

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 sitting of the first ordinary session held on 16 July 2010 passed the following

FINANCIAL STABILITY COUNCIL LAW

(OGM 44/10)

I. BASIC PROVISIONS

Subject Matter

Article 1

This law establishes the Financial Stability Council and regulates the composition, modus operandi, scope of work and other issues of importance for its functioning, without prejudice to the pursuing of objectives and the exercising of functions of the Central Bank of Montenegro, the Securities and Exchange Commission and the Insurance Supervision Agency.

Aim of Establishment

Article 2

The Financial Stability Council (hereinafter: the Council) is established with a view to monitoring, identifying, preventing and mitigating potential systemic risks in the financial system of Montenegro as a whole, in order to ensure the maintenance of the financial system stability and avoid episodes that may lead to widespread financial distress.

II. THE COUNCIL COMPOSITION, MODUS OPERANDI AND SCOPE OF WORK

Council Composition

Article 3

Members of the Council are:

- 1) The Governor of the Central Bank of Montenegro (hereinafter: the Governor);
- 2) The Minister of Finance;
- 3) The President of the Council of the Insurance Supervision Agency;
- 4) The President of the Securities and Exchange Commission.

Each member of the Council shall attend the Council meetings in person and he/she may not be represented.

By way of derogation from paragraph 2 of this Article, a member of the Council who is unable to attend the Council meetings for a period longer than six months may be substituted only by a person to be appointed by the competent state authority to perform all tasks of the absent member on a temporary basis.

Modus Operandi

Article 4

The Council shall be chaired by the Governor.

The Council shall discuss the issues within its scope of activities at its meetings.

A Council meeting may be held if at least three of its members are present (the quorum). If a quorum is not met, the Chairman may convene an extraordinary Council meeting with the same agenda.

A Council meeting shall be convened by the Chairman of the Council at least quarterly or more frequently in cases when the Chairman estimates that there is a need to discuss the issues of importance for the financial system stability.

The Chairman shall also convene a Council meeting at the well-grounded request of at least one member of the Council.

The Council meetings may be attended by representatives of the Deposit Protection Fund, state bodies and organisations or certain professionals, upon invitation, with a prior approval of the majority Council members.

Minutes of the Council meetings shall be confidential.

The Council may establish standing or interim working bodies in its rules of procedure or a special decision of the Council.

Voting Modalities of the Council

Article 5

The member of the Council shall cast one vote.

The Council shall decide by majority votes of the present members.

In the event of a tie, the Chairman shall have the casting vote.

Protection of Information

Article 6

Members of the Council and persons invited to attend the Council meetings, as well as any other persons working or who have worked for the Council, including the employees of the bodies, organisations and agencies authorized for the surveillance of specific areas of the financial system (hereinafter: the competent authorities) and which perform activities for the Council purposes, shall be bound, during and after the cessation of their duties, not to disclose any data and information, which, by its nature, must be covered by professional secrecy.

The Council shall agree with the competent authorities on the manner to safeguard data and information wherefrom individual institutions operating in the financial market can be identified.

Administrative and Technical Operations

Article 7

The Central Bank of Montenegro (hereinafter: the Central Bank) shall perform administrative and technical operations for the Council, and in particular the following:

- ensuring the collection of data and information, including statistical data and information, required for the functioning of the Council;
- provide administrative support in the preparation of analyses required for the functioning of the Council;
- provide administrative support to the Council regarding international cooperation with other relevant bodies.

The Central Bank shall perform the activities under paragraph 1 above without jeopardising the exercising of the principles of Central Bank independence.

The Council shall have a Secretary to be appointed by the Governor from among employees of the Central Bank, upon the opinion communicated by the Council.

The Council Chairman shall give instructions to the Secretary with regard to performing the Council-related tasks.

III. SCOPE OF WORK OF THE COUNCIL

Scope of Work

Article 8

In pursuing the objectives referred to in Article 2 hereof, the Council shall:

- 1) determine, collect and analyse data and information of importance for the financial system stability and a potential financial crisis management;
- 2) ensure coordination and exchange of data and information among the competent authorities;
- 3) assess and identify threats to the financial system and/or the financial system vulnerabilities.;
- 4) identify risks in the financial system and determine their impact on the financial system stability;
- 5) determine the contingency plan for financial crisis management (hereinafter: the Contingency plan) at the financial system level and organize stress testing and financial crisis simulation exercises;
- 6) monitor the financial system development;
- 7) monitor best practices with a view to adopting regulatory standards in the financial system areas.

The plan under paragraph 1 point 5) above shall be determined based on the individual plans for financial crisis management defined by the competent authorities.

The Council shall pass its rules of procedure, at its first session.

Collection and Exchange of Information

Article 9

The competent authorities shall submit to the Council, upon its request and within the timeframe to be specified by the Council, all data and information necessary for the exercising of its functions.

Data and information under paragraph 1 above shall be submitted to the Council, as a rule, in a summary or a collective form, in the manner to ensure that individual institutions operating in the financial market cannot be identified.

The Council may also request data and information under paragraph 1 above directly from institutions operating in the financial market, which shall be obliged to submit to the Council the requested data and information within the timeframe to be specified by the Council.

The Council shall submit to the competent authorities the systemic risk data and information needed for the fulfilment of their tasks and duties.

The Securities and Exchange Commission and the Insurance Supervision Agency shall submit to the Central Bank quarterly reports on the conditions from the areas within their authority no later than within 45 days following the expiry of the reported quarter. The Central Bank shall forward the submitted reports to the Council within five days following that of their receipt.

The Central Bank may request the Securities and Exchange Commission and the Insurance Supervision Agency to submit additional data and information and specify the deadline for their submission. The Central Bank shall forward the submitted additional data and information to the Council within five days following that of their receipt.

The Council authorities shall designate persons to submit data and information to the Council and their list shall be the subject to the Council approval.

The confidentiality policy determined by the providers of data or information shall be observed in the exchange of reports, data and information under this Article.

Public Statements

Article 10

The Council may issue public statements regarding the issues within its scope of work.

The public statements above shall be adopted unanimously by the Council.

The communication of public statements on the issues within the scope of work of the Council shall be regulated in more detail in the rules of procedure of the Council.

Reporting Obligations

Article 11

The Council shall submit the report on its work and activities within its scope of work to the Parliament of Montenegro once a year by 30 June of the current year for the reported year.

The Council shall also prepare reports on specific issues within its scope of work at the request of the Parliament of Montenegro, the Government of Montenegro or the Central Bank.

IV. TRANSITIONAL AND FINAL PROVISIONS

The Council Establishment

Article 12

The Council shall hold a constitutive meeting no later than within 90 days following that of the entry into force of this law.

The constitutive meeting of the Council shall be convened by the Governor.

Article 13

The Council sessions shall be chaired by the President of the Council of the Central Bank of Montenegro, until the appointment of the Governor, including the right of convening the constitutive meeting.

Entry into Force

Article 14

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