

CENTRAL BANK OF MONTENEGRO LAW
(Official Gazette of Montenegro 44/10, of 22.07.2010, 46/10 of 6.8.2010, 6/13 of 31.01.2013, 70/17 of 27.10.2017)

I. BASIC PROVISIONS

Subject Matter

Article 1

This Law regulates the status, objectives, functions, performance and organisation of the Central Bank of Montenegro.

Article 2

Deleted. (*Law Amending the Central Bank of Montenegro Law, OGM 70/17*)

Central Bank Status

Article 3

The Central Bank of Montenegro (hereinafter: the Central Bank) is a legal person.

The registered office of the Central Bank shall be in Podgorica.

The Central Bank shall not be registered in the Central Registry of Business Entities.

Central Bank Objectives

Article 4

The main objective of the Central Bank shall be to foster and maintain the financial system stability, including fostering and maintaining a sound banking system and safe and efficient payment systems.

The Central Bank shall contribute to achieving and maintaining price stability.

The Central Bank shall, without prejudice to pursuing its objectives, support the pursuing of economic policy of the Government of Montenegro (hereinafter: the Government), acting thereby in accordance with the principles of free and open market and freedom of entrepreneurship and competition.

The Central Bank shall have all powers required for pursuing the objectives under this Article.

Issuing of Currency and Prohibition of Lending

Article 5

The Central Bank shall have the exclusive right to issue banknotes and coins in the event Montenegro decides to introduce a national currency.

The Central Bank may issue commemorative banknotes and coins which do not represent the means of payment.

The Central Bank may not grant loans, except under the conditions stipulated under this law.

Central Bank Property

Article 6

The Central Bank shall autonomously acquire, manage, use and dispose of the state property required for the exercising of its functions under this law.

Central Bank Independence

Article 7

The Central Bank shall be independent in pursuing the objectives and exercising the functions under this law.

The Central Bank, members of its bodies and employees in the Central Bank shall be independent in the performance of their functions and their activities established under this and other laws and they may not receive or seek any instruction from the government and other bodies and organisations or any other entities.

The government and other bodies and organizations and other persons may not exert any influence on the performance and decision-making of members of the Central Bank bodies and shall not approve, cancel, annul or in any other way affect any decision within the Central Bank`s authority.

The provision under paragraph 3 above shall not refer to the authority of the courts prescribed by the law.

Central Bank Cooperation with Government Bodies and Organisations

Article 8

The Central Bank may, for the purpose of pursuing the established objectives and without prejudice to its autonomy and independence, cooperate with the Government and other government bodies and organisations, and take any actions within its authority to promote this cooperation.

The Government shall submit to the Central Bank, at the latter's request, data and information necessary for the achievement of objectives and the exercising of functions of the Central Bank.

The Central Bank shall submit to the Government, at the latter's request, data and information necessary for the achievement of the objectives and the exercising of functions of the Central Bank, when this does not challenge its autonomy and independence, except data and information regarding entities subject to the Central Bank supervision and/or confidentiality obligation in accordance with the law.

International Cooperation

Article 9

The Central Bank may cooperate with other central banks, international financial institutions and organisations (hereinafter: international financial institutions), which scope of activities is related to the objectives and functions of the Central Bank, and it may be a member of international institutions and participate in their work.

Central Bank Seal and Statute

Article 10

The Central Bank shall have a seal in accordance with the law governing the state seal and the seals of government authorities.

The Central Bank shall have the Statute which is published in the "Official Gazette of Montenegro".

Credit Institutions

Article 10a

A credit institution is a legal person whose business is to take deposits or other repayable funds from the public and to grant credits for its own account.

A credit institution within the meaning of this law shall be:

- 1) a bank or other credit institution established in Montenegro that has been licensed by the Central Bank in line with the law governing banking activities (hereinafter: a bank), and
- 2) a branch of a credit institution established outside Montenegro that pursues business in the territory of Montenegro in line with the law governing banking activities.

The Central Bank regulations passed pursuant to the powers specified in the Law may refer to all or some of the credit institutions referred to in paragraph 2 of this Article.

II. CENTRAL BANK CAPITAL

Central Bank Capital

Article 11

The Central Bank capital shall comprise the initial capital and reserves.

Central Bank Initial Capital

Article 12

The Central Bank shall have initial capital in the amount of EUR 50,000,000.

The Central Bank's initial capital shall be the state property.

The Central Bank's initial capital may not be transferred, pledged or subject to any encumbrance.

The initial capital may be increased by amounts to be determined by the Council of the Central Bank.

The increase in the initial capital of the Central Bank shall be provided from the general reserve funds. In case the general reserve funds are insufficient to cover the specified increase in the initial capital, the shortfalls may be provided from the Budget of Montenegro.

Central Bank Reserves

Article 13

The Central Bank reserves shall comprise general, special and revaluation reserves.

General reserves shall be used for the coverage of operating losses incurred by the Central Bank and an increase in the initial capital of the Central Bank.

The Central Bank may establish special reserves to be used for the coverage of specific operating expenses.

The Central Bank shall establish and maintain the revaluation reserve account for the coverage of unrealized expenses for positions in currencies other than euro, gold, securities and other assets.

III. CENTRAL BANK FUNCTIONS

General Provisions

Article 14

The Central Bank shall:

- 1) oversee the maintenance of stability of the financial system as a whole and pass pertinent regulations and measures;
- 2) regulate the operations of credit institutions, issue licenses and approvals to credit institutions and supervise credit institutions, in accordance with the law;
- 3) regulate and carry out activities involving bank recovery and resolution and bank bankruptcy and liquidation, in accordance with the law;
- 4) regulate and carry out payment system operations, in accordance with the law;
- 4a) grant approvals to payment institutions for the provision of payment services and supervise payment institutions, in accordance with the law;
- 4b) grant approvals to e-money institutions to issue e-money and provide payment services and supervise electronic money institutions, in accordance with law;
- 4c) regulate financial lease operations, factoring, purchase of receivables, micro-lending and credit and guarantee operations, issue licenses and supervise entities engaged in these operations, in accordance with the law;
- 5) may be a payment system owner and operator and a participant in other payment systems;
- 6) license payment systems other than the one it operates and supervise and oversee payment systems;

- 7) manage the international reserves;
- 8) act as the payment and/or the fiscal agent towards international financial institutions and may be the representative of Montenegro in international financial institutions;
- 9) perform macroeconomic analyses, including monetary, fiscal, financial and the balance of payments analyses, and may communicate economic policy recommendations to the Government;
- 10) identify, analyse and assess the impact of certain factors on the financial system stability as a whole;
- 11) collect and statistically process data and information of importance for the achievement of objectives and the exercising of functions of the Central Bank, which are in accordance with this law and law governing statistics and statistical system;
- 11a) carry out activities involving the protection of rights and interests of consumer loan beneficiaries, users of payment services, and e-money holders, in accordance with the law.
- 12) set up the information system required for undisturbed exercising of its functions;
- 13) perform transfers in the national and international financial markets;
- 14) accept deposits of credit institutions, government bodies and organisations and other parties in accordance with the regulations;
- 15) open and maintain accounts for credit institutions, government bodies and organisations, foreign banks, central banks, international financial institutions, organisations donating funds to government bodies and organisations, and other entities in accordance with the law and other regulations, and perform payment transactions for those accounts;
- 16) pass regulations and measures pursuant to its authority granted under this and other laws;
- 17) perform other activities in accordance with this and other laws.

1. Monetary and Other Instruments

Open Market Operations

Article 15

In following monetary policy, the Central Bank may operate in financial markets by purchasing, selling and swapping securities and other readily marketable financial instruments, and by purchasing and selling precious metals.

Operations under paragraph 1 above may be performed by concluding spot or forward contracts, swap, netting, repurchase (repo) and other agreements.

The Central Bank shall regulate in more detail the conditions for the performance of operations under paragraph 1 above.

Credit Operations

Article 16

In case of liquidity needs of credit institutions, the Central Bank may grant loans to credit institutions against adequate collateral.

The Central Bank shall prescribe in more detail the conditions for granting loans under paragraphs 1 above.

Article 17

Deleted. (Law Amending the Central Bank of Montenegro Law, OGM 70/17)

Reserve Requirements

Article 18

The Central Bank shall prescribe the obligation for credit institutions to calculate, allocate and maintain reserve requirements, the reserve requirement calculation base, the reserve requirement rate, the manner of holding and time limits for the calculation and allocation of reserve requirements, and the conditions under which reserve requirements may be used.

The Central Bank may pay compensation to credit institutions on allocated reserve requirements.

A credit institution shall calculate, allocate and/or maintain reserve requirement in proper manner.

A credit institution that improperly calculates or fails to allocate and/or hold reserve requirements within the prescribed time limit shall pay fee to the Central Bank for the lacking amount.

The compensation and fee under paragraphs 2 and above shall be prescribed by the Central Bank.

Other Monetary Policy Measures and Instruments

Article 19

In the achievement of its objectives and the exercising of its functions under this law, the Central Bank may decide on the use of other monetary policy measures and instruments.

The Central Bank shall prescribe the type of measures and instruments under paragraph 1 above and the manner of their use.

2. International Reserves of Montenegro

Managing International Reserves

Article 20

The Central Bank shall hold and manage the international reserves of Montenegro (hereinafter: the international reserves).

When deciding on the form of investment of the international reserves, the Central Bank shall follow the principles of liquidity and safety of investment.

The Central Bank shall manage the international reserves in the manner that is in compliance with the monetary policy and which ensures undisturbed fulfilment of Montenegro's international obligations.

The Central Bank shall regulate the managing of the international reserves in more detail.

Structure of International Reserves

Article 21

The international reserves shall comprise:

- 1) gold, precious metals and precious stones held by the Central Bank or by a third party for the account of the Central Bank;
- 2) banknotes and coins in a convertible foreign currency held by the Central Bank or by a third party for the account of the Central Bank;
- 3) credit balances payable in a convertible foreign currency that are held in the accounts of the Central Bank with foreign central banks, international financial institutions or credit institutions;
- 4) debt securities denominated in a convertible foreign currency held by the Central Bank or by a third party for the account of the Central Bank;
- 5) forward purchase or repurchase agreements entered into by the Central Bank with or guaranteed by other central banks, credit or financial institutions with registered offices outside Montenegro or international financial institutions, as well as forward and options agreements entered

- into by the Central Bank with parties, providing for the payment in a convertible currency;
- 6) special drawing rights and reserve position held in the accounts of Montenegro with the International Monetary Fund;
 - 7) other assets that may, by nature of their contents and significance, be seen as equivalent to the assets listed under items 1) to 6) of this paragraph.

The Central bank shall specify in its guidelines the investment strategy for managing the international reserves.

Opening Foreign Accounts and Other Activities

Article 22

The Central Bank may open foreign accounts for the purpose of pursuing its objectives and exercising its functions specified under this and other laws.

The Central Bank may conduct all types of banking and financial operations with other central banks, credit and financial institutions outside Montenegro, and the international financial institutions.

The Central Bank may purchase and sell foreign securities in primary and secondary markets, in accordance with this law.

The Central Bank may enter into payment and settlement agreements with foreign clearing institutions.

The Central Bank may enter into agreements under paragraph 4 above on its own behalf and for its own account or for the account of Montenegro.

3. Provision and Protection of Banknotes and Coins and Redemption of Rare and Original Currency

Provision and Supply of Banknotes and Coins

Article 23

The Central Bank shall provide banknotes and coins which are means of payment in Montenegro.

Credit institutions and other entities holding an account in the Central Bank shall be supplied with banknotes and coins from the Central Bank and shall bear all related expenses.

Withdrawal, Replacement and Destroying of Banknotes and Coins

Article 24

Withdrawal and replacement of unfit banknotes and coins shall be performed in accordance with a Central Bank regulation.

Costs of withdrawal from circulation and replacement of unfit banknotes and coins shall be borne by the Central Bank in accordance with the regulation referred to in paragraph 1 above.

Protection of Banknotes and Coins against Counterfeiting

Article 25

Credit institutions and other handlers of banknotes and coins shall submit to the Central Bank any suspicious sample of banknotes and coins.

The Central Bank shall temporary confiscate all suspicious samples of banknotes and coins received in payment system transactions.

The Central Bank shall perform technical analysis of suspect banknotes and coins and it shall cooperate with competent authorities and institutions in Montenegro and abroad on taking measures to detect and suppress currency counterfeiting.

The Central Bank shall prescribe the manner of handling suspicious samples of banknotes and coins.

Redemption of Banknotes and Coins

Article 26

The Central Bank may redeem rare and original banknotes and coins.

Reproduction of Banknotes and Coins

Article 27

Reproduction and design of objects resembling banknotes, coins, cheques, securities and payment cards which are in circulation in Montenegro may be performed in accordance with the approval of the Central Bank.

The Central Bank may prescribe detailed conditions of production, design and distribution of items under paragraph 1 above.

4. Responsibility for the Banking System Functioning

Authorisations to Credit Institutions

Article 28

The Central Bank shall, in line with the law, issue licenses and approvals to credit institutions, supervise credit institutions, perform other activities granted to its authority under the law, and pass regulations and other acts regulating the operation of credit institutions and establishing the standards of sound and safe operations for credit institutions.

In performing the supervision under paragraph 1 above, the Central Bank shall have direct access to business books and other documents of credit institutions, as well as of any other related participants in the activities which are subject to supervision.

Submission of Data, Information and Reports

Article 29

The Central Bank shall prescribe data, information and reports to be submitted by credit institutions to the Central Bank and deadlines for their submission.

Credit institutions shall submit to the Central Bank prescribed data, information or reports within the prescribed deadline.

The Central Bank may disclose the submitted information and data on credit institutions separately, in aggregate form or classified by the credit institutions or by the nature of their business, except information considered confidential in line with the law.

Measures against Credit Institutions

Article 30

In case a credit institution fails to manage risks to which it is exposed in accordance with the law or in case it acts contrary to the regulations, the Central Bank may impose measures and other obligations, including pecuniary fines in accordance with the law.

The Central Bank may disclose the information on imposed measures referred to in paragraph 1 above.

Central Bank Cooperation with Foreign Authorities for Supervision of Credit Institutions

Article 31

With a view to strengthening its supervisory function, the Central Bank shall cooperate with foreign institutions authorized for the supervision of credit institutions.

The sharing of information during cooperation under paragraph 1 above shall not be considered a disclosure of confidential information.

5. Payment Systems and Transactions

Payment System Authorizations

Article 32

Pursuant to the law, the Central Bank shall issue approvals for providing payment system services, supervise payment service providers and electronic money issuers, pass regulations and other acts regulating the pursuit of business of payment service providers and electronic money issuers and the standards for their safe and sound operations and perform other activities for which it has been authorised under the law.

Opening of Accounts

Article 33

A credit institution is obliged to open an account with the Central Bank in accordance with the regulations.

The Central Bank may not open accounts in its books for companies and natural persons, except for employees of the Central Bank.

The Central Bank may open accounts with banks.

Payment Systems

Article 34

The Central Bank is the owner, operator, participant and settlement agent of the interbank real-time gross settlement payment system (RTGS system) and it may

be an owner and/or operator of a securities settlement system and another payment system, as well as a participant in another payment system.

The Central Bank shall license payment systems other than the one it operates, supervise and oversee their operations, pass regulations governing payment systems, establish rules for payment systems it operates, and perform other activities in accordance with the law.

Collection, Statistical Processing and Dissemination of Data and Information

Article 35

With a view to pursuing its objectives and exercising its functions specified under this and other laws, the Central Bank shall collect, statistically process and disseminate data and information obtained from the government bodies and organisations, credit and other institutions providing financial services, companies, legal persons, entrepreneurs, and other entities.

Parties referred to in paragraph 1 above are obliged to submit the requested data and information to the Central Bank within specified timeframe.

In performing the activities under paragraph 1 above, the Central Bank may cooperate with institutions and authorities of the European Union, the international financial institutions, and other foreign authorities.

The Central Bank shall regulate the type of statistical data and information required for pursuing the objectives and executing the functions referred to in paragraph 1 above, the manner, format, and deadline for the submission of such data, and persons to be in charge of delivering these data to the Central Bank, the measures and procedures for securing and protecting information considered confidential pursuant to the law and other issues relevant for the collection, processing, dissemination and disclosure of statistical data.

The Central Bank may, within its authority, prescribe uniform forms and methods for the collection, processing, and dissemination of processed data referred to in paragraph 1 above.

Central Bank Information System

Article 36

With a view to efficient attaining of its objectives and exercising its functions, the Central Bank shall develop an automated information system and it may prescribe the manner of connecting credit institutions and other persons to this system.

Credit Registry and Other Registries

Article 37

The Central Bank shall establish and maintain the registry of certain persons' credit indebtedness towards credit institutions and other persons specified in the law or a Central Bank regulation (hereinafter: the Credit Registry).

Credit institutions and other persons under paragraph 1 above shall furnish the Central Bank with data and information required for the maintenance of the Credit Registry.

The Central Bank shall prescribe by regulation the type of indebtedness, manner and deadlines for the submission of data and information under paragraph 2 above.

Notwithstanding paragraph 1 above, the Credit Registry may also include other data and information required for the consideration of overall indebtedness of certain persons (electricity bills, utility bills, tax payables, foreign bank account liabilities, etc.) that the Central Bank has obtained in accordance with separate contracts signed with the relevant entities.

Credit institutions and other persons may use data and information from the Credit Registry under the conditions and in the manner to be prescribed by the Central Bank.

Credit institutions and other persons shall keep confidential the data and information under paragraph 5 above.

The Central Bank may also establish and maintain other registries and establish databases for the purpose of pursuing objectives and exercising functions specified herein and other law.

The Central Bank shall prescribe by way of regulation the manner of maintaining other registries and/or establishing databases and using data and information referred to in such registries and/or databases.

Custody Services

Article 38

The Central Bank may provide custody services.

The Central Bank shall regulate the provision of custody services.

Submission of Central Bank Report

Article 39

The Central Bank shall submit, as needed, but at least annually and by 30 June of the current year, the report on its prior year's operations to the Parliament of Montenegro (hereinafter: the Parliament) for its consideration.

The report on the Central Bank's operations shall contain information on the economic environment during the reporting year, including the assessment of economic trends in the following year, emphasizing the Central Bank's policy objectives and the condition of the financial system, as a whole. The report shall also include the review and assessment of the Central Bank's policies followed during the reporting year.

The Central Bank shall also publish reports on financial system stability and price stability matters which it shall submit to the Parliament and the Government for information purposes, as needed, and at least once a year and no later than by 30 June of the current year for the previous year.

Participation in the Legislative Procedure

Article 40

The Central Bank shall have the right to prepare draft laws related to the pursuing of the Central Bank's objectives and exercising of its functions.

The Central Bank shall furnish the official proposer of the law with the prepared draft laws under paragraph 1 of this Article.

The Government shall consult the Central Bank on any draft law concerning the financial system and affecting the attaining of objectives and exercising of functions of the Central Bank and which shall be subject to the Central Bank opinion, before it is submitted to the Parliament.

The Government shall submit to the Parliament the opinion of the Central Bank referred to in paragraph 3 above together with the proposal of the law.

Depository and Banker for the Government Bodies and Organisations

Article 41

The Central Bank may accept deposits from the government bodies and organisations, open accounts thereof and perform payment service transactions related thereto.

The Central Bank shall perform payment service transactions against orders of the government bodies and organisations up to the amount of deposited funds.

The Central Bank shall pay interest on deposits under paragraph 1 that shall not exceed the market rates prevailing in Montenegro.

The Central Bank shall calculate and charge fees for the provision of services under paragraph 1 above.

The interest rate referred to in paragraph 3 and the fee under paragraph 4 above shall be specified in the agreement between the Central Bank and the ministry in charge of financial affairs.

Fiscal Agent

Article 42

The Central Bank may provide services related to the securities issued by Montenegro, including the registration thereof, the payment of principal, interest and other securities-related expenses, and perform other related services on such terms and conditions to be agreed with the ministry responsible for financial affairs.

Prohibition of Lending

Article 43

The Central Bank may not, either directly or indirectly, grant any loans to the Government, other government bodies and organisations, local self-government units or any other persons owned by or in the majority ownership of the state or local self-government units.

By way of exception from paragraph 1 above, the Central Bank may, under the conditions stipulated under this law, grant credits to banks owned by or in the majority ownership of the state.

The Central Bank may not purchase debt securities issued by entities under paragraph 1 above in the primary market, but only in the secondary market.

Central Bank Council

Article 44

The Central Bank shall be governed by the Council of the Central Bank (hereinafter: the Council).

The Council shall:

- 1) determine policies of the Central Bank regarding the execution of its functions and the pursuing of its objective;
- 2) decide on the use of monetary policy instruments and other measures;
- 3) adopt regulations and other acts necessary for the exercising of its functions and the pursuing of its objective in line with its powers granted under this and other laws;
- 4) decide on the Central Bank's membership and participation in the work of international financial institutions;
- 5) adopt the Statute of the Central Bank;
- 6) decide on licensing and revoking licences and approvals for operation to credit institutions, in accordance with the law and pertinent regulations;
- 7) decide on granting and revoking approvals for the provision of payment services to payment institutions and e-money institutions, in accordance with the law;
- 8) decide on granting and revoking approvals for issuing electronic money to e-money institutions, in accordance with the law;
- 8a) decide on issuing and revoking licenses and approvals for financial lease operations, factoring, purchase of receivables, micro-lending and credit and guarantee operations in accordance with the law;
- 9) decide on issuing and revoking licences to payment systems, in line with the law and pertinent regulations;
- 10) decide on the introduction of protective and other measures for the purpose of maintaining stability of the financial system as a whole;
- 10a) define the financial crisis management plan [contingency plan] covering the Central Bank's areas of competence;
- 11) adopt reports and recommendations to be submitted to the Parliament and the Government;
- 12) pass the financial plan and adopt annual financial reports and approve other reports;
- 13) appoint the independent external auditor and other persons it is authorized under this law;
- 14) determine the investment strategy for managing the international reserves;
- 15) decide on the acquisition and alienation of immovable property;

- 16) establish the Central Bank's contingency plan with a view to ensuring safety and business continuity on the basis of risk assessment;
- 17) establish the rate for the calculation of fees for the Central Bank services;
- 18) pass acts governing the employment rights and obligations, including those of the Council members;
- 19) pass other acts on the proposal of the Governor, Vice-Governors and members of the Council.
- 20) perform other activities specified under this law and the Statute of the Central Bank.

The Council may delegate certain tasks within its competence to the Governor of the Central Bank in accordance with the Statute.

The Council shall set up the Audit Committee in accordance with this law, and it may establish other bodies and pass general acts regulating their work.

Regulations passed by the Council shall be published in the "Official Gazette of Montenegro."

Central Bank Governor

Article 45

The Central Bank shall be managed by the Governor of the Central Bank (hereinafter: the Governor).

The Governor shall:

- 1) represent and act on behalf of the Central Bank;
- 2) organize the work of the Central Bank;
- 3) ensures that the policy of the Central Bank and the Council decisions are implemented;
- 4) submit to the Council, at least ten times a year, reports on the Central Bank operations and policies implemented, financial system stability, including events and circumstances that could affect the pursuing of the objective and the exercising of functions of the Central Bank, and the financial system as a whole;
- 5) submit to the Council reports on macroeconomic analyses, including monetary, fiscal, financial and the balance of payments analyses, and it may propose economic policy recommendations;
- 6) pass instructions for the uniform implementation of regulations passed by the Council;
- 7) pass general acts in line with the Statute of the Central Bank and other acts governing internal operations of the Central Bank;
- 8) pass decisions on granting and revoking approvals within the Central Bank's authority which are not to be passed by the Council;

- 9) pass decisions and other acts in the process of supervision of credit institutions, payment institutions, electronic money institutions, and payment systems, and in the process of supervision of financial lease operations, factoring, purchase of receivables, micro-lending, and credit and guarantee operations;
- 10) pass other decisions and acts within the Central Bank's authority which are not passed by the Council;
- 11) appoint persons with special powers and responsibilities, unless otherwise stipulated under this law;
- 12) decide on the material and financial performance;
- 13) decide on the information system functioning and development;
- 14) decide on labour rights and obligations of the Central Bank employees;
- 15) decide on other matters for which he is empowered under this law and the Statute of the Central Bank.

The Governor may initiate an address or address the Parliament and its bodies upon invitation thereof with regard to the issues of monetary and financial stability and the functioning of the banking system.

If a Council meeting could not be held or if the Council does not pass an act within its field of competence and the Governor deems that the failing to pass such an act shall not provide for the pursuing of objectives and the exercising of functions of the Central Bank or its ongoing operations, the Governor shall pass an act otherwise falling within the Council's competence, to be confirmed at the subsequent Council meeting.

Should the Governor deem that an act passed by the Council contravenes the law, the Statute of the Central Bank or any other general act, or if the Council fails to confirm the act passed by the Governor in line with paragraph 4 above, he shall warn the Council thereof and if the Council fails to amend its act, the Governor shall inform the Parliament thereof.

The Governor shall designate the Vice-Governor to replace him during his absence.

The Governor may delegate some of the managerial tasks within his authority to the Vice-Governors.

Council Composition

Article 46

The Council shall consist of eight members.

Members of the Council shall be the Governor, three Vice-Governors, and four members that are not employed by the Central Bank.

The Governor shall chair the Council meetings.

Article 47

Deleted. (*Law Amending the Central Bank of Montenegro Law, OGM 70/17*)

Article 48

Deleted. (*Law Amending the Central Bank of Montenegro Law, OGM 70/17*)

Appointment of the Governor

Article 49

The Governor shall be appointed by the Parliament, at a proposal to be put forward by the President of Montenegro.

The Governor shall be appointed for the period of six years and may be appointed to serve not more than two consecutive terms of office.

Appointment of Vice Governors and Council Members not Employed by the Central Bank

Article 50

The Vice-Governors shall be appointed by the Parliament, at the proposal of the Governor.

Four members of the Council who are not employed by the Central Bank shall be appointed by the Parliament, at the proposal of the working body of the Parliament responsible for financial affairs.

The Vice-Governors and members of the Council who are not employed by the Central Bank shall be appointed for the period of six years and may be reappointed to serve not more than two consecutive terms of office.

Expiry of the Term of Office of Council Members
Article 50a

The Council shall inform the President of Montenegro on the expiry of the term of office of the Governor and/or the expiry of term of office of the Vice-Governors and members of the Council who are not employed by the Central Bank no later than 60 days prior to the expiry of their terms of office.

A member of the Council whose term of office has expired shall continue to perform his/her function until the appointment of a new member.

Eligibility to Serve on the Council and Incompatibility of Functions

Article 51

A member of the Council must be a person having Montenegrin citizenship, holding a university degree, having a recognized personal reputation and professional experience in economics, banking, finance or law, provided that the Governor and the Vice Governors must also have at least five years of management experience in these fields.

A member of the Council may not be a member of a political organisation, a member of the Parliament, a member of the Government or person performing another function or duty as designated by the Parliament or the Government, except a function or a duty in international financial institutions, and he/she may not be performing a function or a duty in any local authority or trade union bodies.

A member of the Council may not be a member of a body, an employee or external associate of a credit institution, or another legal person subject to supervision of the Central Bank.

A member of the Council may be a person engaged in scientific or research activity, except a person whose work or activity could affect his/her independence or conflict the interests of the Central Bank.

A member of the Council may not hold shares or a stake in a credit institution and any other legal person subject to the Central Bank supervision, nor may he/she hold shares or a stake in an audit firm.

Prevention of Conflict of Interest

Article 52

A member of the Council is obliged to perform his/her function in the Central Bank in the manner so that he/she shall not put his/her personal interest or interests of parties connected with him/her before the interests of the Central Bank.

The Council members shall submit written statements to the Council presenting the facts under Article 51 paragraphs 2 to 5 herein within 15 days following his/her appointment and once a year by the end of February in the current year for the previous year.

When a member of the Council is in any way connected with the subject matter of deciding or if he/she is indirectly or directly interested in that subject matter, the member concerned shall disclose his/her interest at the beginning of the discussion and shall not participate in the discussion and deciding on such a matter, but his/her presence shall be accounted for the purpose of constituting a quorum at the relevant meeting.

Any rights and obligations of the Council members not specified in this law or the Statute shall be subject to provisions of the law governing the prevention of corruption in performing public functions.

Relief from Office

Article 53

A member of the Council shall be relieved from office before the expiry of his/her term of office if:

- 1) he/she longer fulfils the conditions specified in Article 51 herein, or
- 2) he/she has been guilty of serious misconduct in the performance of his/her duty.

A member of the Council may not be relieved from office due to reasons other than those specified in paragraph 1 above.

Relieving of Duty at Personal Request

Article 54

A member of the Council may be relieved of duty at personal request by submitting his/her resignation from office of the member of the Council.

A member of the Council who intends to submit a resignation is obliged to notify the Council thereof in writing, at least 60 days before submitting his/her resignation to the Parliament.

Conditions for Relieving from Office

Article 55

The Council, by the majority vote of the Council members, shall establish the fulfilment of conditions referred to in Article 53 above for the relieving from office

of a Council member and it shall immediately inform the Parliament thereof and propose the relieving from office of the Council member.

If the Parliament fails to relieve from office the Council member within 30 days following the receipt of the proposal thereof, the Council may pass a decision to suspend his/her participation in the work of the Council and/or performance of other activities within the Central Bank's competence until the passing of such a decision.

If the Parliament has sufficient reason to believe that the Council has failed to determine the existence of conditions for the relieving from office of the Council member, it shall appoint the commission which shall consist of the chairman performing or having performed the judicial function, and at least two other members, of which one shall be a banking or financial professional, which shall inquire into the matter and submit a report to the Parliament with the recommendations thereon.

Judicial Protection in Case of Relieving from Office

Article 56

A Council member may institute an administrative dispute against the decision on his/her relieving from office.

Duration of the Term of Office in Case of Relief of Duty of a Council Member

Article 57

Term of office of a Council member appointed to replace the Council member who has been relieved of duty before the expiry of his/her term of office shall last six years.

Governor and Vice-Governor Employment Status

Article 58

The Governor and the Vice-Governors shall be employees of the Central Bank that perform their Council member function professionally and they may not perform any other function, job or duty unless approved by the Council.

Prohibition of Employment of Council Members after the Expiry of Term of Office

Article 59

A former member of the Council shall not be a member of a body in, or an employee of, a credit institution or any other legal person subject to the Central Bank supervision during the period of 12 months following the expiry of his/her the term of office, unless approved by the Council.

Remuneration of the Council Members

Article 60

The Council members shall receive remuneration for their serving on the Council.

Remuneration under paragraph 1 above and salaries and other remunerations of the Governor and the Vice-Governors shall be determined in a general act to be passed by the Council upon the proposal of the Governor and they shall be published in the Central Bank reports in line with this law.

Rights upon the Termination of Function

Article 61

During one year following their termination of function, the Governor and the Vice-Governors shall be entitled to remuneration that shall be equal to the remuneration received in the last month of their service on the Council.

The right to remuneration under paragraph 1 above shall be exercised at personal request which must be submitted no later than within 30 days following the termination of the function.

The remuneration from paragraph 1 above shall be in line with the salary of the Governor and the Vice-Governors during the period of the exercised right to remuneration.

The right under paragraph 1 above shall cease before the specified time period if its beneficiary:

- 1) becomes employed;
- 2) becomes elected or appointed to another function eligible for remuneration;
- 3) exercises the right to superannuation.

The right under paragraph 1 above may be extended for another year provided that its beneficiary acquires the right to superannuation during that period.

The Council Meetings

Article 62

The Council shall decide on matters within its competence at meetings to be held once a month, as a rule, but no less than ten times in a calendar year.

Other persons, except members of the Government and other representatives of the government bodies and organisations whose attendance at the meetings could undermine independence of the Central Bank prescribed herein, may be invited to attend the Council meetings, without the right to vote.

The Council meetings shall be convened by the Governor.

The Governor shall also convene a Council meeting at a written request of three Council members.

The Council may take decisions provided that at least five members of the Council attend the meeting.

The Council shall decide on issues within its jurisdiction by majority vote of the Council members, provided that in case of a tie, the Governor shall have the casting vote.

The Council shall adopt the rules of procedure to regulate in more detail the manner of work of the Council.

Transparency of the Council Operations

Article 63

Following its meetings, the Council shall immediately inform the public on its decisions passed thereat concerning the issues of importance for establishing the policies for pursuing the objectives and exercising the functions of the Central Bank.

The Council may also inform the public on other issues discussed at a meeting and decisions passed thereat.

Minutes of the Council Meetings

Article 64

Minutes shall be kept at the Council meetings.

VI. PROPERTY, INCOME AND EXPENSES OF THE CENTRAL BANK

Central Bank Property

Article 65

Property of the Central Bank shall comprise of property rights that refer to immovable and movable property, capital and other monetary assets, precious metals and securities, and other property rights.

The Governor shall pass internal regulations prescribing the acquisition, management, use, and disposing of property referred to in paragraph 1 above, except on the acquisition and alienating of immovable property.

Central Bank Income

Article 66

The Central Bank shall make income on the basis of the following:

- 1) Fees for issuing licenses and granting approvals in accordance with the law;
- 2) Fees to be collected based on its supervisory function in accordance with the law;
- 3) Interest and other income on funds deposited abroad;
- 4) FX revaluation gains;
- 5) Interest on loans granted;
- 6) Fees for rendered services;
- 7) Purchase and sale of securities;
- 8) Other fees for performing other activities within its authority;
- 9) Use of property referred to in Article 65 paragraph 1 of this law.

The Central Bank shall determine tariffs for the calculation of fees for its services.

Central Bank Expenses

Article 67

The following shall be paid from the income made by the Central Bank:

- 1) Fees on allocated reserve requirements of credit institutions;
- 2) Interest on funds deposited with the Central Bank;
- 3) Expenses for supplying banknotes and coins;

- 4) Expenses from investments in securities;
- 5) FX revaluation losses;
- 6) Material and non-material expenses and depreciation expenses;
- 7) Central Bank employees' expenses;
- 8) Other expenses the Central Bank incurs in its operations.

Profit and Loss

Article 68

Net profits or losses of the Central Bank shall be determined for each financial year in line with the International Financial Reporting Standards.

Distributable profit shall be determined as follows:

- by deducting from net profits the total amount of unrealized revaluation gains, and by allocating the equivalent amount to the respective unrealized revaluation reserve accounts; and
- by deducting from the unrealized revaluation reserve accounts and adding to the distributable profit the amount of any unrealized profit that was deducted from net profits for one or more previous years and realized during the current financial year.

Unrealized revaluation losses will be transferred to the corresponding unrealized revaluation reserve account until such time as this revaluation reserve account reaches a zero balance, after which these losses shall be covered by the current year's profit, and subsequently in the manner described in Article 70 herein.

Allocation of Distributable Profit

Article 69

Profit determined in accordance with Article 68 paragraph 2 herein shall be allocated to general reserves in the amount of 50% of distributable profit.

A part of the profit may be allocated to special reserves in the amount to be determined by the Council, in accordance with this law.

Profit referred to in paragraph 2 above may not exceed 10% of the profit referred to in Article 68 paragraph 2 herein.

The remaining distributable profit shall make the revenue of the budget of Montenegro.

No distribution shall be made out of undistributed or current income, except as permitted under Article 68 of this Law.

Coverage of Losses and Deficit

Article 70

The Central Bank shall cover losses from general reserves.

Losses that cannot be covered from general reserves shall represent a deficit in the initial capital that shall be temporarily covered from the initial capital of the Central Bank.

In the event that the audited annual financial statements of the Central Bank disclose a deficit in the initial capital, the Central Bank, in consultations with the independent external auditor, shall prepare a report on the origins of the deficit within a period of no more than 30 days.

In the event that the Council approves the financial reports with the independent external auditor's opinion specified in paragraph 1 above, the Central Bank shall request the Government to cover the deficit from the budget of Montenegro.

Within the period of 30 days following the receipt of the request under paragraph 4 above, the Government shall transfer the lacking amount to the Central Bank in currency or in readily marketable debt instruments with a specified maturity which issuer is not Montenegro, issued at market interest rates prevailing in Montenegro.

VII. FINANCIAL PLAN, FINANCIAL REPORTS AND OTHER REPORTING

Financial Plan and Financial Reports

Article 71

A financial year of the Central Bank shall equal a calendar year.

The Central Bank shall plan its income and expenses for the following year in a financial plan which shall be adopted by 31 December of the current year.

The Central Bank shall submit the adopted financial plan to the Government and the Parliament for information purposes.

The Central Bank shall prepare the financial reports in line with the International Accounting Standards and International Financial Reporting Standards.

The Central Bank shall adopt annual financial reports for the previous year, with the independent external auditor's opinion, by 30 June of the current year.

The Central Bank shall submit to the Parliament, for information purposes, its annual financial reports with the independent external auditor's opinion.

Publishing Financial Reports

Article 72

The Central Bank shall publish annual financial reports under Article 71 above on its website or via other electronic or printed media.

Informing the Public

Article 73

The Central Bank shall, regularly and timely, inform the public on the attainment of its objectives and the exercising of its functions, and particularly on macroeconomic analysis, financial and monetary stability, monetary and credit trends, and the balance of payments, and it may publish reports and studies on other financial and economic issues.

VIII. AUDIT

Internal Audit

Article 74

Internal audit shall perform ongoing and comprehensive monitoring of the Central Bank's activities in accordance with the general act of the Central Bank and internationally accepted standards of internal auditing.

Internal audit shall be managed by the Chief Internal Auditor, who shall be appointed by the Governor with the approval of the Council.

The Chief Internal Auditor shall be a person holding a university degree, of recognised personal reputation, and with at least five years of professional experience in accounting or auditing.

Provisions of Articles 51, 52 and 53 of this law shall apply accordingly to the Chief Internal Auditor.

The general act of the Central Bank referred to in paragraph 1 above shall specify in more detail the internal audit activities and reporting in accordance with the internationally accepted standards of internal auditing.

Audit Committee

Article 75

The Council shall establish the Audit Committee as the standing body of the Council.

The Audit Committee shall have three members, which shall not be full-time employees of the Central Bank, of which two members shall be members of the Council and one member shall be an external expert with the relevant experience in accounting or auditing.

The Audit Committee shall oversee and evaluate the functioning of the internal controls system; monitor and evaluate financial reporting: give opinion on the appointment of independent external auditor, and monitor and assesses the procedure of auditing of financial reports of the Central Bank, and monitor and analyse the compliance of the Central Bank's operations with the law, other regulations and general acts.

The Audit Committee shall oversee the effectiveness and efficiency of the internal audit function.

The Audit Committee shall submit reports on its activities to the Council on quarterly basis, as a rule.

The scope and method of work of the Audit Committee shall be regulated in more details under a general act of the Council.

The Audit Committee shall pass its rules of procedures.

Independent External Audit

Article 76

The audit of annual financial statements of the Central Bank may be performed by an independent external auditor having international experience in central banks audits.

The auditor under paragraph 1 above shall be appointed by the Council.

Independent external audit shall perform the audit referred to in paragraph 1 above in accordance with the International Standards on Auditing.

The independent external auditor shall have unrestricted access to business books, accounts and records and collecting of information from the Central Bank.

The independent external auditor may perform the audit of financial statements of the Central Bank for no more than three consecutive years.

Audit by the State Audit Institution

Article 76a

The pursuing of objectives and the execution of functions of the Central Bank may not be subject to audit by the State Audit Institution.

The internal documents and actions of the Central Bank that are not related to the pursuing of objectives and the execution of functions of the Central Bank shall be audited by the State Audit Institution in accordance with the law governing the state audit.

IX. OTHER PROVISIONS

Regulations and Other Acts of the Central Bank

Article 77

The Central Bank shall have the power to pass regulations necessary for the exercising of its functions granted to it under this or any other law.

The Central Bank shall pass regulations under paragraph 1 of this Article in the form of decisions.

The Central Bank may also issue binding individual acts.

The Central Bank shall keep records on passed regulations and other acts.

Administrative Penalties

Article 78

The Central Bank may impose administrative penalties against all persons violating this Law or any other law or regulation with respect to the pursuing of objectives and the exercising of functions of the Central Bank.

The administrative penalties within the meaning of paragraph 1 above shall include pecuniary fines and specific measures determined under this law or other regulations, such as written warnings, revocation of licenses, and other measures.

Immunity from Taxation

Article 79

The Central Bank shall be exempt from taxes, duties and levies as the government bodies and organisations, in accordance with the law.

Collection of Claims

Article 80

The Central Bank shall have the priority, without carrying out any court or other proceedings, in the collection of matured outstanding claims from debtors:

- from monetary assets of debtors kept in the account with the Central Bank;
- from the collateral security of debtors.

The Central Bank shall have the right to settle secured claims from the collateral security through a public sale or a direct agreement, upon the deduction of the costs of sale.

Protection of the Central Bank's Property

Article 81

The Central Bank's property and the property held and managed by the Central Bank, including gold, special drawing rights, currency, loans, deposits or securities, as well as income generated therefrom may not be subject to any measure of prohibition of disposing or execution prior to the passing of the final judgment by the competent court.

Court Protection

Article 82

An administrative dispute may be instituted by bringing an action against a Central Bank decision.

An action referred to in paragraph 1 of this Article shall not put off the execution of the Central Bank decision.

Legal Protection

Article 83

The Central Bank, a member of the Council, an employee of the Central Bank or any person authorised by the Central Bank shall not be held liable for damages that could be incurred during the performance of duties in accordance with the law and regulations passed on the basis of the law, unless it is proved that the particular action has been performed deliberately or as an act of gross negligence.

The Central Bank shall cover the expenses of protecting the persons under paragraph 1 above in court proceedings concerning the performance of their duties.

Obligation of Keeping Confidential Information and Data

Article 84

A member of the Council and employees of the Central Bank shall keep confidential the information and data which are considered secret in accordance with the law or another act.

The confidentiality obligation under paragraph 1 above shall last after the termination of function and/or employment in the Central Bank.

Notwithstanding paragraph 1 of this Article, members of the Council and the Central Bank employees may disclose information and data to third parties outside the Central Bank in accordance with the procedure established in the special act of the Central Bank, provided that:

- 1) the person to whom the information relates has given his/her explicit consent;
- 2) it represents the provision of assistance to the competent authorities in their enforcement of the law and at a court's order;
- 3) they are submitted to the external auditor of the Central Bank;
- 4) they are given to supervisory authorities of foreign banks and financial institutions and representatives of international financial institutions for the performance of their official duties;
- 5) the interest of the Central Bank in court proceedings and contractual relations requires the disclosure of such information and data.

Prohibition of Accepting Gifts

Article 85

A member of the Council during his/her term of office and employees of the Central Bank may not accept gifts or other types of benefits from persons with whom they have related business or financial interests if such acceptance would affect unbiased execution of their tasks and duties.

X. ORGANISATION OF WORK AND EMPLOYEES

Organisation of Work of the Central Bank

Article 86

The organization of the Central Bank performance shall be regulated in more detail in the Statute and other general acts of the Central Bank.

Rights and Obligations of Employees

Article 87

General labour regulations shall apply to the rights and obligations of employees of the Central Bank, unless otherwise specified under this law.

Earnings and other rights, obligations and responsibilities of the Central Bank employees in the pursuit of business and tasks shall be governed in more detail in the Statute, collective agreement and other general acts of the Central Bank.

The Governor shall decide on the employment in the Central Bank.

Employees of the Central Bank may not perform any activity for another employer, except based on a special approval of the Governor and provided that it is not contrary to the interests of the Central Bank.

Employees may not be guided by their political affiliations in performing their operations.

The Central Bank may open accounts for its employees.

The Central Bank may grant loans to its employees in accordance with a special act.

Xa. MEMBERSHIP OF MONTENEGRO IN THE EUROPEAN UNION

European System of Central Banks

Article 87a

The Central Bank shall be an integral part of the European System of Central Banks (hereinafter: the ESCB).

The operation of the Central Bank related to the ESCB may not be subject to audit performed by the State Audit Institution.

Independence

Article 87b

In accordance with Article 130 of the Treaty on the functioning of the European Union and Article 7 of the Statute of the ESCB and of the European Central Bank (hereinafter: the ECB), in pursuing the objectives and exercising the tasks and/or functions set in this Law, the Treaty on the European Union, the Treaty on the functioning of the European Union and the Statute of the ESCB and of the ECB, the Central Bank and members of its bodies shall not seek or take instructions from the European Union institutions and bodies, offices or agencies, from any government of an EU Member State or from any other body.

The European Union institutions and bodies and governments of the EU Member States undertake to respect the principle of independence of the Central Bank and not to seek to influence the members of the bodies of the Central Bank in the performance of their tasks and/or functions and shall not approve, cancel, annul or in any other way affect any decision within the Central Bank's authority.

Provisions of paragraphs 1 and 2 above shall be without prejudice to the powers of the ECB with regard to the Central Bank as specified in the Statute of the ESCB and of the ECB.

Central Bank Objectives

Article 87v

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

The Central Bank shall, without prejudice to pursuing its objective referred to in paragraph 1 above, support the general economic policies of the European Union with a view to contributing to the achievement of the objectives of the European Union, as laid down in Article 3 of the Treaty on European Union.

The Central Bank shall act in accordance with the principle of an open market

economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 119 of the Treaty on the functioning of the European Union.

The Central Bank shall work on pursuing the objectives and exercising tasks of the ESCB in accordance with the provisions of the Treaty on the Functioning of the European Union, the Statute of the ESCB and of the ECB, provisions of directly applicable EU regulations, and provisions of this Law.

Open Market and Credit Operations

Article 87g

In order to pursue the objectives and to exercise functions of the ESCB, and in accordance with general principles established by the ECB, the Central Bank may:

- 1) operate in the financial markets by buying and selling outright (spot and forward) or under repurchase agreement and by lending or borrowing claims, marketable instruments (whether in the European Union currency or in any other currency) and precious metals; and
- 2) conduct credit operations with credit institutions and other market participants, including lending being based on adequate collateral instrument.

In the event of an urgent, unforeseen and temporary liquidity need of a credit institution, the Central Bank may grant a short-term loan to a solvent credit institution, provided that the loan is secured by adequate collateral instruments.

The Central Bank may regulate in more detail the conditions for granting the loan under paragraph 2 above.

ECB Advisory Function

Article 87d

Proposals of laws and other regulations falling within the ECB responsibilities shall be submitted to the ECB for an opinion in accordance with Article 127(4) and Article 282(5) of the Treaty on the functioning of the European Union.

Protection of Banknotes and Coins against Counterfeiting

Article 87d

The Central Bank shall act in accordance with the European Union regulations in performing activities of the protection of euro denominated banknotes and coins against counterfeiting and distribution.

The Central Bank may, for the purpose of efficient performance of individual tasks within the responsibility of the protection of banknotes and coins against the counterfeiting and distribution, pass regulations governing direct implementation of the regulations referred to in paragraph 1 above.

The Central Bank regulations referred to in paragraph 2 above shall be fully harmonised with regulations of the European Union.

Responsibility for the Credit Institutions

Article 87e

The Central Bank shall issue and revoke licenses to credit institutions, supervise their operations, pass secondary legislation and other acts governing the operations and determining standards for safe and sound credit institutions' operations, and perform other operations from within its competences, in accordance with the EU regulations and provisions of the law governing credit institutions' operations.

Prohibition of Monetary Financing of the Public Sector

Article 87ž

Pursuant to Article 123 of the Treaty on the functioning of the European Union, the Central Bank may not enable overdraft facilities or any other type of credit facility in favour of the Government, other government bodies and organisations of Montenegro, local self-government units, persons whose founder or majority owner is the state of Montenegro or local self-government units in Montenegro, institutions, bodies, offices or agencies of the European Union, central governments of other Member States, regional, local or other public authorities in other Member States, other bodies governed by public law and public undertakings of other Member States, and it shall be prohibited from the purchase of debt securities directly from them.

Public sector monetary financing referred to in paragraph 1 above shall not apply to the exceptions stipulated in Article 123(2) of the Treaty on the functioning of the European Union.

Council Composition

Article 87z

The Council shall consist of five members.

Members of the Council shall be the Governor and four Vice-Governors.

The Governor shall chair the Council meetings.

Membership in the General Council of the ECB

Article 87i

The Governor of the Central Bank shall be a member of the General Council of the ECB.

Relief from Office

Article 87j

A member of the Council shall be relieved from office before the expiry of his/her term of office only if circumstances referred to in Article 14.2 of the Statute of the ESCB and of the ECB have occurred.

The Governor who has been relieved from office shall have the right to refer the decision of the Parliament of Montenegro of his relief to the Court of Justice of the European Union, and other members of the Council to the Administrative Court.

Submission of Confidential Information and Data

Article 87k

The Central Bank may, in accordance with the obligations under the Statute of the ESCB and of the ECB, submit to the ECB and other institutions and bodies of the European Union information and data that are considered confidential.

Information and data that are considered confidential shall not be made available to third parties outside the Central Bank although the conditions referred to in Article 84 paragraph 3 herein have been met if such disclosure would be contrary to the obligations and tasks of the Central Bank referred to in the provisions of the Treaty on the functioning of the European Union and the Statute of the ESCB and of the ECB, or if such disclosure would jeopardise the reputation or interests of the ECB and national central banks of the EU Member States.

Collection of Statistical Data

Article 87l

With a view to pursuing its objectives and exercising its tasks and/or functions specified herein, the Central Bank shall participate in the collection, processing, and disclosure of statistical data at least in the volume required in accordance with the Statute of the ESCB and of the ECB.

With a view to exercising its tasks and/or functions specified herein, the Central Bank shall cooperate with the ECB and other institutions and bodies of the European Union, competent bodies of Member States and third countries and international financial institutions.

The Central Bank may prescribe in its secondary legislation the following, in particular:

- 1) type of statistical data not covered in paragraph 1 above,
- 2) format in which data will be submitted to the Central Bank and uniform forms and other methods and measures, which will provide equalization of procedure for the collection, processing, distribution and disclosure of processed statistical data;
- 3) persons responsible for the submission of statistical data to the Central Bank, and
- 4) measures and procedures for providing and protecting data that are considered confidential in accordance with the law.

Xb. MEMBERSHIP OF MONTENEGRO IN THE EUROPEAN MONETARY UNION

Central Bank Tasks and/or Functions

Article 87lj

The Central Bank shall, in accordance with the Treaty on the Functioning of the European Union and the Statute of the ESCB and of the ECB, perform the following tasks and/or functions as a part of the ESCB:

- 1) participate in the definition and implementation of monetary policy of the European Union;
- 2) conduct operations in accordance with Article 219 of the Treaty on the Functioning of the European Union;
- 3) holds and manages international reserves that are not transferred to the ECB, and
- 4) ensures smooth operation of the payment system.

In addition to the tasks and/or functions referred to in paragraph 1 above, the Central Bank shall also perform the following tasks and/or functions:

- 1) oversee the maintenance of stability of the financial system as a whole and pass pertinent regulations and measures;
- 2) pass secondary legislation within its competence;
- 3) manage the issuing of coins in accordance with relevant regulations of the European Union;

- 4) manage assets referred to in Article 87c herein;
- 5) issue and revoke licenses and approvals in accordance with laws governing the operations of credit institutions, payment institutions, electronic money institutions and payment systems;
- 6) exercise supervision over persons whose operation is regulated by laws governing the operation of credit institutions, payment institutions, electronic money institutions, and supervision and oversight of payment systems;
- 7) open accounts for and accept deposits from credit institutions, execute payment transactions across these accounts and grant loans to credit institutions;
- 8) open accounts for government bodies and organisations, foreign credit institutions, central banks, international financial institutions, organisations donating funds to government bodies and organisations, and other entities in accordance with the law and other regulations, and perform payment transactions across these accounts;
- 9) collect and process statistical data;
- 10) regulate and improve the payment system;
- 11) act as the payment and/or fiscal agent towards international financial institutions and may be a representative of Montenegro in the international financial institutions;
- 12) act as the banker and the fiscal agent for Montenegro and perform other operations on behalf of Montenegro provided by the law, and
- 13) perform other activities as provided herein and other laws and special regulations.

In exercising its tasks/ and functions, the Central Bank shall fully implement the Statute of the ESCB and of the ECB, and in case of non-compliance of individual provisions of this law with the Statute of the ESCB and of the ECB, the provisions of the Statute of the ESCB and of the ECB shall prevail.

Issue of Euro Banknotes and Coins and their Protection against Counterfeiting

Article 87m

The Central Bank may issue euro banknotes in accordance with Article 128 (1) of the Treaty on the Functioning of the European Union and Article 16 of the Statute of the ESCB and of the ECB.

The Central Bank may issue euro coins subject to approval by the ECB of the volume of the issue.

The Central Bank shall apply rules on denominations and technical specifications of coins in accordance with Article 128(2) of the Treaty on the Functioning of the European Union.

The Central Bank shall determine the design of the coins to be issued applying relevant regulations of the European Union.

In performing the activities related to the protection of euro banknotes and coins against counterfeiting and distribution, the Central Bank shall fully act in accordance with the regulations of the European Union.

For the purpose of efficient performance of individual operations from the area of the protection of banknotes and coins against counterfeiting and distribution, the Central Bank may pass acts ensuring direct implementation of EU regulations.

Acts of the Central Bank referred to in paragraph 6 above shall be fully harmonised with the relevant regulations of the European Union.

Participation in International Monetary Institutions

Article 87n

By way of exception from Article 9 herein, the Central Bank may participate in the work of international monetary institutions only subject to approval of the ECB.

Minimum Reserves

Article 87nj

The ECB may require credit institutions to hold minimum reserve on accounts with the ECB and/or Central Bank in pursuance of monetary policy objectives.

The manner of calculation and determination of the required minimum reserves referred to in paragraph 1 above shall be performed in accordance with the ECB regulation.

In cases of non-compliance by a credit institution with the requirements set forth in paragraphs 1 and 2 above, the ECB shall be entitled to levy penalty interest and/or impose other sanctions to credit institutions.

The basis for minimum reserves and the maximum permissible ratios between those reserves and their basis, as well as the appropriate sanctions referred to in paragraph 3 above shall be determined in line with the EU regulation.

Other Instruments of Monetary Control

Article 87o

The Central Bank may apply other instruments of monetary control under the conditions and within the limits as defined by the provisions of Article 20 of the Statute of the ESCB and of the ECB.

Regulations for Implementing ECB Monetary Policy

Article 87p

When participating in the implementation of the monetary policy, the Central Bank shall act in accordance with the regulations of the ECB and other competent bodies of the European Union.

The Central Bank may adopt implementing regulations for the application of regulations referred to in paragraph 1 above with the prior opinion of the ECB.

The Central Bank regulations referred to in paragraph 2 above shall be in accordance with the ECB regulations.

External Operations

Article 87r

In accordance with the provisions of Article 23 of the Statute of the ESCB and of the ECB, the Central Bank may:

- 1) establish relations with central banks and financial institutions in other countries and, where appropriate, with international organisations;
- 2) acquire and sell spot and forward all types of foreign exchange assets and precious metals;
- 3) hold and manage the assets referred to in points 1) and 2) above, and
- 4) conduct all other types of banking transactions in relations with third countries and international organisations, including borrowing and lending operations.

Foreign exchange assets, within the meaning of paragraph 1 point 2) above, shall include securities and other assets in any foreign currency of unit of account in whatever form held.

Subscription of the ECB Capital

Article 87s

The Central Bank shall subscribe and pay up the capital of the ECB in accordance with Articles 28 and 29 of the Statute of the ESCB and of the ECB.

Transfer of a Portion of Foreign Reserves

Article 87t

The Central Bank shall transfer to the ECB a portion of foreign reserves in accordance with Article 30 of the Statute of the ESCB and of the ECB.

The Central Bank may, if so entrusted by the ECB, manage the transferred portion of foreign reserves referred to in paragraph 1 above in the name and for the account of the ECB, as set out in the guidelines of the ECB.

Asset Management

Article 87ć

The Central Bank shall manage a portion of foreign reserves that have not been transferred to the ECB, as well as other assets recorded in the Central Bank balance sheet as at the date of Montenegro's accession to the European Monetary Union.

The Central Bank shall manage the assets referred to in paragraph 1 above in accordance with its own rules and the principles of liquidity and safety of investment.

The performance of transactions in the management of foreign reserves referred to in paragraph 1 above that have exceeded a limit set out in the guidelines of the ECB, as well as a transaction with the foreign exchange working balances of the Montenegro that have exceeded a limit set out in the guidelines of the ECB, shall be subject to the approval of the ECB.

By way of exception from paragraph 3 above, the performance of transactions in the fulfilment of obligations towards international organisations shall not be subject to approval of the ECB.

The Central Bank may, if so entrusted by the ECB, manage the transferred portion of foreign reserves referred to in Article 87t of this Law in the name and for the account of the ECB, as set out in the guidelines of the ECB.

Payment System

Article 87u

The Central Bank shall ensure the conditions for a safe and efficient functioning of payment system within and outside the European Union applying the regulations of the ECB and of other competent bodies of the European Union.

The Central Bank may adopt implementing regulations providing for the application of regulations referred to in paragraph 1 above.

All implementing regulations referred to in paragraph 2 of this Article must be fully in line with the regulations of the ECB and of other competent bodies of the European Union.

Powers of the Council Article 87f

The Council shall:

- 1) pass regulations and other legal documents for pursuing the objectives and executing tasks and/or functions of the Central Bank based on the powers specified in this and other laws, the Statute of the ESCB and of the ECB and other relevant regulations of the European Union;
- 2) pass regulations governing the issue of coins if the Central Bank has relevant authorisation in accordance with the Statute of the ESCB and of the ECB and other relevant regulations of the European Union;
- 3) decide on the membership and participation in the work of the Central Bank in international institutions;
- 4) decide on the membership of the Central Bank in international monetary institutions, subject to the approval of the ECB;
- 5) adopt the Statute of the Central Bank;
- 6) decide on the issue and withdrawal of the licenses and approvals of the credit institutions in accordance with the regulations governing the operations of the credit institutions;
- 7) grant approval for merger to credit institutions and acquisition of shares of credit institutions in accordance with the law governing the operations of the credit institutions, unless granting of such an approval is under the competence of the bodies of the European Union;
- 8) decide on the issue and withdrawal of approval for providing payment services to a payment institution in accordance with the regulations governing the operations of the payment institutions;
- 9) decide on the issue and withdrawal of approval for issuing e-money to the electronic money institution in accordance with the regulations governing the operations of the electronic money institutions;
- 10) decide on the issue and withdrawal of licenses for work of payment systems in accordance with the establishment and work of the payment systems;

- 11) decide on the introduction of safety and other measures for the purpose of maintaining the stability of the financial system as a whole;
- 12) adopt reports to be submitted to the Parliament and Government;
- 13) adopt financial plan and financial statements of the Central Bank;
- 14) determine the tariff for the calculation of fees for services performed by the Central Bank;
- 15) adopt also other legal documents subject to the proposal of the Governor and Vice-Governors;
- 16) perform also other operations specified in this and other laws and the Statute of the Central Bank.

Membership in the ECB Governing Council

Article 87h

The Governor shall be member of the Governing Council of the ECB.

Financial Result and Allocation of Profit

Article 87c

The financial result - profit or loss of the Central Bank shall be determined for each financial year, as the difference between income and expenses which the Central Bank realizes in exercising its tasks and/or functions.

A portion of profit in the amount of 50% of profit determined in accordance with paragraph 1 above shall be allocated to general reserves.

A portion of profit may be allocated into special reserves in the amount determined by the Council and it may not exceed 10% of profits specified in accordance with paragraph 1 above.

The remaining profit shall make the revenue of the budget of Montenegro.

Financial Statements and Appointment of Auditor

Article 87č

The Central Bank shall draw up and disclose financial statements in accordance with the accounting standards, rules and guidelines of the ECB.

A portion of monetary income of the ESCB and ECB incurred during the implementation of joint monetary policy determined by the ECB in accordance with the Statute of the ESCB and of the ECB shall be included in annual financial statements of the Central Bank.

Audit of the Central Bank's financial statements shall be performed by an independent external auditor.

The decision on the appointment of an independent external auditor to audit Central Bank's financial statements shall be passed in accordance with the provisions of Article 27(1) of the Statute of the ESCB and of the ECB.

ECB Guidelines and Sanctions

Article 87dž

The Central Bank may, in the areas from the ECB competence regulated by the ECB guidelines, pass implementing regulations providing for the application of the ECB guidelines, subject to the approval of the ECB.

The Central Bank shall apply the ECB sanction system.

The Central Bank shall participate in the procedure of imposing ECB sanctions in accordance with the regulations of the ECB and other regulations of the authorities of the European Union.

The provisions of this Law governing offences shall not apply in cases when the actions constituting offence are subject to the ECB sanctions.

XI. PENALTY PROVISIONS

Offences

Article 88

A pecuniary fine ranging from EUR 2,000 to EUR 20,000 shall be imposed against a credit institution or another legal person if they:

- 1) miscalculate minimum reserves or fails to allocate and/or maintain minimum reserves (Article 18 paragraph 3);
- 2) fails to submit the prescribed data, information and reports to the Central Bank within the prescribed timeframe (Article 29 paragraph 2).

For the offences specified in paragraph 1 above, a responsible person in the credit institution shall be fined in the amount ranging between EUR 500 and EUR 2,000.

XII. TRANSITIONAL AND FINAL PROVISIONS

Continuance of the Central Bank Activities

Article 89

The Central Bank established by the Law on the Central Bank of Montenegro (OGRM 52/00, 53/00, 47/01, 04/05) shall continue its activities under that law and shall continue with independent managing, use and disposing of property acquired to the effective date of this law.

Provision of Initial Capital

Article 90

The initial capital under Article 12 paragraph 1 of this Law shall be provided from the founding capital set in the Law on the Central Bank of Montenegro (OGRM 52/00, 53/00, 47/01, 04/05) and from general reserves at the Central Bank's disposal as at the day of entry into force of this law.

Should the funds referred to in paragraph 1 of this Article be insufficient to provide the initial capital of the Central Bank in the amount specified in Article 12 paragraph 1 of this Law, any shortfall in funds shall be provided from the budget of Montenegro.

Compliance and Passing of Acts of the Central Bank

Article 91

The Central Bank shall bring its Statute into compliance with this law within six months following the day of entry into force of this Law, and other acts referring to internal operation of the Central Bank no later than one year from the day of entry into force of this Law.

The Central Bank shall pass regulations and general acts within the authority granted to it under this law no later than one year following the day of entry into force of this law.

Provisions of the regulations and acts passed pursuant to the Law on the Central Bank of Montenegro (OGRM 52/00, 53/00, 47/01, 04/05) shall remain in effect until the passing of the Statute, regulations and acts under paragraphs 1 and 2 above.

Deadline for Compliance

Article 91a

The Central Bank shall bring its regulations and general acts in line with this Law within one year following the day of entry into force of this law.

The regulations and general acts passed pursuant to the Central Bank of Montenegro Law (OGM 40/10, 06/13) shall remain in effect until the passing of the regulations and general acts under paragraph 1 above.

Status of the Members of the Council

Article 92

Members of the Council of the Central Bank pursuant to this law shall be appointed within 90 days following the day of entry into force of this law.

Until the appointment of the Council members referred to in paragraph 1 above, functions of the members of the Council of the Central Bank shall be performed by members of the Council of the Central Bank appointed pursuant to the Law on the Central Bank of Montenegro (OGRM 52/00, 53/00, 47/01, 4/05).

Exercising of Rights of Members of the Council

Article 93

Provisions of Article 61 of this Law shall also apply to the executive officers of the Central Bank appointed pursuant to the Central Bank of Montenegro Law (OGRM 52/00, 53/00, 47/01, 4/05) being the Council members as at the day of entry into force of this law.

Status of the Central Bank Council Members

Article 93a

The Vice-Governor for the Banking Supervision and the Vice-Governor for Financial Stability and Payment System appointed before the entry into force of this Law shall continue to act as the Vice-Governors until the expiry of their terms of office.

Until the passing of the decision of transferring certain tasks to the Vice-Governors in accordance with Article 45 paragraph 7 herein, the Vice-Governors referred to paragraph 1 above shall continue to perform their tasks until the entry into force of this Law.

The Governor shall submit a proposal for appointing one Vice-Governor referred to in Article 46 paragraph 2 herein within 30 days following the day of entry into force of this Law.

Status of the Central Bank Council Members as of the Day of Montenegro's Accession to the European Union

Article 93b

As of the day of Montenegro's accession to the European Union, the Governor and the Vice-Governors that performed the function of the Governor and/or Vice-Governors shall continue to perform their tasks until the expiry of their term of office.

As of the day of Montenegro's accession to the European Union, terms of office of the members of the Council not employed with the Central Bank who have been appointed pursuant to Article 50 paragraph 2 herein shall expire.

The Governor shall submit the proposal for appointing the Vice-Governors referred to in Article 87z paragraph 2 herein within 30 days before the day of Montenegro's accession to the European Union.

Deferred Application

Article 93c

At the proposal of the Central Bank, the Parliament of Montenegro shall manage state property referred to in Article 6 herein that exceeds the value of EUR 150.000.000 until the day of Montenegro's accession to the European Union.

Provisions of Articles 87a through 87l herein of this Law shall be applied as of the day of Montenegro's accession to the European Union.

Provisions of Articles 87lj through 87dž of this Law shall be applied as of the day of Montenegro's accession to the European Monetary Union.

Cease of Validity of the Law

Article 94

The Law on the Central Bank of Montenegro (OGRM 52/00, 53/00, 47/01, 4/05), except the provisions under Article 1 paragraph 3 of therein that shall remain in effect until the passing of the special law regulating the legal tender in Montenegro, shall be repealed as of the day of entry into force of this Law.

**Cease of Validity of Provisions of this Law as of the Day of Montenegro's
Accession to the European Union and/or European Monetary Union**

Article 94a

As of the day of Montenegro's accession to the European Union, provisions of Articles 4, 7, 15, 16, 28, 35 and 43, Article 44 paragraph 4, Article 46, Article 50 paragraph 2, Articles 53, 56, 60, 75 and Article 88 paragraph 1 point 4 herein shall be repealed.

As of the day of Montenegro's accession to the European Monetary Union, provisions of Article 5 paragraph 1, Articles 14, 18, 19 to 24, Article 44 paragraph 2, Article 45 paragraph 2 points 4 and 5, Article 65 paragraph 2, Articles 66, 67, 68 and 69, Article 71 paragraph 4, Article 76 and Article 88 paragraph 1 point 1 herein shall be repealed.

Cease of Validity of Provisions of the Law

Article 94b

Provision of Article 4 paragraph 3 of the Law on the State Audit Institution (OGRM 28/04, 27/06, 78/06 and OGM 17/07, 31/14) shall be repealed as of the day of entry into force of this Law.

Entry into Force

Article 95

This Law shall enter into force on the eighth day following that of its publication in the Official Gazette of Montenegro.