

Pursuant to Article 44 paragraph 2 point 3 and in conjunction with Article 16 of the Central Bank of Montenegro Law (OGM 40/10, 46/10, 06/13, 70/17), the Council of the Central Bank of Montenegro, at its meeting held on 30 November 2017, passed the following

DECISION
on detailed conditions for granting loans to banks in case of their liquidity needs

I. BASIC PROVISIONS

Article 1

The decision governs detailed conditions for granting loans to banks licensed by the Central Bank of Montenegro in case of their liquidity needs (hereinafter: the liquidity loan).

Article 2

The Central Bank of Montenegro (hereinafter: the Central Bank) may grant a liquidity loan to a solvent bank.

The bank shall use the liquidity loan granted exclusively for meeting its due liabilities to depositors and other creditors of the bank.

The bank shall keep separate records on the use of the liquidity loan funds for the purposes referred to in paragraph 2 above.

Article 3

The Central Bank of Montenegro may grant a liquidity loan to a bank in the form of:

- 1) intraday liquidity loan,
- 2) overnight liquidity loan, or
- 3) short-term liquidity loan.

The Central Bank shall grant the liquidity loan from funds allocated for this purpose by the Council of the Central Bank.

Article 4

The Central Bank may grant the liquidity loan provided that it has been secured by securities issued by the State of Montenegro, EU Members States, and

international financial institutions or secured by any other collateral deemed acceptable by the Central Bank, except immovable properties.

Article 5

The nominal value of securities issued by the State of Montenegro, EU Members States, and international financial institutions and/or the market value of other collateral offered as security for the liquidity loan shall be no less than 110% of the loan value.

In case the market value of securities and other collateral offered as security against the liquidity loan has fallen by more than 5 percentage points of the initially agreed percentage for collateralising the loan, the bank shall, at the Central Bank's request, provide the additional collateral referred to in Article 4 herein or return a portion of the liquidity loan with a view to complying with the initially agreed percentage for collateralizing the loan.

Article 6

In case of collateral referred to in Article 4 herein that has agreed maturity, that maturity must exceed that of the liquidity loan.

Article 7

The lien on collateral referred to in Article 4 herein shall be registered to the benefit of the Central Bank in accordance with regulations and the provisions of this Article.

The lien on domestic securities referred to in Article 4 herein shall be registered on the proprietary account of the securities holder with the registry kept in Montenegro, in accordance with the law.

The lien on foreign securities referred to in Article 4 herein shall be registered with the Clearstream Banking having its head office in Luxembourg.

The lien on other collateral referred to in Article 4 herein shall be registered in accordance with general regulations.

Article 8

A bank shall provide the Central Bank with a request for granting liquidity loan, unless otherwise stipulated herein.

The request for granting the liquidity loan shall contain in particular:

- 1) the amount of the requested liquidity loan, and

- 2) information on the type and value of funds offered as collateral against the liquidity loan, and in case of collateral that has maturity, the maturity date of the collateral.

In addition to the request under paragraph 1 above, the bank shall submit to the Central Bank the evidence of ownership over the collateral offered as security for the liquidity loan and the possibility of pledging the collateral.

Article 9

The Central Bank shall conclude a liquidity loan agreement with a bank on the basis of the pledged collateral (hereinafter: the agreement).

The agreement shall regulate in particular, but not limited to: the type of liquidity loan granted, the amount to be disbursed, maturity and the manner of loan repayment, interest rate and the collection of other receivables, the collateral against the loan, the registration and termination of the Central Bank's lien on the pledged collateral, the manner and conditions for the agreement termination.

Article 10

The Central Bank shall transfer the granted liquidity loan funds to the bank's account of the bank with the Central Bank after concluding the agreement and receiving appropriate evidence on the registration of the lien referred to in Article 7 herein.

Article 11

The Central Bank shall charge the annual interest on the granted liquidity loan.

The interest referred to in paragraph 1 above shall be calculated on daily basis by multiplying the loan amount by the interest rate and dividing the obtained amount by 360, adding the resulting amount to the loan amount to be repaid to the Central Bank.

The interest shall be calculated for both working and non-working days and paid on the occasion of the liquidity loan repayment.

Article 12

When signing the liquidity loan agreement and as the security for the payment of interest, a bank shall submit to the Central Bank an adequate number of signed and certified blank promissory notes and the authorisation for their filling in.

The Central Bank may use the promissory notes under paragraph 1 above for the collection of the outstanding portion of the liquidity loan.

Article 13

The Central Bank shall not grant a liquidity loan to a bank having outstanding liabilities to the Central Bank, unless otherwise stipulated herein.

Article 14

The Central Bank may deny a bank's request for the liquidity loan if it deems such a request unjustifiable or if the offered collateral is unacceptable for the Central Bank or in case of any other circumstances that prevent the granting of the liquidity loan.

The Central Bank may temporarily suspend the granting of the liquidity loan to a bank or to all banks, as well as specify the highest amount of the liquidity loan that may be granted to a bank or all banks, informing the bank(s) thereof.

II. INTRADAY LIQUIDITY LOAN

Article 15

The Central Bank may grant an intraday liquidity loan (hereinafter: the intraday loan) to a bank if the bank is lacking funds in its account to meet all its due liabilities during a working day.

The bank may use the intraday loan provided that it has used 50% of its allocated reserve requirements for maintaining daily liquidity.

Article 16

The Central Bank shall charge interest on the granted intraday loan at the annual rate of 1.5%.

Article 17

The bank shall repay the intraday loan to the Central Bank on the same working day, no later than by the expiry of time envisaged for the exchange of payment transaction messages in accordance with the RTGS Daily Operating Schedule specified under the Operating Rules of the Central Bank of Montenegro Payment (OGM 48/14, 57/14) (hereinafter: the RTGS Daily Operating Schedule).

If the bank fails to repay the intraday loan by the deadline specified under paragraph 1 above, the Central Bank shall grant the overnight liquidity loan to the bank, without the bank's request, in the amount of the outstanding portion of the intraday loan.

III. OVERNIGHT LIQUIDITY LOAN

Article 18

If a bank has insufficient funds in the account to settle all its due liabilities at the end of time envisaged for the exchange of payment transaction messages in the RTGS Daily Operating Schedule, the Central Bank may grant an overnight liquidity loan to the bank (hereinafter: the overnight loan).

Article 19

The Central Bank shall charge interest on the granted overnight loan at the annual rate of 2%.

Article 20

The Central Bank shall grant the overnight loan to a bank at the end of the time envisaged for the exchange of payment transaction messages in the RTGS Daily Operating Schedule.

The bank shall repay the overnight loan and the corresponding interest to the Central Bank until 10:00 hours on the following working day.

Article 21

If a bank fails to repay the overnight loan until the deadline specified under Article 20 paragraph 2 herein, the Central Bank shall charge the statutory default interest to the bank that is to be calculated for the period beginning from the maturity date until the collection of this loan.

Any default in the repayment of the overnight loan during the day on which the bank has been obliged to repay the loan shall be considered a one-day loan default.

IV. SHORT-TERM LIQUIDITY LOAN

Article 22

The Central Bank may grant a short-term liquidity loan (hereinafter: the short-term loan) to a bank experiencing short-term difficulties in maintaining liquidity.

Article 23

In addition to information referred to in Article 8 paragraph 2 herein, the request for granting the short-term loan shall specify the period for which the short-term loan has been requested.

In addition to information referred to in Article 8 paragraph 3 herein, a bank's request for granting the short-term loan shall also be supported with the following:

- 1) the statement of the board of directors that the bank is solvent;
- 2) the report on the bank's position and reasons for the liquidity shortfall;
- 3) an overview of activities and measures the bank has taken to improve its liquidity;
- 4) the cash flow plan for the period for which the short-term loan is requested;
- 5) the statement that the bank has been unable to provide funds from other sources of liquidity available in the market.

If the bank is a foreign bank subsidiary, it shall support the request with the statement of its parent bank that it is unable to provide the necessary liquidity support to its subsidiary.

Article 24

The Central Bank may grant the short-term loan to a bank for the period of up to 180 days.

The bank shall repay the short-term loan to the Central Bank by the expiry of time envisaged for the exchange of payment transaction messages in accordance with the RTGS Daily Operating Schedule on the deadline date.

If the contractual deadline date for the repayment of the short-term loan is a non-working day, the bank shall repay the loan no later than by 10:00 hours on the following working day.

Article 25

The Central Bank may sign once the agreement on the renewal of the short term loan with the bank with which it has previously signed the agreement on short-term loan, under the same conditions and for an additional period of no more than 180 days.

The renewal of the short-term loan in accordance with paragraph 1 above may be granted to a bank that has previously adopted a programme of measures for resolving liquidity shortfall problems and which is deemed acceptable by the Central bank.

The Council of the Central Bank shall decide on the bank's request for renewal of the short-term loan by passing a decision on either approving or denying the request for the short-term loan renewal, whichever the case may be.

In its decision on approving the renewal of short-term loan, the Council of the Central Bank shall specify the period for which the renewal of the short-term loan is approved.

The agreement on the renewal of the short-term loan shall be signed with the bank in accordance with the decision on approving the renewal of the short term loan.

Article 26

The Central Bank shall charge interest on the granted short-term loan at the annual rate of 2.5% to be increased by 0.5 percentage points in the case of approved renewal of the short-term loan.

Article 27

If the bank fails to repay the short-term loan on the agreed date, the Central Bank shall charge the statutory default interest to the bank to be calculated for the period beginning from the maturity date until the collection of the short-term loan.

V. PENALTY PROVISIONS

Article 28

A fine ranging from 3,000 euros to 10,000 euros shall be imposed against a bank where:

- 1) it fails to use liquidity loan granted exclusively for meeting its due liabilities to depositors and other creditors of the bank(Article 2 paragraph 2);
- 2) it fails to keep separate records on the use of liquidity loan funds (Article 2 paragraph 3).

A fine ranging from 500 euros to 1,000 euros shall also be imposed against the responsible person in the bank for the offence specified in paragraph 1 above.

VI. FINAL PROVISIONS

Article 29

The Decision on Detailed Conditions for Granting Liquidity Loans to Banks (OGM 15/11) and the Decision on Granting Last-Resort Financial Assistance (OGM 15/11) shall be repealed with effect from the date of entry into force of this decision.

Article 30

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

COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

Decision no. 0101-9793-10/2017
Podgorica, 30 November 2017

**CHAIRMAN
GOVERNOR,**

Radoje Žugić, m.p.