 paragraph 1 of this Law or subsidiary undertakings of a credit institution, a mixed financial holding company or a financial holding company not included in the supervision on a consolidated basis, which are established in another Member State, it shall request the competent authority of that Member State to approve the carrying out of an on-site examination of those entities.

Imposition of Supervisory Measures on a Financial Holding Company, a Mixed Financial Holding Company or a Mixed-activity Holding Company

Article 334

Where a financial holding company, a mixed financial holding company, a mixed-activity holding company or responsible persons in such undertakings are in breach of regulations governing the exercise

of the supervision on a consolidated basis, the Central Bank may impose supervisory measures against those undertakings.

Application of Regulations to a Mixed Financial Holding Company

Article 335

(1) Where a mixed financial holding company is subject to the application of the provisions of this Law that are equivalent to the provisions of the law governing the supplementary supervision of financial conglomerates, in particular regarding the supervision of operations, the Central Bank, in the case where it is the consolidating supervisor and after the consultations with other authorities responsible for the supervision of subsidiary undertakings, may decide that a mixed financial holding company shall be subject only to the relevant provisions of the law governing supplementary supervision of financial conglomerates.
(2) Where a mixed financial holding company is subject to the provisions of this Law that are equivalent to the provisions of the law governing insurance, in particular regarding the supervision of operations, the Central Bank, in the case where it is the consolidating supervisor and with the consent of the authority responsible for the supervision of insurance undertakings, may decide that such mixed financial holding company shall be subject only to the relevant provisions of this Law relating to the most significant financial sector, established pursuant to the law governing the supplementary supervision of financial conglomerates.
(3) The Central Bank shall notify the European Banking Authority and the European Insurance and Occupational Pensions Supervisory Authority about the decisions taken in accordance with paragraphs 1 and 2 of this Article.

Cooperation with Competent Authorities of Third Countries Regarding Exercise of the Supervision on a Consolidated Basis

Article 336

(1) The Central Bank may enter into an agreement with one or more competent authorities of third countries for the purposes exercising the supervision on a consolidated basis over:
1) a credit institution whose parent undertaking is established in a third country; or
2) a credit institution in a third country that is a subsidiary undertaking of a credit institution, a financial holding company or a mixed financial holding company with head office in Montenegro.
(2) The agreement referred to in paragraph 1 of this Article shall ensure a base for the exchange of information required for the supervision of credit institutions on a consolidated basis between the parties to the agreement.
(3) The Central Bank may propose to the European Commission to enter into an agreement with one or more third countries for the purposes of carrying out the supervision on consolidated basis.

Assessment of Equivalence of Third Countries' Consolidated Supervision

Article 337

(1) Where a credit institution with head office in Montenegro is a subsidiary undertaking of another credit institution, a financial holding company or a mixed financial holding company, that have a head office in a third country and are not subject to supervision on a consolidated basis for which the Central Bank or competent authority of other Member States are responsible, the Central Bank shall, if competent, verify whether that subsidiary credit institution is subject to a consolidated supervision by the competent authority from third country whose rules are equivalent to the rules established by this Law and the requirements of Part One, Title II, Chapter 2 of the Regulation (EU) No 575/2013.
(2) The Central Bank shall be responsible to carry out the verification referred to in paragraph 1 of this Article, if responsible for consolidated supervision carried out in accordance with paragraph 6 of this Article.

(3) The Central Bank shall carry out the verification referred to in paragraph 1 of this Article at the request of the parent undertaking of the credit institution, another entity subject to supervision in another Member State or on its own initiative, whereby it shall consult with other competent authorities included in the supervision.
(4) When carrying out the verification referred to in paragraph 1 of this Article, the Central Bank shall take into account general guidance of the European Banking Committee regarding the compliance of the rules of the supervision on a consolidated basis implemented by competent authorities of third countries over credit institutions having parent undertakings with head offices in third countries with the principles established by this Law and the Regulation (EU) No 575/2013, and before taking the decision it shall consult with the European Banking Authority and other competent authorities included in the supervision.
(5) When it establishes that in a third country there is no supervision on a consolidated basis the rules of which are equivalent to the rules established by this Law and the Regulation (EU) No 575/2013, the Central Bank shall, if it is responsible, apply to the credit institution with head office in Montenegro *mutatis mutandis* the provisions of this Law and the Regulation (EU) No 575/2013 or other appropriate supervisory procedures to achieve the objectives of the supervision of credit institutions on a consolidated basis.
(6) The supervisory procedures referred to in paragraph 4 of this Article, upon consulting other competent authorities involved in supervision, must be approved by the Central Bank if it is responsible within the meaning of paragraph 2 of this Law.

(7) The Central Bank may, in exceptional cases, request the establishment of a financial holding company or a mixed financial holding company with a head office in one of the Member States and the carrying out of consolidation in accordance with this Law.

Exclusion of Responsibility for Supervision on an Individual Basis

Article 338

The powers of the Central Bank under this Law governing the supervision on a consolidated basis in relation to financial holding companies, mixed financial holding companies, financial institutions, ancillary services undertakings or undertakings other than credit institutions, shall not represent the powers of the Central Bank to exercise supervision of those undertakings on individual basis.

XV COOPERATION WITH COMPETENT AUTHORITIES AND EXCHANGE OF INFORMATION

Cooperation between the Authorities from Montenegro

Article 339

(1) The Central Bank, the Insurance Supervision Agency and the Capital Markets Commission, at individual requests of each of these competent authorities, shall communicate to that authority all information on the entity the operations of which are subject to its supervision or oversight, which it requires in a procedure related to the issuance of approvals and consents or in deciding upon other individual requests under their competence.
(2) The authorities referred to in paragraph 1 of this Article shall inform one another of revoked approvals, illegalities and irregularities found during the exercise of supervision, or oversight and of the measures imposed for their removal, if such findings and measures imposed by one authority are of significance for the operations of that other authority.

Cooperation within the European System of Financial Supervisors

Article 340

(1) In the exercise of its powers, the Central Bank shall take into account the convergence in respect of supervisory tools and procedures in the application of this Law, the Regulation (EU) No 575/2013 and other regulations, and for that purpose it shall:

1) as of acquiring the status of a member of the European System of Financial Supervision, cooperate with trust and full mutual respect with other members of that authority, in particular when ensuring the flow of timely and reliable information with other members in accordance with the principle of open cooperation set out in Article 4 paragraph 3 of the Treaty on the Functioning of the European Union;

2) participate in the activities of the European Banking Authority and, as appropriate, in the colleges of supervisors;

3) make every effort to comply with the guidelines and recommendations issued by the European Banking Authority in accordance with Article 16 of the Regulation (EU) No 1093/2010 and respond to the warnings and recommendations issued by the European Systemic Risk Board in accordance with Article 16 of the Regulation (EU) No 1092/2010; and

4) cooperate closely with the European Systemic Risk Board.

(2) In the exercise of its powers, and in particular in emergency situations, the Central Bank shall, based on the available information, take into account potential consequences of its decisions and procedures for the stability of the financial system in relevant Member States.

Deciding on the Status of a Significant Branch where the Central Bank is Not a Consolidating Supervisor

Article 341

(1) The Central Bank may forward to the consolidating supervisor a request for a branch of the credit institution of that Member State that provides services on the territory of Montenegro to be designated the status of a significant branch.

(2) If a credit institution from the Member State is not a member of an EU group of credit institutions, the request referred to in paragraph 1 of this Article shall be forwarded to the competent authority of the home Member State.

(3) In the request referred to in paragraphs 1 or 2 of this Article, the Central Bank shall provide the reasons for considering that branch to be significant, with particular regard to the following:

1) whether the deposit share of the branch in the total amount of deposits with credit institutions in Montenegro exceeds 2%;

2) whether a suspension or closure of the services provided by the branch may impact the systemic liquidity of the market, the payment system, and the clearing and settlement system of financial instruments in Montenegro, and

3) the size and the importance of the branch in terms of number of clients within the context of the banking or financial system of Montenegro.

(4) In the process of making a joint decision on a significant branch, the Central Bank shall cooperate with the competent authority of the home Member State, or the consolidating supervisor.

(5) If no joint decision referred to in paragraph 4 of this Article is not reached within two months following the day of the receipt of a request referred to in paragraph 1 of this Article, the Central Bank shall render a decision on its own within a further period of two months, and in rendering this decision it shall take into account views of the consolidating supervisor or the competent authority of the home Member State.

(6) The decisions referred to in paragraphs 3 and 4 of this Article shall be in writing and reasoned, determinative and shall be transmitted to the competent authorities concerned, and their rendering shall have no impact on the powers of the other competent authority under this Law.

(7) If the competent authority of the home Member State has not consulted the Central Bank or if, after the consultation, the Central Bank has assessed that the operational procedures envisaged for liquidity recovery plans undertaken by the competent authority of the home Member State are not appropriate, the Central Bank may seek mediation of the European Banking Authority in accordance with Article 19 of the Regulation (EU) No 1093/2010.

(8) The Central Bank shall cooperate with the competent authorities of the home Member State in which the credit institution from the Member State has a significant branch in Montenegro when planning and coordinating activities referred to in Article 318 paragraph 1 item 3 of this Law.
(9) The Central Bank shall participate in the activities of the college of supervisors for a significant branch of the credit institution from the Member State that provides services on the territory of Montenegro, and which has been established by the competent authority of the home Member State for the purposes of achieving cooperation regulated by Articles 261 and 318 paragraph 1 item 3 of this Law and exchanging information referred to in Article 327 paragraph 6 items 3 and 4 of this Law, if the competent authority of the home Member State included the Central Bank in the activities of the college of supervisors.

Deciding on the Status of a Significant Branch where the Central Bank is a Consolidating Supervisor

Article 342

(1) If the Central Bank, as a consolidating supervisor, receives a request of the competent authority of other Member State for a branch that provides services on the territory of that Member State to be designated the status of a significant branch, the Central Bank shall cooperate with the competent authority of that Member State in reaching a joint decision on the status of a significant branch.
(2) The decision referred to in paragraph 1 of this Article shall be in writing and reasoned, and it shall be transmitted to the competent authorities concerned.
(3) If no joint decision on the significance of a branch has been reached within two months following the day of the receipt of the request referred to in paragraph 1 of this Article, and the competent authority of the Member State reaches a decision that the branch referred to in paragraph 1 of this Article is designated a status of a significant branch within a further period of two months , that decision shall also be determinative for the Central Bank.
(4) The Central Bank shall transmit to the competent authorities of the Member State where the credit institution with head office in Montenegro has a significant branch the information referred to in Article 327 paragraph 6 items 3 and 4 of this Law and, in cooperation with those competent authorities, it shall plan and coordinate the activities referred to in Article 318 paragraph 1 item 3 of this Law.
(5) If in a credit institution referred to in paragraph 1 of this Article, an emergency situation arises, which may jeopardise the financial stability of Montenegro or other Member State, the Central Bank shall, without any delay, inform the persons referred to in Article 349 paragraph 1 item 1 and Article 350 paragraph 1 of this Law and the European Systemic Risk Board thereof.
(6) The Central Bank shall transmit to the competent authorities of the Member State where the credit institution with head office in Montenegro has a significant branch the following information:
1) risk assessment of the credit institution that has a significant branch, on an individual and consolidated basis in accordance with Article 245 paragraph 1 and Article 246 paragraph 1 of this Law and, where applicable, risk assessment referred to in Article 322 paragraphs 2 and 3 of this Law;
2) decisions on imposed supervisory measures referred to in Articles 279 and 280 of this Law if they are of relevance for that branch; and
3) decisions related to validation of internal models of relevance for that branch.
(7) The Central Bank shall consult the competent authority of the Member State where the credit institution with head office in Montenegro has a significant branch about operational procedures envisaged for liquidity recovery plans, if it is relevant for liquidity risk in the currency of the host Member State.

Establishing a College of Supervisors for Significant Branches

Article 343

(1) Where a college of supervisors referred to in Article 320 of this Law has not been established, and a credit institution with head office in Montenegro has a status of a significant branch in other

Member States, the Central Bank shall establish and chair a college of supervisors to facilitate the cooperation referred to in Articles 255 and 318 paragraph 1 item 3 of this Law and exchange of information referred to in Article 327 paragraph 6 items 3 and 4 of this Law.

(2) The Central Bank shall, following the consultations with the relevant competent authorities, regulate by a general act the establishment and functioning of the college referred to in paragraph 1 of this Article.

(3) The Central Bank shall determine which of the relevant competent authorities may attend the meetings or in other way participate in the activities of the college, taking into account the potential impact of the planned supervisory activities, in particular with regard to the stability of the financial system in their states, as well as the obligations referred to in Article 328 of this Law.

(4) The Central Bank shall keep the members of the college of supervisors fully and timely informed of the planned meetings, issues to be discussed and the activities to be considered in the meetings, as well as of the views taken or measures carried out.

(5) Where the college of supervisors referred to in Article 320 of this Law has not been established, and the credit institution has been designated a status of a significant branch in Montenegro, the Central Bank shall participate in the college of supervisors chaired by the competent authority of the Member State where that credit institution is established.

Obligation of Protecting Confidential Information

Article 344

(1) The Central Bank, employees of the Central Bank, external auditors and other experts who work or who have worked under the authorisation of the Central Bank shall keep as confidential all the information on supervision of a credit institution they receive in the course of their work for the Central Bank.

(2) The persons referred to in paragraph 1 of this Article may use the information considered confidential only in the course and for the purposes of performing their duties, and shall not make such information available to other persons or authorities save in summary or aggregate form, such that individual credit institutions or persons they relate to cannot be identified.

(3) Obligation of protecting confidential information referred to in paragraph 1 of this Article shall not relate to the following:

1) confidential information that is communicated at a written request of a competent judiciary authority for the purposes of criminal proceedings;

2) communication of confidential information in the case where bankruptcy proceedings or liquidation proceedings have been initiated against the credit institution, or court proceedings have been initiated in connection with those proceedings, save the information related to legal and natural persons that undertake actions and procedures for the purposes of reorganising a credit institution;

3) public disclosure of information referred to in Article 237 of this Law;

4) disclosure of outcomes of stress tests carried out in accordance with Article 245 paragraph 5 of this Law;

5) confidential information disclosed at a request of an authorised authority of other Member State for the purposes of criminal proceedings; and

6) submission of the stress testing results to the European Banking Authority for the purpose of publishing the results of the stress testing at the European Union level.

(4) Notwithstanding paragraphs 1, 2, and 3 of this Article, the Central Bank may exchange confidential information with competent authorities of other Member State or transmit it to the European Banking Authority, the European Systemic Risk Board or the European Securities and Market Authority in the manner envisaged by this Law and other regulations, and shall have the obligation to keep confidential the information received through the exchange.

Use of Confidential Information

Article 345

The Central Bank may use confidential information received in the course of supervision or other duties within its competence only:

1) to check the conditions for the issuance of licenses, approvals and consents that are decided upon pursuant to this Law;

2) to exercise supervision of a credit institution, on an individual and/or consolidated basis, especially with regard to liquidity, solvency, large exposures and their administrative and accounting procedures, internal control systems and imposing supervisory measures and early intervention measures;

3) to exercise authorisations related to the resolution of credit institutions;

4) in misdemeanour proceedings;

5) in proceedings against the administrative acts of the Central Bank;

6) in court proceedings regarding credit institutions;

7) in court proceedings initiated in accordance with the provisions of special regulations of the European Union relating to the Member State credit institutions; or

8) to meet the requirements of the European Parliament based on the authorisation to investigate referred to in Article 226 of the Treaty on the Functioning of the European Union.

Exchange of Information with Entities from Montenegro

Article 346

(1) The Central Bank may exchange confidential information with the following entities in Montenegro, for the purposes of oversight and carrying out other tasks that such entities have powers to carry out:

1) Insurance Supervision Agency;

2) Capital Market Authority;

3) Financial Stability Council;

4) auditors that conduct audit of financial statements of credit and financial institutions in performing their statutory duties;

5) Deposit Protection Fund;

6) the ministry responsible for finance affairs to exercise powers for preparing the laws governing the area of supervision and resolution of credit institutions.

(2) The persons to whom the Central Bank has provided confidential information in accordance with paragraph 1 of this Article shall be subject to the obligation of protecting confidential information referred to in Article 344 of this Law.

Exchange of Information with Entities from other Member States

Article 347

(1) The Central Bank may transmit confidential information to the following entities in Member States for the purposes of carrying out supervision or oversight and performance of other tasks that such entities have the powers to carry out:

1) authorities responsible for the oversight of credit institutions in those member states and other authorities responsible for the oversight of financial institutions, insurance undertakings, re-insurance undertakings and financial markets;

2) authorities responsible for managing financial stability by applying macro-prudential rules;

3) authorities that carry out reorganisation procedures or authorities the objective of which is to maintain financial stability;

4) contractual or institutional protection schemes referred to in Article 113 paragraph 7 of the Regulation (EU) No 575/2013;

5) authorities involved in bankruptcy and liquidation of institutions or similar proceedings;

6) auditors that conduct audit of financial statements of credit and financial institutions in performing their statutory tasks;

7) authorities responsible for the resolution of credit institutions; and

8) relevant ministries responsible for finance or state authorities authorised to propose laws in the area of supervision of institutions, financial institutions and insurance undertakings for the purposes of exercising oversight from within their powers and for implementing the prevention and resolution measures for credit institutions from Member States operating with difficulties, in the event of an emergency situation referred to in Article 325 of this Law.

(2) The persons to whom the Central Bank has provided confidential information in accordance with paragraph 1 of this Article shall be subject to the obligation of protecting confidential information referred to in Article 344 of this Law.

Exchange of Information with Oversight Authorities

Article 348

(1) The Central Bank may exchange confidential information with authorities in Montenegro authorised to carry out the oversight of:

1) the authorities that carry out tasks concerning the liquidation or bankruptcy proceedings of credit institutions or in other similar proceedings;

2) deposit protection system;

3) auditors carrying out audits of financial statements of credit institutions, insurance undertakings and financial institutions.

(2) The Central Bank shall exchange confidential information with the authorities referred to in paragraph 1 of this Article if the following conditions have been met:

1) information is exchanged only for the purpose of exercising the powers related to the oversight that those authorities carry out;

2) authorities keep the received information as confidential in accordance with the requirements referred to in Article 344 of this Law or apply the requirements that are at least equivalent to such requirements; and

3) information that originates from another country shall not be provided without the explicit consent of the competent authority of the country which has disclosed the information and, where applicable, solely for the purposes for which the competent authority of the other country gave its consent.

(3) The Central Bank, with the aim of strengthening the stability and preserving integrity of the financial system, may also exchange information with other authorities in Montenegro that, in accordance with the law, carry out the procedures to detect and investigate the cases of breaches of company law if it is requested or ordered so by competent court in writing.

(4) The Central Bank shall communicate confidential information to the authorities referred to in paragraph 3 of this Article if the following conditions have been met:

1) the information is exchanged only for the purpose of investigating the cases of breaches of company law;

2) the authorities keep the received information as confidential in accordance with Article 344 of this Law; and

3) the information that originates from the competent authority of another country shall not be disclosed without the explicit consent of such competent authority and, where applicable, solely for the purposes for which the consent was given.

(5) Where the authorities referred to in paragraph 3 of this Article in performing their tasks use services of persons that are not employed in the public sector, the Central Bank may also exchange with such persons the information referred to in paragraph 3 of this Article if the conditions referred to in paragraph 4 of this Article have been met.

(6) The authorities referred to in paragraph 3 of this Article shall communicate to the Central Bank the identification data and precise data on responsibilities of the persons to whom data are provided in accordance with paragraph 5 of this Article.

(7) The Central Bank may exchange confidential information with the authorities from another Member State, which has the status of the authorities referred to in paragraphs 1 and 3 of this Article, in the manner and in line with the conditions referred to in this Article.

(8) The Central Bank shall provide to the European Banking Authority data on the names of authorities in Montenegro that may receive information in accordance with this Article.

Exchange of Information Concerning Monetary Policy, Deposit Protection, Systemic Risk and Payment System Oversight

Article 349

(1) The Central Bank shall transmit, for the purposes of exercising their powers, confidential information to the following authorities in other Member States:
1) ESCB central banks and other authorities with powers and responsibilities to implement monetary policy, when such confidential information is relevant for the exercise of their objectives related to the conduct of monetary policy and maintenance of liquidity, payments system oversight, financial instrument clearing and settlement systems, and the safeguarding of the financial system stability, and in particular in emergency situations referred to in Article 325 of this Law, when such information is required to be provided without any delay;
2) contractual or institutional deposit protection schemes;
3) where appropriate, other authorities responsible for overseeing payment systems; and
4) the European Systemic Risk Board, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority, where that information is relevant for the exercise of their tasks.

(2) The Central Bank may request information from the authorities referred to in paragraph 1 of this Article in case when that information is required for the exercise of supervision or other tasks from within the powers of the Central Bank in accordance with Article 345 of this Law.

(3) The persons referred to in paragraph 1 of this Article shall be subject to the application of the confidential information protection requirements referred to in Article 344 of this Law.

Cooperation with Competent Authorities and Other Authorities of Third Countries

Article 350

(1) The Central Bank may enter into a cooperation agreement with:
1) one or more competent authorities of third countries;
2) authorities from third countries responsible for the oversight of financial institutions, insurance undertakings, re-insurance undertakings, and financial markets;
3) authorities from third countries responsible for managing financial stability by applying macro-prudential rules;
4) authorities from third countries implementing reorganisation procedures and authorities tasked with preserving financial stability;
5) contractual or institutional protection schemes from third countries;
6) authorities involved in bankruptcy and liquidation of institutions or similar proceedings;
7) auditors carrying out audits of credit and financial institutions from a third country in performing their statutory tasks;
8) credit institutions' resolution authorities;
9) authorities from third countries having the same status as the authorities referred to in Article 348 of this Law.

(2) The Central Bank may provide confidential information to the authorities and persons referred to in paragraph 1 of this Article if the following conditions have been met:
1) the agreement referred to in paragraph 1 of this Article envisages mutual exchange of data;
2) according to the regulations of a third country for the authorities and persons referred to in paragraph 1 of this Article there is an obligation of protecting confidential information that is equivalent to the requirement referred to in Article 330 of this Law;
3) information that is the subject of transmission to the authorities and persons referred to in paragraph 1 of this Article shall be used only for the purposes of exercising supervision, oversight or other tasks which that authority is authorised for; and

4) it is ensured that the received information shall be communicated to third persons only with the explicit consent of the provider of information.

Processing Personal Data

Article 351

Collecting, processing and using personal data shall be subject to the provisions of the law governing the personal data protection.

Informing the European Union Authorities

Article 352

(1) The Central Bank shall inform the European Commission of:
1) the denial of the application of a credit institution to establish a branch in another Member State, the failures in transmitting information and prevention measures referred to in Article 264 of this Law; and
2) the assumption and delegation of powers referred to in Article 316 paragraph 1 of this Law.

(2) The Central Bank shall inform the European Commission, the European Banking Authority and the European Banking Committee of each authorisation of branches issued to a credit institution established in a third country.

(3) The Central Bank shall produce a list of parent financial holding companies in Montenegro and parent mixed financial holding companies in Montenegro referred to in Article 310 paragraph 2 of this Law, and provide it to the relevant competent authorities of other Member States, the European Banking Authority and the European Commission.

(4) The Central Bank shall communicate the procedures referred to in Article 337 paragraph 3 of this Law to other competent authorities involved in supervision on a consolidated basis, the European Banking Authority and the European Commission.

(5) The Central Bank shall inform the European Banking Authority of:
1) the conditions for the authorisation of credit institutions;
2) issuing and revoking the authorisation of credit institutions, the reasons for revoking the authorisation, as well as the deposit insurance scheme in which the credit institution is included;
3) the denial of the request of a credit institution to establish a branch in another Member State, the failure in transmitting information and the preventive measures referred to in Article 264 of this Law;
4) the data that a credit institution has disclosed in relation to the information on aggregate remunerations and the number of individuals with remuneration exceeding the envisaged amount;
5) the data on employees whose aggregate annual income exceeds the amount envisaged in accordance with the regulation referred to in Article 124 paragraph 5 of this Law;
6) the assumption and delegation of powers referred to in Article 316 paragraph 1 of this Law;
7) the authorities with which it shall, in accordance with Article 348 of this Law, exchange confidential information;
8) all decisions in misdemeanour proceedings, legal remedies and the course of the proceedings;
9) the existence and contents of bilateral agreements referred to in Article 326 paragraphs 3 and 4 of this Law;
10) the supervision findings, if it has been established that a credit institution may represent systemic risk;
11) the functioning of procedures for the supervision of credit institutions referred to in Article 245 of this Law;
12) methodology on which the decisions referred to in Articles 245 paragraph 5, 246, 247, 276 paragraph 1, 279, and 280 of this Law are based;
13) all the measures undertaken in accordance with Article 280 of this Law;
14) the meetings related to the preparation and harmonisation of activities concerning the recovery and resolution plans, and in particular of the date and place of the meeting, main issues to be discussed and of the activities to be considered; and

15) the occurrence of an emergency situation or adverse market development, which could jeopardise the market liquidity or stability of the financial system in any Member State.

(6) Where the Central Bank is a consolidating supervisor, it shall provide to other relevant competent authorities and the European Banking Authority all the information on the group referred to in Article 69 paragraph 1 items 7 and 8, Article 310 paragraphs 5, 6 and 7 and Article 104 of this Law, and in particular information on legal relations in the group of credit institutions and of the governance and organisational structure of the group.

(7) The Central Bank may provide to the European Banking Authority information received from a competent authority of a third country based on the cooperation referred to in Article 350 of this Law.

Public Disclosure of Information on Regulations and Statistical Data

Article 353

(1) The Central Bank shall publicly disclose:

1) the texts of laws, decisions, instructions and general guidelines in the field of prudential regulation adopted in Montenegro;

2) the manner of exercise of the options and discretions contained in the regulations of the European Union governing the operations of credit institutions in Member States;

3) the general criteria and methodologies applied in the procedure of supervision of credit institutions referred to in Article 246 of this Law;

4) aggregate statistical data on key aspects of the implementation of the prudential framework that the Central Bank gathered in accordance with this Law and regulations adopted pursuant to this Law, including the number and nature of imposed supervisory measures and penalties imposed for misdemeanours envisaged by this Law.

(2) The information referred to in paragraph 1 of this Article must be regularly updated and must be accessible on the website of the Central Bank.

(3) The information referred to in paragraph 1 of this Article must be published in the manner enabling the comparison of the approaches adopted by the competent authorities in other Member States.

(4) In addition to information referred to in paragraph 1 of this Article, the Central Bank may publish other information from within its powers.

Public Disclosure of Data on Misdemeanour of Credit Institutions and Responsible Persons in Credit Institutions

Article 354

(1) The Central Bank shall, on its website, without any delay publish the data on the final and binding penalties imposed on a credit institution and responsible persons in the credit institution, in a misdemeanour procedure due to breaches of the provisions of this Law and regulations adopted pursuant to this Law initiated at the request of the Central Bank and the misdemeanours for which the Central Bank has issued a misdemeanour warrant in accordance with the law governing misdemeanours.

(2) Notwithstanding paragraph 1 of this Article, the Central Bank shall publish decisions on misdemeanour penalties imposed on credit institutions and responsible persons in credit institutions in the way not to disclose data about the credit institution and responsible persons, if:

1) the penalty is imposed on responsible persons of a credit institution, and the Central Bank has assessed that the publication of personal data is disproportional to the established misdemeanour;

2) the publication would jeopardise the stability of financial market or there is an on-going criminal investigation;

3) the publication would cause disproportional damage to a credit institution or responsible persons, insofar as it can be determined.

(3) Notwithstanding paragraph 2 of this Article, if the Central Bank assesses that the conditions for publication of the decision in the manner referred to in paragraph 1 of this Article will be met in a reasonable timeframe, it may postpone the publication of the decision on misdemeanour penalties

imposed on credit institutions and responsible persons in credit institutions, until such conditions are met.

(4) Data referred to in paragraphs 1 and 3 of this Article shall be kept on the website of the Central Bank until the lapse of the period of five years from the day of publication.

(5) The data that are deemed confidential in accordance with this Law shall not be published in the manner referred to in paragraphs 1 and 2 of this Article.

Specific Requirements for Public Disclosure of the Central Bank Information

Article 355

(1) The Central Bank shall publicly disclose the information related to the exposure of credit institutions to transferred credit risk, and so as follows:

1) the general criteria and methodologies adopted to control the application of Articles 405 to 409 of the Regulation (EU) No 575/2013; and

2) once a year, a summary description of the outcome of the control and measures undertaken in cases of non-compliance with the provisions of Articles 405 to 409 of the Regulation (EU) No 575/2013.

(2) Where the Central Bank exercises its discretion referred to in Article 7 paragraph 3 of the Regulation (EU) No 575/2013, it shall publish the following information:

1) the criteria it applies to determine that there are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities;

2) the number of parent credit institutions which benefit from the exercise of the discretion referred to in Article 7 paragraph 3 of the Regulation (EU) No 575/2013 and the number of those credit institutions which incorporate subsidiary undertakings in a third country;

3) on an aggregate basis for Montenegro:

– the total amount of own funds on the consolidated basis of parent credit institutions in Montenegro which benefit from the exercise of the discretion referred to in Article 7 paragraph 3 of the Regulation (EU) No 575/2013, which are held in subsidiary undertakings in a third country;

– the percentage of total own funds on the consolidated basis of parent credit institutions in Montenegro which benefit from the exercise of the discretion referred to in Article 7 paragraph 3 of the Regulation (EU) No 575/2013, in the form of own funds which are held in subsidiary undertakings in a third country; and

– the percentage of total own funds required in accordance with Article 92 of the Regulation (EU) No 575/2013, on the consolidated basis of parent credit institutions in Montenegro, which benefit from the exercise of the discretion referred to in Article 7 paragraph 3 of the Regulation (EU) No 575/2013, in the form of own funds which are held in subsidiary undertakings in a third country.

(3) Where the Central Bank exercises the discretion referred to in Article 9 paragraph 1 of the Regulation (EU) No 575/2013, it shall publish the following:

1) the criteria it applies to determine if there are current or foreseen practical or legal impediments to the prompt transfer of own funds or repayment of liabilities;

2) the number of parent credit institutions which benefit from the exercise of the discretion referred to in Article 9 paragraph 1 of the Regulation (EU) No 575/2013 and the number of such credit institutions which incorporate subsidiary undertakings in a third country; and

3) on an aggregate basis for Montenegro:

– the total amount of own funds of parent credit institutions which benefit from the exercise of the discretion referred to in Article 9 paragraph 1 of the Regulation (EU) No 575/2013, which are held in subsidiary undertakings in a third country;

– the percentage of total own funds of parent credit institutions which benefit from the exercise of the discretion referred to in Article 9 paragraph 1 of the Regulation (EU) No 575/2013, which are held in subsidiary undertakings in a third country;

– the percentage of total own funds required under Article 92 of the Regulation (EU) No 575/2013 of parent credit institutions which benefit from the exercise of the discretion referred

to in Article 9 paragraph 1 of the Regulation (EU) No 575/2013 in the form of own funds which are held in subsidiary undertakings in a third country.

XVI REORGANISATION MEASURES

Meaning of the Term

Article 356

Reorganisation measures, within the meaning of this Law, shall be the measures which are intended to preserve or restore the financial stability of a credit institution and which could affect third parties' pre-existing rights, including measures involving the possibility of a temporary suspension of payments, temporary suspension of enforcement measures or reduction of claims.

Legal Effects of the Decision on Reorganisation Measures

Article 357

(1) Reorganisation measures that the administrative or judicial authorities have implemented in a credit institution in another Member State that has a branch in Montenegro shall be carried out in accordance with the regulations of the home Member State, shall produce legal effects without limitation on third parties on the territory of Montenegro and occur at the same time as the occurrence of legal effects in the home Member State.
(2) Administrative and judicial authorities referred to in paragraph 1 of this Article, within the meaning of this Law, shall be the state authorities, agencies and other authorities with public powers or courts, which are competent for the restructuring measures for credit institutions.

Informing the Competent Authorities of the Host Member States

Article 358

(1) Where in Montenegro as a home Member State a decision is made to introduce a reorganisation measure in a credit institution that has a branch in another Member State, the Central Bank shall, without any delay, inform of that decision and its specific legal effects the competent authority of the host Member State of that branch do so before the measure has been introduced, and if not practicable, immediately after it has been introduced.
(2) Paragraph 1 of this Article shall not apply in case where resolution is applied in accordance with the law governing the resolution of credit institutions.

Informing the Competent Authority of the Home Member State

Article 359

Where in Montenegro as a host Member State a decision is made to implement reorganisation measures in a branch of a credit institution from another Member State, the Central Bank shall inform the competent authority of the home Member State of that decision.

Public Disclosure

Article 360

(1) Where the implementation of reorganisation measures in Montenegro as a home Member State, in a credit institution that has a branch in another Member State could affect the rights of third parties in a host Member State and where an appeal or other legal remedy may be brought against the decision ordering the introduction of reorganisation measures, the Central Bank shall publish the decision on the introduction of reorganisation measure in the Official Journal of the European Union and in two daily newspapers distributed in each host Member State, in order to facilitate the exercise of the right of appeal or other legal remedy.

(2) The Central Bank shall also forward the notification on the decision on introducing a reorganisation measure referred to in paragraph 1 of this Article at the earliest opportunity to the Office for Official Publications of the European Union.
(3) The notification referred to in paragraph 1 of this Article shall be published in the official language or official languages of the relevant Member State, whereby the notification shall specify the purpose and legal basis for the adoption of the reorganisation measure, the deadlines for lodging appeals or other legal remedies, the date of expiry of those deadlines and the full address of the authorities or the court competent to hear an appeal or other legal remedy.
(4) The measure referred to in paragraph 1 of this Article shall be effective irrespective of the activities referred to in paragraphs 1, 2 and 3 of this Article and shall have legal effect against creditors, unless the law provides otherwise.

Legal Effects on Specific Contracts and Rights

Article 361

Where reorganisation measures are implemented,

1) employment contracts and relationships shall be governed solely by the law of the Member States applicable to the employment contract;

2) a contract conferring the right to make use of or acquire immovable property and determination whether property is immovable or movable shall be governed solely by the law of the Member State within the territory of which such property is situated;

3) rights in respect of immovable property, a vessel or an aircraft subject to registration in a public register shall be governed solely by the law of the Member State under the oversight of which such register is kept.

Third Parties' Rights *in Re*

Article 362

(1) The adoption of reorganisation measures shall not affect the rights *in re* and other rights of creditors or third parties in respect of tangible or intangible, movable or immovable assets of a credit institution in Montenegro or another Member State and in respect of specific assets and specific collections of indefinite assets as a whole which change from time to time, which are situated within the territory of some other Member State at the time of the adoption of the reorganisation measure.
(2) The rights referred to in paragraph 1 of this Article shall in particular mean the following rights in respect of assets referred to in paragraph 1 of this Article:

1) the right to liquidate assets or have them liquidated and to obtain satisfaction of claims from the proceeds of the liquidation or use of those assets;

2) the right to have a claim met, in particular a right guaranteed by a lien or mortgage;

3) the exclusive right to have a claim met, in particular a right guaranteed by a lien or by assignment of the claim by way of a guarantee;

4) a right in *re* to the beneficial use of assets.

(3) The right recorded in a public register and enforceable against third parties, under which a right in *re* within the meaning of paragraph 1 of this Article may be obtained, shall be considered a right in *re*.
(4) The provision of paragraph 1 of this Article shall not preclude the actions for declaring null and void or unenforceability of a legal action if it is allowed by the regulations of the home Member State.

Reservation of Title

Article 363

(1) The adoption of a reorganisation measure concerning a credit institution in Montenegro or other Member State purchasing an asset shall not affect the reservation of title (retention), provided that

at the time of adoption of such measure the asset is situated within the territory of a Member State other than the state in which the reorganisation measure was adopted.

(2) Adoption of a reorganisation measure concerning a credit institution in Montenegro or other Member State selling an asset shall not constitute grounds, provided that the asset has been delivered, for rescinding or terminating the sales agreement and shall not prevent the purchaser from acquiring title, where at the time of the adoption of such reorganisation measure the asset is situated within the territory of a Member State other than the state in which such reorganisation measure was adopted.

(3) The provision of paragraph 1 of this Article shall not preclude the actions for declaring null and void or unenforceability of a legal action if it is allowed by the regulations of the home Member State.

Set-off

Article 364

(1) The adoption of a reorganisation measure shall not affect the right of creditors to set off their claims against the claims of the credit institution in Montenegro or other Member State, where such a set-off is permitted by the regulations applicable to the credit institution's claim.

(2) The provision of paragraph 1 of this Article shall not preclude the actions for declaring null and void or unenforceability of a legal action if it is allowed by the regulations of the home Member State.

Applicable Law for Proprietary Rights or Other Rights in Instruments

Article 365

(1) In the course of exercising reorganisation measures over a credit institution from Montenegro or other Member State, the enforcement of proprietary rights or other rights in instruments the existence or transfer of which presupposes their recording in a public register, an account or a centralised depository system held or located in a Member State shall be governed by the law of the Member State where the public register, account or centralised depository system in which those rights are recorded is held or located.

(2) Without prejudice to paragraph 1 of this Article, in the course of implementing reorganisation measures in a credit institution from Montenegro or another Member State, the law governing such agreements shall govern repurchase agreements.

(3) Without prejudice to paragraph 1 of this Article, in the course of exercising reorganisation measures in a credit institution from Montenegro or other Member State, the law governing such transactions shall govern a transaction carried out in the context of a regulated market.

Set-off and Netting Agreements

Article 366

In the course of exercising a reorganisation measure in a credit institution from Montenegro or another Member State, the law governing such agreements shall govern the set-off agreements and netting agreements.

Administrator of a Credit Institution under Reorganisation

Article 367

(1) Where in other Member State an administrator is appointed for a credit institution from that State, the administrator shall prove his appointment in Montenegro by a certified transcript of the original page of the decision on the appointment or by any other certificate issued by a state authority, an authority with public powers or a court of the Member State.

(2) An administrator of a credit institution referred to in paragraph 1 of this Article shall be any person or authority appointed by an administrative or judicial authority, with the task to manage the restructuring measures within a credit institution.
(3) Administrator appointed in another Member State shall be entitled to exercise, within the territory of Montenegro, all the powers which is entitled to exercise according to the regulations of the Member State and may also appoint persons to implement the procedure or to represent them.
(4) The persons referred to in paragraphs 2 and 3 of this Article shall, in exercising their powers, comply with the law and other regulations of Montenegro, in particular with regard to the provisions governing the liquidation of assets and the provision of information to employees.
(5) Powers of the administrator shall not include the powers to use force or the power to rule in court or other disputes.

Registration in a Public Register

Article 368

(1) The adoption of a reorganisation measure shall be recorded in Montenegro at the request of a state authority, an authority with public powers or a court of a Member State in the Central Registry of Business Entities, the immovable property cadastre or other relevant registers.
(2) The costs of registration referred to in paragraph 1 of this Article shall be regarded as costs of the reorganisation proceedings.

Lex rei Sitae

Article 369

(1) Where a credit institution from Montenegro or another Member State after the adoption of reorganisation measures obtains satisfaction of claims by selling immovable property, then the legal effects of that legal action shall be established according to the regulations of the Member State within which territory the immovable property is situated.
(2) Where a credit institution form Montenegro, after the adoption of a reorganisation measure, obtains satisfaction through sale of a ship, aircraft and instruments or rights in instruments the existence or transfer of which presupposes their recording in a register, an account or a centralised depository system, then the legal effects of that legal action shall be determined according to the law of the Member State where such public register, account or centralised depository system is kept.

On-going Lawsuits

Article 370

The legal effects of reorganisation measures on the on-going lawsuits concerning property rights of a credit institution shall be governed by the law of the Member State in which the lawsuit is on-going.

Obligation of Protecting Confidential Information

Article 371

(1) The provisions of this Law concerning the exchange and the protection of confidential information shall apply to all persons who provide or exchange confidential data with regard to reorganisation measures.
(2) Paragraph 1 of this Article shall not apply in the case of the obligation of protecting confidential information under the law governing the resolution of credit institutions.

XVII OVERSIGHT OVER APPLICATION OF OTHER LAWS

Subject Matter of Oversight

Article 372

(1) In addition to supervision of credit institutions, the Central Bank shall also exercise oversight of credit institutions concerning the application of the law governing the Central Bank of Montenegro and regulations adopted pursuant to that law, the law and other regulations governing the prevention of money laundering and terrorist financing, as well as other laws pursuant to powers from such laws.

(2) The Central Bank shall exercise the oversight of credit institutions referred to in paragraph 1 of this Law by applying *mutatis mutandis* provisions of Article 240 of this Law, unless otherwise governed by another law.

XVIII PENALTY PROVISIONS

Misdemeanours by credit institutions

Article 373

(1) A pecuniary penalty in an amount between 1% and 10% of the violated protected value shall be imposed on a credit institution for a misdemeanour, if:

1) it has obtained the authorisation on the basis of false or inaccurate statements and information, or in other illicit manner;

2) it does not have in place an efficient and reliable management system in the manner stipulated in Article 104 paragraph 1 of this Law;

3) it is exposed to the credit risk of a securitisation position without satisfying the conditions under which it can be exposed to such risk, set out in the regulation referred to in Article 134 paragraph 9 of this Law (Article 110 paragraph 7);

4) it repeatedly or persistently fails to maintain the liquidity coverage requirement minimum at a rate of 100% (Article 114 paragraph 3);

5) it fails to adopt and submit to the Central Bank a recovery plan with defined measure to improve the financial position of the credit institution in case of significant deterioration of its financial soundness (Article 125 paragraph 1);

6) it fails to update the recovery plan at least annually, or several times during a year if requested by the Central Bank (Article 126 paragraph 1);

7) it makes payments to holders of instruments of Common Equity Tier 1 capital, Additional Tier 1 capital or Tier 2 capital not allowed by the regulation referred to in Article 134 paragraph 9 of this Law (Article 134 paragraph 8);

8) it meets the combined buffer requirement, but makes a distribution of profit in connection with Common Equity Tier 1 capital and such distribution decreases its Common Equity Tier 1 capital below the level required to meet the combined buffer requirement (Article 166 paragraph 1);

9) before it has calculated the maximum distributable amount, it makes a distribution in connection with Common Equity Tier 1 capital referred to in Article 166 paragraph 2 of this Law (Article 167 paragraph 2 item 1);

10) before it has calculated the maximum distributable amount, it creates an obligation to pay variable remuneration or obligation to pay discretionary pension benefits or to pay variable remuneration if the obligation to pay was created at a time when the credit institution failed to meet the combined buffer requirement (Article 167 paragraph 2 item 2);

11) before it has calculated the maximum distributable amount, it makes payments on Additional Tier 1 capital instruments (Article 167 paragraph 2 item 3);

12) it exceeds the exposure limits towards a single person, or a group of connected persons (Article 172);

13) it provides financial support without receiving an approval of the Central Bank to provide the financial support (Article 191 paragraph 1):

14) it fails to provide to the Central Bank, within the deadline and in the manner defined in the regulation referred to in Article 233 paragraph 2 of this Law, accurate and complete reports relating

to the meeting of capital requirements referred to in Article 134 of this Law (Article 233 paragraph 1 item 1);

15) it fails to provide to the Central Bank, within the deadlines and in the manner defined in the regulation referred to in Article 233 paragraph 2 of this Law, accurate and complete reports on liquidity coverage and stable sources of funding referred to in Article 114 of this Law (Article 233 paragraph 1 item 2);

16) it fails to provide to the Central Bank, within the deadlines and in the manner defined in the regulation referred to in Article 233 paragraph 2 of this Law, accurate and complete reports on large exposures referred to in Article 172 of this Law (Article 233 paragraph 1 item 3);

17) it fails to provide to the Central Bank, within the deadlines and in the manner defined in the regulation referred to in Article 233 paragraph 2 of this Law, accurate and complete reports on financial leverage ratio referred to in Article 115 of this Law (Article 233 paragraph 1 item 4);

18) within three working days after having become aware that a natural person or a legal person has acquired or increased a qualifying holding in the credit institution above the level authorised by the Central Bank, or after having become aware that the person with a qualifying holding has sold or otherwise disposed of the shares and thus reduced the holding in the capital of the credit institution below the level authorised by the Central Bank, it fails to notify the Central Bank (Article 235 paragraph 1 item 5);

19) it fails to inform the Central Bank, at least annually, of the shareholders possessing qualifying holdings in the credit institution and the sizes of holdings in accordance with Article 233 paragraph 2 of this Law (Article 235 paragraph 2);

20) it fails, within the deadlines and in the manner set out in the regulation referred to in Article 237 paragraph 3 of this Law, to publicly disclose accurate and complete quantitative and qualitative data, of significance for informing the public about its financial situation, operations and risk profile (Article 237 paragraph 1);

21) the Central Bank has ordered a credit institution to release a member of the supervisory or management board and prohibited such persons to perform their duties until the procedure related to the release decision has been finalised, it fails to implement the imposed measure within the deadline set in the decision (Article 279 paragraph 1 item 22).

(2) Violated protected value, within the meaning of paragraph 1 of this Article, shall mean the maintaining of banking system stability and protecting the client assets, which are, for the purposes of a misdemeanour procedure, expressed as the net income generated in the business year preceding the year when the misdemeanour was committed, and which is disclosed in the annual financial report of such credit institution.

(3) Notwithstanding paragraph 2 of this Article, if a misdemeanour has been committed by a credit institution which is a subsidiary undertaking of a parent undertaking in Montenegro, the relevant net interest and fee income shall be determined based on the consolidated annual financial report of the ultimate parent undertaking in Montenegro.

(4) A pecuniary penalty in the amount ranging from 5,000 euro to 20,000 euro shall also be imposed on a member of the supervisory board, member of the management board or other responsible person in the credit institution for a misdemeanour referred to in paragraph 1 of this Article.

(5) For a misdemeanour committed for gain that resulted in a property benefit, a pecuniary penalty shall be imposed on a credit institution and a responsible person in the credit institution twice the amount of the pecuniary penalty envisaged for that misdemeanour.

Article 374

(1) A pecuniary penalty in the amount ranging from 10,000 euro to 40,000 euro shall be imposed on a credit institution for a misdemeanour, if:

1) It directly or indirectly grants credits or issues guarantees or other sureties for the acquisition of shares of that credit institution or of shares and participating interests in the undertakings were it holds 20% or more interest in capital, and such acquisition of shares or participating interests does not result in the termination of all types of capital links between the credit institution and the undertaking in question (Article 20);

2) total amount of its shareholders' capital relating to preferential shares exceeds one quarter of the credit institution's shareholders' capital (Article 21);

3) it acquires a qualifying holding in a legal person that has a qualifying holding in that credit institution (Article 22);
4) it fails to notify the Central Bank, without any delay and not later than within three working days following the day of the termination of the term of office, of the termination of the term of office of a member of the supervisory board or management board and fails to state the reasons for the termination of the term of office (Article 42 paragraph 4);
5) it fully outsources its control functions (Article 116);
6) it does not have in place a strategy and procedures for on-going assessment and maintenance of the amounts, types and distribution of internal capital (Article 136);
7) it fails to meet the combined buffer requirement and fails to prepare a capital conservation plan and submit it to the Central Bank no later than five working days following the day it has identified that it will fail to meet that requirement (Article 170 paragraph 1);
8) in providing or using services of the persons connected with the credit institution, it provides services under the conditions more favourable than the conditions under which it provides such services to other persons, and/or uses services of the persons connected with the credit institution under the conditions less favourable than the conditions under which other persons would have provided such services to the credit institution (Article 173 paragraph 1);
9) without prior approval of the Central Bank, it establishes a legal person or enters into a legal arrangement that directly or indirectly results in its acquisition of a majority participation in the capital or a majority decision making rights in another legal person; or 20% and more participation in the capital in another legal person, if such participation is higher than 10% of the credit institution's eligible capital (Article 174 paragraph 1);
10) it acquires a qualifying holding in a legal person pursuing a non-financial business activity in an amount exceeding 15% of the credit institution's eligible capital (Article 175 paragraph 1);
11) it acquires own shares or other elements of own funds in an amount exceeding 5% of the credit institution's own funds (Article 178 paragraph 1);
12) it fails to divest acquired own shares within six months following the acquisition date (Article 178 paragraph 2);
13) it takes own shares or other elements of own funds as a pledge (Article 179);
14) it makes advance payments of profit or dividend, profit or dividend, and makes payments for the participation of the management board, supervisory board and employees in profit of the undertaking, in cases referred to in Article 180 paragraph 1 of this Law;
15) it provides support pursuant to a signed support agreement without the Central Bank's approval (Article 202 paragraph 1);
16) it fails to display on a visible location at its business premises general operating terms, as well as amendments and supplements thereof, at least eight days before they become effective (Article 206);
17) it fails to inform the consumers in an agreed manner, at least annually without consideration, on the state of the credit or deposits, and with respect to the approved credits in particular of due outstanding debts toward the credit institution and of deadlines for issuing a notice on debt and warning on cancelation of the credit agreement, or it fails to provide them with the access to other data that the consumers may access in accordance with this Law (Article 207 paragraph 1);
18) before concluding a credit agreement, it fails to notify other parties to the credit arrangement (co-debtors, lienees and endorsers/surety guarantors) on all important terms from the agreement relating to their rights and obligations and fails to warn them of the legal nature of being a co-debtor or endorser/surety guarantor, as well as of the right of the credit institution that the collection of its receivables may be done from all participants in the credit arrangement (Article 210 paragraph 1);
19) when offering a credit with a variable interest rate, or a credit where the repayment amount depends on the trend of the exchange rate of the currency other than euro, it fails to warn the consumer of all risks arising from the variability of the interest rate or exchange rate trends in a clear and unambiguous manner (Article 212 paragraph 1);
20) It fails to keep its business books in accordance with the chart of accounts prescribed by the Central Bank (Article 221);

21) general shareholders assembly fails to select an audit firm (external auditor) to audit the financial statements for a specific business year, by 30 September of that business year at the latest (Article 223 paragraph 1);
22) it publicly discloses annual financial statement and/or annual consolidated financial statements not accepted by the Central Bank (Article 230 paragraph 5);
23) it fails to submit annual financial statements, with the external auditor's report and opinion, to the Central Bank within 120 days following the lapse of the business year covered by the report (Article 232 paragraph 1);
24) it fails to submit annual consolidated financial statements of a group of credit institutions, with the external auditor's report and opinion, to the Central Bank within 150 days following the day of the lapse of the business year covered by the report (Article 232 paragraph 2);
25) it fails to submit to the Central Bank within the deadlines and in the manner defined in Article 233 paragraph 2 of this Law, accurate and complete reports referred to in Article 233 paragraph 1 items 5 and 6 of this Law;
26) it fails to ensure that the authorised examiners of the Central Bank have unimpeded insight in the business books, other business documents and records, insight into the functioning of information technology and computer database, as well as if, at the request of authorised examiners, it fails to provide copies of business books, other business documents and records, in hard copy and/or electronic form (Article 252 paragraph 1);
27) it fails to invite the authorised person to attend the session of the general shareholders assembly, meetings of the supervisory and management boards, the audit committee and bodies of the supervisory board or it fails to submit to him the agenda with necessary documents in a timely manner (Article 283 paragraph 2).

(2) A pecuniary penalty in the amount ranging from 1,000 euro to 4,000 euro shall also be imposed on a responsible person in the credit institution for the misdemeanour referred to in paragraph 1 of this Article.

Article 375

(1) A pecuniary penalty in the amount ranging from 1% and 10% of the violated protected value shall be imposed on a legal person for a misdemeanour, if it:
1) is not the person referred to in Article 3 paragraph 1 items 1 to 5 of this Law, and it uses in its title or in a legal transactions the words "credit institution", "bank" or derivatives of these words (Article 1);
2) acquires a qualifying holding in a credit institution that has a qualifying holding in that legal person (Article 22 paragraph 1);
3) acquires a qualifying holding in a credit institution without the Central Bank's approval (Article 23 paragraph 1);
4) has a qualifying holding in a credit institution, and directly or indirectly, without the Central Bank's approval, increases the qualifying holding to the level that equals to or exceeds 20%, 33% or 50% of the participation in the capital or voting rights in that credit institution (Article 23 paragraph 3);
5) has approval to acquire a qualifying holding in a credit institution and has decided to sell or otherwise dispose of its shares that would result in the reduction of its holding below the approved level, and fails to inform the Central Bank prior to the sale or other way of disposing of the shares (Article 38 paragraph 1);
6) is not a person referred to in Article 62 of this Law but carries out as an economic activity the activities of taking deposits and other repayable funds from the public (Article 63 paragraph 1);
7) carries out as an economic activity the activities of granting loans (Article 63 paragraph 3).

(2) Violated protected value, within the meaning of paragraph 1 of this Article, shall mean the maintaining of banking system stability and protecting of the client assets, which are, for the purposes of a misdemeanour procedure, expressed as the net income of the legal person in the business year preceding the year when the misdemeanour was committed, and which is disclosed in the annual financial report of that legal person.

(3) Notwithstanding paragraph 2 of this Article, where a misdemeanour has been committed by a legal person that is a subsidiary undertaking of the parent undertaking with head office in Montenegro,

the relevant net income shall be determined based on the consolidated annual financial report of the ultimate parent undertaking in Montenegro.

(4) A pecuniary penalty in the amount ranging from 1,000 euro to 10,000 euro shall also be imposed on a responsible person in the legal person for the misdemeanour referred to in paragraph 1 of this Article.

(5) A pecuniary penalty in the amount ranging from 1,500 euro to 30,000 euro shall be imposed on an entrepreneur for the misdemeanours referred to in paragraph 1 items 2 to 7 of this Article.

(6) A pecuniary penalty in the amount ranging from 1,000 euro to 10,000 euro shall be imposed on a natural person for the misdemeanours referred to in paragraph 1 items 2 to 7 of this Article.

(7) For misdemeanours referred to in paragraph 1 of this Article committed for gain that resulted in a property benefit, a pecuniary penalty shall also be imposed on a legal person and responsible person in the legal person twice the amount of the pecuniary penalty envisaged for that misdemeanour.

Article 376

(1) A pecuniary penalty in the amount ranging from 10,000 euro to 40,000 euro shall be imposed on a legal person for a misdemeanour, if:

1) for the purposes of supervising the credit institution it fails to deliver relevant documentation and information at a request to the Central Bank (Article 244 paragraph 1).

2) It fails to deliver to the reporting entity on a consolidated basis all the data required for consolidation (Article 315 paragraph 3);

3) as a mixed-activity holding company from Montenegro and that is a parent undertaking in relation to one or more credit institutions in Montenegro and its subsidiary undertakings, where upon request transmitted directly or via credit institutions that are subsidiary undertakings of that holding company, it fails to provide to the Central Bank all the information required for the supervision of credit institutions that are subsidiary undertakings of that holding company (Article 329 paragraph 1).

(2) A pecuniary penalty in the amount ranging from 500 euro to 4,000 euro shall also be imposed on a responsible person in the legal person for the misdemeanour referred to in paragraph 1 of this Article.

XIX TRANSITIONAL AND FINAL PROVISIONS

Deadline for Adoption of Regulations

Article 377

(1) The regulations for the implementation of this Law shall be adopted by 30 April 2021.

(2) Notwithstanding paragraph 1 of this Article, the regulation referred to in Article 233 of this Law shall be adopted by 30 June 2021.

(3) Until the commencement of the application of the regulations referred to in paragraphs 1 and 2 of this Article, the regulations adopted pursuant to the Banking Law (OGM 17/08, 44/10, 40/11, 73/17) shall apply.

Authorisations and Approvals

Article 378

(1) Credit institutions that on the commencement date of the application of this Law possess the authorisations issued by the Central Bank shall continue to operate as credit institutions pursuant to this Law, based on the existing authorisation.

(2) The approvals of the Central Bank issued in accordance with the regulations applicable until the commencement date of the application of this Law shall remain in force, with the exception of the approvals for the members of boards of directors and executive directors, which shall cease to be valid as of the commencement of the term of office of the members of the credit institution's management and supervisory boards appointed pursuant to this Law.

(3) Credit institutions shall, in the period from the date of entry into force of the regulations referred to in Article 43 paragraph 6 and Article 52 paragraph 3 of this Law until 30 September 2021, submit to the Central Bank requests for issuance of approvals for appointment of the members of supervisory and management boards in accordance with this Law.

On-going Procedures

Article 379

(1) The procedures for granting authorisation to credit institutions and procedures for granting approvals initiated pursuant to the regulations applicable until the commencement date of the application of this Law shall be finalised pursuant to those regulations.
(2) Notwithstanding paragraph 1 of this Article, credit institutions for the authorisation of which a request has been submitted after this Law enters into force shall have initial capital at least in the amount of minimum initial capital referred to in Article 18 of this Law.
(3) The credit institutions referred to in paragraphs 1 and 2 of this Article shall be subject to the application of the provisions of Article 377 paragraphs 2 and 3 of this Law.

Organisation and Recovery Plans

Article 380

(1) The credit institutions referred to in Article 378 of this Law shall align their enactments and operation with the provisions of this Law until the beginning of the commencement of the application of this Law.
(2) The credit institutions shall submit initial recovery plans prepared in accordance with this Law to the Central Bank by no later than within six months as of the commencement of application of this Law.
(3) The Central Bank shall impose measures in accordance with this Law on the credit institutions that fail to act in accordance with paragraph 1 of this Article.

Status of a Member State Credit Institutions until Montenegro's European Union Accession Date

Article 381

Until Montenegro's European Union accession date, the Member State credit institutions shall be subject to the application of the provisions of this Law relating to third-country credit institutions.

Transitional Period for Capital Requirements

Article 382

Notwithstanding Article 134 paragraph 2 items 1 and 2 of this Law, in the period from the commencement of the application of the regulation referred to in Article 134 paragraph 9 of this Law until 30 June 2022, a credit institution shall maintain:

1) Common Equity Tier 1 capital ratio at the minimum level of 4%;
2) Tier 1 capital ratio at the minimum level of 5.5%;

Transitional Period for Eligible Capital

Article 383

Notwithstanding Article 16 item 46 of this Law, when calculating the amount of eligible capital, a credit institution may, instead of in the amount of one third of the Tier 1 capital of the credit institution, include Tier 2 capital in eligible capital in the following percentages:

1) 100% - until the end of 2022;
2) 75% - in 2023;

3) 50% - in 2024.

Transitional Period for Liquidity Requirements

Article 384

Notwithstanding Article 114 paragraph 3 of this Law, a credit institution, in the period from the commencement of the application of the regulation referred to in Article 114 paragraph 10 of this Law until the end of 2024, shall maintain the liquidity coverage ratio at the minimum level of:

1) 60% - from the commencement date of the application of the regulation referred to in Article 114 paragraph 10 of this Law until the end of 2022;
2) 70% - in 2023;
3) 80% - in 2024.

Transitional Period for Large Exposures

Article 385

(1) Exceeding of exposure limits referred to in Article 172 paragraph 3 of this Law resulting from the application of the provisions of this Law and the regulations adopted pursuant to this Law shall not be deemed to be in breach of the provisions of this Law, if the exposure occurred before the commencement date of the application of this Law, and at the moment of the commencement of the application of the regulation referred to in Article 172 paragraph 6 of this Law, the exposure amount does not exceed the limits set in the regulations in force at the time of the exposure approval.

(2) In the case referred to in paragraph 1 of this Article, bringing of exposure within the statutory limits may be achieved through the repayment of debt in line with the contractual conditions, whereby the credit institution shall not change the contractual conditions or enter into new legal arrangements that would result in the increase of the existing exposure, until the exposure has been brought within the statutory limits.

Transitional Period for Capital Conservation Buffer

Article 386

Article 138 of this Law, in the period until the end of 2024, the credit institutions shall maintain the capital conservation buffer in the form of Common Equity Tier 1 capital, in the amount of:

1) 0.625 % of the total risk exposure amount, calculated pursuant to the Central Bank’s regulation referred to in Article 134 paragraph 9 of this Law - in 2022;
2) 1.25 % of the total risk exposure amount, calculated pursuant to the Central Bank’s regulation referred to in Article 134 paragraph 9 of this Law – in 2023;
3) 1.875 % of the total risk exposure amount, calculated pursuant to the Central Bank’s regulation referred to in Article 134 paragraph 9 of this Law – in 2024.

Transitional Period for Countercyclical Buffer

Article 387

Notwithstanding Article 139 of this Law, for the period until the end of 2024 the countercyclical buffer specific for a credit institution in the form of Common Equity Tier 1 capital may amount at a maximum to:

1) 0.625 % of the total risk exposure amount, calculated pursuant to the Central Bank’s regulation referred to in Article 134 paragraph 9 of this Law - for 2022;
2) 1.25 % of the total risk exposure amount, calculated pursuant to the Central Bank’s regulation referred to in Article 134 paragraph 9 of this Law – for 2023;
3) 1.875 % of the total risk exposure amount, calculated pursuant to the Central Bank’s regulation referred to in Article 134 paragraph 9 of this Law - for 2024.

Capital Conservation Plan and Distribution Restrictions

Article 388

In the period until the end of 2024, a credit institution shall meet the obligations related to the capital conservation plan referred to in Article 170 of this Law and the obligations of distribution restrictions referred to in Articles 167, 168 and 169 of this Law, if it does not meet the combined buffer requirement, whereby the requirement to maintain the capital conservation buffer referred to in Article 386 of this Law and the requirement to maintain the countercyclical buffer referred to in Article 387 of this Law shall be applied.

Commencement of Application of Provisions on Protection of Clients before the Central Bank

Article 389

Provisions of Article 219 of this Law shall apply from the expiry of the term of office of the person who as of the date of entry into force of this Law performs a function of the banking ombudsman under the Banking Law (OGM 17/08, 44/10, 40/11, 73/17).

Application of Provisions of this Law on Investment Firms

Article 390

(1) Until the adoption of regulations governing the recovery plan, the intra-group financial support agreements and early intervention procedures and measure for investment firms, provisions of Articles 125 to 133, Articles 182 to 202, Articles 288 to 308 of this Law shall apply *mutatis mutandis* on investment firms.

(2) When applying the provisions referred to in paragraph 1 of this Article, the powers and responsibilities of the Central Bank, as the competent authority, shall be deemed to have the powers and responsibilities of the Capital Market Authority.

Deferred Application

Article 391

The provisions of Articles 6, 7, and 8, Article 26 paragraphs 3 and 4, Article 28 paragraph 5 item 3, Article 30, Article 42 paragraph 6, Article 43 paragraph 3 item 2, Article 44 paragraph 7, Article 53 paragraph 11, Article 60 paragraphs 2 and 3, Article 62 item 2, Article 63 paragraph 2 items 2 and 5, Article 66 paragraph 5, Article 69 paragraphs 3 and 4, Articles 74 to 80, Articles 84 to 88, Article 124 paragraph 7, Article 125 paragraph 1 items 3 and 4, Article 126 paragraph 8, Article 127 paragraph 3, Articles 130 to 133, Article 144 paragraphs 3 and 4, Article 149 paragraph 2, Article 150 paragraph 4, Article 151 paragraphs 2 and 3, Articles 153 and 154, Articles157 to 160, Article 161 paragraph 2 items 2, 3 and 4, Article 162 paragraph 1 and paragraph 3 item 2, Article 163 paragraph 2, Article 164 paragraphs 1 and 2, Articles 182 to 193, Article 242 paragraph 1 items 2 and 3, Article 246 paragraph 2, Article 248, Article 249 paragraph 4, Articles 255 to 267, Article 279 paragraph 8, Articles 302 to 305, Article 310 paragraphs 2, 4 and 5, Article 312 paragraph 1 items 2, 4 and 6, paragraph 3 item 2 and paragraphs 4 and 5, Article 316, Article 317 paragraph 7, Article 318 paragraph 1 item 3 and paragraphs 2, 3 and 4, Article 320 paragraphs 1 to 4, Articles 321 to 328, Article 329 paragraph 4, Articles 331, 333 and 335, Article 336 paragraph 3, Article 337, Articles 340 to 343, Article 344 paragraph 3 items 5 and 6 and paragraph 4, Article 345 items 7 and 8, Article 347, Article 348 paragraphs 7 and 8, Articles 349 and 352, Article 353 paragraph 3 and Articles 355 to 371 of this Law shall be applied as of the Montenegro's European Union accession date.

Repealed Regulations

Article 392

(1) As from the commencement date of the application of this Law, the Banking Law (OGM 17/08, 44/10, 40/11, 73/17) and Article 177 of the Law Amending and Supplementing the Law on Legislation Setting Pecuniary Penalties for Misdemeanours (OGM 40/11, 55/18) shall be repealed.
(2) As from the commencement date of the application of Article 219 this Law, Article 30 paragraph 2 of the Law on Consumer Loans (OGM 55/13, 73/17) and the Decision on the Banking Ombudsman (OGM 15/09, 02/12) shall be repealed.

Entry into force

Article 393

This Law shall enter into force on the eighth day following that of its publication in the Official Gazette of Montenegro, and it shall apply from 1 January 2022.