

FOREIGN INVESTMENT LAW

I Basic provisions

FOREIGN INVESTMENT

Article 1

Foreign investors can, in order to conduct economic activities in the Republic of Montenegro (in text: Republic), invest in business entity and other organizations conducting economic activities or services (in text: "business entity"), establishing/fund business entity and conduct other investments, in accordance with this and other laws.

FOREIGN INVESTOR

Article 2

Foreign investor, in the word of this law, is a:

- foreign legal entity which headquarters is abroad;
- foreign citizen;
- Yugoslav citizen whose residence or stay abroad is longer than one year;
- company with over 25% of foreign capital and
- business entity established/founded by a foreigner in the Republic.

JOINT FOREIGN AND DOMESTIC INVESTMENTS

Article 3

A ministry as in provision 1 of this article is obliged to, within 30 days from the day when the application was received, issue a decision.

If decision is not issued within

- 1) manage, or participate in management of the business entity;
- 2) transfer rights and obligations resulting from the contract on investment or contract, or decision on establishing a

TRANSFER OF ASSETS

Article 19

Transfer of funds to a foreign investor abroad, after settling all dues to the Republic, in accordance with law, is free on the basis of:

- 1) return of the investment, repatriation of a part in net assets of the business entity after it was sold or it ended its operations;
- 2) earned profit in accordance with a contract or establishing/founding act.

INTERNATIONAL ACCOUNTING STANDARDS

Article 20

Foreign investor keeps business books, accounts and documentation in accordance with the international accounting norms and standards.

INTELLECTUAL PROPERTY RIGHTS

Article 21

Foreign investor shall be entitled to protection of a patent, trademark, design, topography of integrated circuits, indications of geographic origin, copyright and related rights in accordance with law.

ENVIRONMENT PROTECTION

Article 22

Foreign investor when conducting economic activities is obliged to act in accordance with regulation of protection of the environment.

INVESTMENT INSURANCE

Article 23

Foreign investors are obliged to insure their investment in accordance with regulations on insurance.

EMPLOYMENT AND ENGAGEMENT OF DOMESTIC AND FOREIGN PERSONS

Article 24

For the purposes of conducting economic activities foreign investors can employ local nationals and foreign individuals as well as engage individuals and legal entities in accordance with law.

Article 25

Employees of a foreign investor have rights and obligations set by law, collective agreement (explanation – agreement concluded between the labor and employers' unions) and conventions of the International Labor Organization (ILO) and other international standards.

EMPLOYMENT BY LABOR CONTRACTS

Article 26

The mutual rights and obligations of an empl

Foreign investor has a right to be indemnified for damages caused by illegal or irregular conduct of the Government officials or agencies, in accordance with law.

THE RESPONSIBILITY OF THE GOVERNMENT OFFICIALS AND FOREIGN INVESTORS

Article 31

State clerks/officials who act contradictory to provisions of this law and do not uphold the Convention on eradication of bribery and corruption of foreign state employees in international business transactions are responsible in accordance with regulations.

Foreign investor who does not act in accordance with provisions of this law and Convention as in provision 1 of this article can be banned from conducting economic activities in the Republic.

IV Contracts and other acts on foreign investment

Article 32

Investment of foreign investors is regulated through contract on investment or contract on establishing/founding, which is concluded in the written form, or decision on establishing/founding, if a business entity is established by one foreign investor.

Article 33

Contract on investment or contract on establishing/founding can be concluded and decisions on establishing/founding reached on limited or unlimited period of time.

CONTRACT ON INVESTMENT

Article 34

Contract on investment includes provisions on:

- 1) parties to the contract
- 2) business entity in which it is invested and which conducts operations for parties to the contract;
- 3) goals, or activities and operations which are subjects to the contract;
- 4) sort and level of investment and other obligations of parties to the contract in respect of financing of joint operations;
- 5) management of operations;
- 6) distribution of profit and covering of losses;
- 7) responsibilities of parties to the contract in joint operations;
- 8) lasting of the contract on investment (period of time)
- 9) mode of return of the investment
- 10) conditions and procedure of breaking the contract
- 11) settling of disputes
- 12) and other terms which investors agree upon consistent with the law.

CONTRACT AND DECISION ON FOUNDING OF A BUSINESS ENTITY

Article 35

Contract, or a decision on establishing/founding of a business entity, includes provisions on:

- 1) the name and headquarters of the business entity;
- 2) name, i.e. firm and address, or headquarters of the founder;
- 3) activities of the business entity;
- 4) founding capital ;
- 5) rights, obligations and responsibilities of the founder towards the business entity and those of the business entity towards the founder;
- 6) conditions and ways of distribution of profit and sharing of risks;
- 7) representative of the business entity;
- 8) protection of the environment;
- 9) lasting of contract, or the decision on establishing/founding;

Contract, or a decision on founding/establishing, depending of the sort of the business entity that is being established, includes other provisions in accordance with law which are regulating legal status of a business entity, as well as other provisions on which founders agree upon.

V Filing and promotion of foreign investments

FILING AND PROMOTION

Article 36

Contract on investment or contract or decision on establishing/founding, is filed with the Agency in charge of foreign investments with its special department (hereinafter referred to as: the Agency), for the purposes of their promotion.

Article 37

Changes and additions (reinvestment of profit, added investment of foreign investor, purchase of shares, transfer of foreign investment from one person to another etc.) and end of contract on investment or contract, or decision on establishing/founding are filed with the Agency for the purposes of their promotion.

Article 38

Business entity that is being founded with assets of a foreign investor is registered in the registry with the relevant court, of which fact the court shall inform the Agency for the promotion purposes.

Business entities which are founded in sectors as in Article 7 of this law are registered in the registry with the relevant court, after these business entities receive permits from the relevant ministry.

Provision 2 of this article relates also to investments of foreign investors in a business entity in sense of Article 9 of this law.

VI Settlement of disputes

Article 39

Disputes which occur on the basis of investment of foreign investors are dealt with by the relevant court in the Republic, if by contract on investment or by decision on establishment/founding, is not provided that such disputes are settled through domestic or foreign arbitration in compliance with the international conventions.

If a contracting party is the Government of the Republic of Montenegro then until the Convention for the Settlement of Investment Disputes is signed, the disputes arising from foreign investments shall be resolved in accordance with the ICSID Additional Facility through domestic or foreign arbitration.

If the contracting parties are domestic or foreign individuals or business organizations disputes arising from foreign investments shall be resolved through domestic or international arbitration using the UNCITRAL (United Nations Commission on International Trade Law) Rules.

Any damage awards arising from the settlement of foreign investment disputes shall be binding, final and enforceable in a tribunal possessing jurisdiction.

VII Transitional and Final Provision

THE IMPLEMENTATION OF MORE FAVORABLE LAWS

Article 39

The more favorable laws shall be implemented on foreign investments if they will be enacted during the implementation of this law.

COMING INTO FORCE

Article 40

This law is effective on the eighth day from the day it is published in "The Official Gazette of the Republic of Montenegro".