

Unofficial translation

Pursuant to Article 82 paragraph 1 point 2 and Article 91 paragraph 1 of the Constitution of Montenegro, the 24th Parliament of Montenegro at the tenth

- 6) “**Council of the Central Bank**“ is the governing body of the Central Bank in accordance with Article 44 above;
- 7) “**Governor of the Central Bank**“ is the managing body of the Central Bank in accordance with Article 45 hereof;
- 8) “**Audit Committee**“ is a the permanent body of the Council of the Central Bank;
- 9) “**Chief Internal Auditor**” is the person managing the internal audit of the Central bank.

Central Bank Status

Article 3

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Central Bank Cooperation with Government Authorities 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 state bodies and organisations, and take any actions within its authority to promote this cooperation.

The Government shall submit to the Central Bank, upon its 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, upon its request, data and information necessary for the achievement of the objective and the exercising of functions of the Central Bank, except for 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 has its own seal that contains the title “Central Bank of Montenegro” and the coat of arms of Montenegro.

The Central Bank has its Statute which is published in the “Official Gazette of Montenegro”.

II. CENTRAL BANK CAPITAL

Central Bank Capital

Article 11

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 the pertinent regulations and measures;
- 2) issue licenses and approvals to banks and financial institutions and supervise banks and financial institutions;
- 3) carry out bankruptcy and liquidation proceedings against banks and financial institutions in line with the law;
- 4) regulate and oversee the national and international payment systems;
- 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 oversee these payment systems;
- 7) manage the international reserves;
- 8) act as payment and/or fiscal agent towards international financial institutions and may be a representative of Montenegro in international financial institutions;
- 9) perform macroeconomic analyses, including monetary, fiscal, financial and the balance of payments analyses, and tender economic policy recommendations to the Government;
- 10) identify, analyse and assess the impact of certain factors on the financial system stability as a whole, which are in accordance with this law and law governing statistics and statistical system;
- 11) collect and statistically process data and information of importance for the achievement of objectives and the exercising of functions of the Central Bank;
- 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 banks, state bodies and organisations and financial institutions and other parties in accordance with the regulations;
- 15) open accounts for banks and financial institutions, state bodies and organisations, foreign banks, central banks, international financial institutions, organisations donating funds to state bodies and organisations, and other entities in accordance with the law and other regulations, and provide financial services for those accounts;

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financial assistance, and the request for financial assistance is based on the bank's or the financial institution's need to improve their liquidity.

Financial assistance under paragraph 1 above may only be granted by the Central Bank for a period not exceeding 90 calendar days. On the basis of a programme specifying the remedial measures that the supervised bank or the financial institution concerned will be taking, this financial assistance may be renewed once, under the same conditions, for an additional period not exceeding 90 calendar days. In all the aforesaid cases, the financial assistance granted must be repaid within 180 calendar days.

The Central Bank Council shall determine the minimum value of the collateral deposited to secure the financial assistance granted or renewed. That value shall exceed the nominal value of the financial assistance granted or renewed.

If the Central Bank ascertains that the assisted supervised bank or financial institution did not implement the remedial measures under paragraph 3 above, or that these measures did not achieve the results intended, the Central Bank shall take appropriate measures.

Where the provision of emergency financial assistance is, in the Central Bank's opinion, needed to a bank or financial institution with a view to preserving the financial system stability or implementing the programme specifying the remedial measures, the Government may approve emergency liquidity assistance to a bank or financial institution, including to those that do not qualify for such assistance under paragraphs 1 to 5 above.

When providing emergency financial assistance referred to in paragraph 6 above, the Central Bank shall act as the agent of the Government.

The ministry responsible for the finance operations and the Central Bank shall prescribe in more detail the conditions and procedures for providing financial assistance referred to in paragraph 6 above.

Reserve Requirements

Article 18

The Central Bank shall prescribe the obligation for banks 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 banks on allocated reserve requirements.

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

The compensations under paragraphs 2 and 3 above shall be prescribed by the Central Bank.

Other Monetary Policy Measures and Instruments

Article 19

In the pursuing 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 of this Article 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).

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 prescribe the managing of the international reserves in more detail.

Structure of International Reserves

Article 21

The international reserves shall comprise:

- 1) gold held by or for the account of the Central Bank, including credit balances in accounts for gold;
- 2) banknotes and coins denominated in freely convertible foreign currencies held by or for the account of the Central Bank;
- 3) credit balances and interbank deposits payable in freely convertible

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 bank

Redemption of Banknotes and Coins

Article 26

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

financial institutions or by the nature of their business, except information considered confidential in line with the law.

Measures against Banks and Financial Institutions

Article 30

In case a bank or a financial 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 against, and other obligations on, such a bank or financial institution, including pecuniary fines, in accordance with the law.

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

Central Bank Cooperation with Foreign Supervisory Authorities

Article 31

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

The exchange of information obtained in cooperation under paragraph 1 above shall not be considered a disclosure of confidential information.

5. Payment Transactions and Systems

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The Central Bank may request data and information from the state bodies and organisations, banks and other entities, which 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 foreign authorities and international institutions.

The Central Bank shall publish, in particular:

- 1) statistical data of importance for the exercising of its functions;
- 2) information on the methodology applied in the processing of statistical data; and
- 3) relevant statistical data that are submitted to the international financial institutions.

Central Bank Information System

Article 36

With a view to efficiently achieving its objectives and exercising its functions, the Central Bank shall develop an automated information system and it may prescribe the manner of connecting banks and financial institutions to this system.

7. Other Activities

Credit Registry

Article 37

The Central Bank shall establish and keep the registry of specific persons` credit obligations towards banks and financial institutions (hereinafter: the Credit Registry).

Banks and financial institutions shall furnish the Central Bank with data and information required for the maintenance of the Credit Registry.

The Central Bank shall, by regulation, prescribe the type, manner and time limits 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

liabilities, etc.) that the Central Bank obtains in accordance with the specific contracts signed with the appropriate entities.

Banks, financial institutions and other persons may use data and information

Participation in the Legislative Procedure

Article 40

The Central Bank shall have the right to prepare draft laws related to the

Prohibition on Lending

Article 43

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

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

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- 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 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 banks, financial institutions, and payment systems;
- 10) pass other decisions and acts within the Central Bank's authority which are not to be passed by the Council;
- 11) appoint persons with special powers and responsibilities, unless otherwise stipulated under this law;
- 12) decide on financial-material performance;
- 13) decide on the information system functioning and development;
- 14) decide on employment 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 the speech and upon invitation speak before the Parliament and its bodies with regard to the 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 next Council meeting.

Should the Governor deem that an act passed by the Council contravenes the J16.2622 0 TD.0

The Governor may delegate some of the managerial tasks within his authority to the Vice-Governors, persons with special powers and responsibilities, or other employees in accordance with the Statute.

Council Composition

Article 46

The Council shall consist of seven members.

Members of the Council shall be the Governor, Vice-Governor for the banking system supervision, Vice-Governor for the financial stability and payment system and four members.

The Governor shall chair the Council meetings.

Article 47

Vice-Governor for the banking system supervision shall perform operations related to the supervision of the banking system.

Vice-Governor referred to in paragraph 1 above shall, in exercising his/her powers, propose to the Governor decisions and other acts during the supervision of banks and financial institutions.

Article 48

Vice-Governor for the financial stability and payment system shall perform operations related to the financial stability and payment system.

Vice-Governor referred to in paragraph 1 above shall, in exercising his/her powers, propose to the Governor respective decisions and other acts.

Term of Office of Council Members

Article 49

Members of the Council shall be appointed for the period of six years and may not serve more than two terms, in accordance with this law.

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.

Appointment of Council Members

Article 50

Members of the Council shall be appointed by the Parliament.

The Governor shall be appointed by the Parliament, upon the proposal of the

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 related with him/her before the interests of the Central Bank.

The member of the Council shall submit to the Council a report on his/her accomplishment of direct or indirect financial interests and those of the related parties, in the manner to be prescribed by the Central Bank.

The member of the Council shall submit a written statement to the Council presenting the facts under Article 51 paragraphs 2 to 6 hereof and the report under paragraph 2 of this Article within 15 days following his/her appointment and once a year by the end of February in the current year for the previous year.

Whenever 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 counted for the purpose of constituting a quorum.

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 conflict of interest.

Relieving of Duty

Article 53

A member of the Council shall be relieved of duty prior to the expiry of his/her term of office if:

- 1) it has been established, after his/her appointment, that he/she had been appointed based on inaccurate and/or incorrect information or if any of the circumstance under Article 51 paragraphs 2 to 5 hereof has occurred;
- 2) he/she has been sentenced to unconditional prison or convicted of offence which makes him/her unworthy of performing the function of the Council member or has been subject to the prohibition of further conduct of work or duty imposed by the competent authority;
- 3) he/she has made deliberately or by gross negligence a serious omission in performing his/her function;

- 4) he/she requests the relieve of duty personally;
- 5) he/she has become a debtor in the bankruptcy proceedings.

A member of the Council may be relieved of duty if he/she fails to perform his/her duties for a consecutive period of more than three months without approval of the Council, if he/she is unable to perform the functions of such an office because of illness for a consecutive period of more than six months or fails to submit or submits a false statement and the report under Article 50 paragraph 3 of this law.

A member of the Council may not be relieved of duty for reasons other than those specified under paragraphs 1 and 2 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 for the term of office of the member of the Council.

A member of the Council seeking to be relieved of duty must previously notify the Council thereon in writing, at least 60 days in advance before submitting his/her resignation to the Parliament.

Determining Conditions for Relieving of Duty

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 of duty of a Council member and shall immediately inform the Parliament thereof and propose the relieving of duty of the Council member.

If the Parliament fails to relieve of duty 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 the conditions for the relieving of duty 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 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 of Duty

Article 56

A decision on the removal from office of a Council member shall be final, and the discontented party may seek protection before the competent court within 30 days following the receipt of the decision on the relieving of duty.

Vacancy on the Council

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 until the expiry of the remaining term of the replaced member.

Governor and Vice-Governor Employment Status

Article 58

The Governor and the Vice-Governors shall be employees of the Central Bank and they 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 body or an employee of a bank,0008 Tc2

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Other persons may attend the Council meetings by invitation, without the right to decide.

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 by majority votes of all members of the Council on the issues under Article 44 points 1), 4), 6), 7), 8), 9), 10), 12), 16) and 17) hereof, and on the transfer of competence to the Governor, whereas on other issues within its competence the Council shall decide by the majority votes of the present Council members, provided that in case of tie vote, the Governor shall have the casting vote.

The Council shall adopt the rules of procedure of the Council.

The rules of procedure of the Council may establish that the Council meetings and decision-making may take place via telephone conference call or, in case of emergency, via other means of communication.

Transparency of the Council Operations

Article 63

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

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

Minutes of the Council Meetings

Article 64

Minutes shall be kept at the Council meetings.

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- 4) Expenses from investments in securities;
- 5) FX translation losses;
- 6) Material and non-material expenses and depreciation costs;
- 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

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

The Central Bank shall submit to the Parliament, for information purposes, 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, 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, including, but not limited to:

- 1) evaluating the effectiveness of the Central Bank's risk management;
- 2) assessing the functioning of the internal controls system in the Central Bank;
- 3) performing periodical audits of the work of employees and all organizational units of the Central Bank to ensure the implementation of the law and other acts regulating the Central Bank activities;
- 4) performing the audit of accounts and accounting procedures and controls in the Central Bank;

- 5) examining financial reports of the Central Bank and the supporting documents and cooperates with independent external auditor of the Central Bank;
- 6) communicating appropriate recommendations to the Governor and the Audit Committee for the correction of identified deficiencies and makes continuous follow-up on their realization.

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, recognised personal reputation and at least a five-year 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 type, scope and time limits for the performance of internal audit and the manner of reporting shall be prescribed in more details by the general act of the Central Bank in accordance with the internationally accepted internal auditing standards.

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, audit of the 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, as a rule, on quarterly basis.

The scope and modus operandi of the Audit Committee shall be regulated in more details by the general act of the Council.

The Audit Committee shall pass the rules of procedures.

Independent External Audit

Article 76

The audit of financial statements of the Central Bank shall be performed by an internationally recognized independent external auditor in accordance with the International Standards on Auditing.

The internationally recognized independent external auditor shall have unrestricted access to business books, accounts and records and obtain information about transactions of the Central Bank.

The auditor referred to in paragraph 1 above shall be appointed by the Council with the previously acquired approval of the working body of the Parliament responsible for financial affairs.

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

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 Law or other laws.

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

Notwithstanding paragraph 1 of this Article, members of the Council and 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 auditors 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 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 an 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 work and business operations of the Central Bank, as well as the rights, obligations and responsibilities of employees in the Central Bank shall be regulated in more details in the Statute and other general acts.

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.

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 the general act.

XI. PENALTY PROVISIONS

Offences

Article 88

A pecuniary fine ranging from EUR 1,000 to EUR 10,000 shall be imposed against a bank, a financial institution or another party if they:

- 1) improperly calculate or fail to allocate and/or hold reserve requirements within the prescribed time limit (Article 18 paragraph 3);
- 2) reproduce and design objects resembling in appearance the banknotes, coins, cheques, securities and payment cards which are in circulation in Montenegro, without the approval of the Central Bank (Article 27);
- 3) fail to provide the prescribed data, information or reports to the Central Bank (Article 29 paragraph 1);
- 4) fail to provide the prescribed data and information to the Central Bank (Article 35 paragraph 2);
- 5) fail to provide the Central Bank with the data required for the Credit Registry (Article 37 paragraph 2).

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

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

Status of the Members of the Council

Article 92

Members of the Council of the Central Bank pursuant to this law shall be