

LAW ON THE CONVERSION OF SWISS FRANC (CHF) -DENOMINATED LOANS INTO EURO (EUR)-DENOMINATED LOANS

(OGM 46/15 of 14 August 2015, 59/16 of 15 September 2016)

Introduction

Article 1

This law regulates the obligation of commercial banks, third parties to which the banks ceded loan receivables (hereinafter: third parties) and loan beneficiaries with regard to the conversion of loans contracted in the foreign currency - Swiss franc (CHF).

This law shall cover all loans denominated in the foreign currency - Swiss franc, extended to clients by the commercial banks, including the loans that have been unilaterally terminated by banks due to clients' inability to repay loans, as well as loan receivables ceded by banks to third parties and loans repaid during the regular repayment period or enforced collection.

The basis for loan conversion shall be the amount that a client received in the bank as at the loan agreement date.

Loan conversion

Article 2

The commercial banks, as loan providers, shall convert, within 30 days following that of the entry into force of this Law, all Swiss francs (CHF) – denominated loans to loans denominated in the official currency in use in Montenegro – the Euro (EUR) at the official exchange rate published by the Central Bank of Montenegro as at the loan agreement date.

Third parties to whom the banks ceded receivables under this law shall also make the conversion referred to in paragraph 1 above.

Calculation of foreign exchange differences

Article 3

After the conversion of loans into EUR, the commercial banks shall recalculate loans at the fixed interest rate of 8.2% per annum.

Calculation of loans and/or receivables

Article 3a

After the conversion of loans into EUR, the commercial banks and/or third parties shall recalculate loans and/or receivables at fixed interest rate of 8.2% per annum.

Paragraph 1 above shall be also applied to loans which have been repaid during the regular repayment period or enforced collection, i.e. third parties shall repay to the client funds exceeding the obligation stipulated under this law.

When calculating the debt based on receivables under the agreement terminated unilaterally by the commercial banks, including receivables ceded to third parties, the provisions of the Law on Default Interest Rate (OGM 83/09) shall not be applied.

Treatment of receivables ceded to third parties

Article 3b

For determining the amount of receivables ceded to third parties based on loans to be converted pursuant to this law (hereinafter: the debt), the commercial banks that have ceded these receivables shall, within 15 business days following that of the entry into force of this law, submit for each ceded receivable to third parties the following, for the purpose of the calculation of debt and conclusion of corresponding agreement,:

- 1) Loan agreement, with the initial repayment plan;
- 2) Data on the amount of loan granted in Swiss francs and amount in Euro stipulated in accordance with Article 2 paragraph 1 herein;
- 3) Loan repayment plan drawn up for the life of the loan using nominal interest rate of 8.2% and applying compound interest account and decursive interest calculation;
- 4) Data on total payments to commercial bank based on loan agreement, which the loan beneficiary has made until the ceding of receivable, including dates and amount of individual payments.

The debt shall be calculated by harmonising the amount of outstanding principal from the repayment plan under paragraph 1 point 3 above as of the debt establishment with the difference in value of all cash inflows and outflows arising from the loan agreement.

Third party shall, for the amount of debt established in accordance with paragraph 2 above, within 60 days following the day of the entry into force of the law, that was ceded to such party (hereinafter: the debtor), offer adequate agreement on debt repayment and final repayment which cannot be shorter than the deadline established in the initial loan agreement to the loan beneficiary.

Agreement on debt repayment shall not contain the provision requiring the debtor to have additional security interest, fees for agreement preparation and other similar payments nor other rights and obligations shall be determined under this agreement without debtor's consent which would put the debtor in an unfavourable position relative to the debtor's rights and obligations under the initial loan agreement.

The debtors shall, within 60 days following that of the reception of the proposal of the agreement on debt repayment, make a statement on the acceptability of such an agreement and if the agreement is accepted, they shall sign the agreement on debt repayment with the third party.

Third parties shall, from the day of the entry into force of this law, suspend all activities concerning enforced collection for settling debtor's receivables. If debtors do not sign this agreement, within 60 days following the day of the reception of the proposal of the agreement on debt repayment with third parties, the enforced collection may continue.

Loan rescheduling

Article 4

The commercial banks, as loan providers, shall offer to loan beneficiaries, within 45 days following that of the entry into force of this Law, new loan conversion and loan rescheduling agreements calculated in euros in line with this law.

Supervision over the implementation of the law

Article 5

The Central Bank of Montenegro shall supervise the implementation of this Law..

The Central Bank of Montenegro shall prescribe more detailed regulations governing the supervision of banks and third parties within 30 days following that of the entry into force of this law.

The Central Bank of Montenegro shall furnish the Parliament of Montenegro with a special report on the supervision of commercial banks in line with this Law.

Penalty provisions

Article 5a

A fine ranging from 20.000.00 euros to 40.000.00 euros shall be imposed against a commercial bank or third party, if:

- 1) It fails to recalculate loan and/or receivable (Article 3a paragraph 1);
- 2) It does not repay the funds exceeding the obligation determined in this law based on loans that have been repaid during regular repayment period or enforced collection (Article 3a paragraph 2);
- 3) It fails to submit data and documentation to third party within the prescribed timeframe (Article 3b paragraph 1);
- 4) It fails to submit to the debtor the proposal of the agreement on debt repayment within the prescribed timeframe (Article 3b paragraph 3);
- 5) It does not suspend all activities pertaining enforced execution for settling debtors' receivables from the entry into force of this law (Article 3b paragraph 6).

For the offence specified in paragraph 1 above, a responsible person in the bank or in third party shall be also imposed a fine ranging from 2.000.00 euros to 4.000.00 euros.

Entry into force

Article 6

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