

LAW ON DEFAULT INTEREST RATE

(OGM 83/09 of 18 December 2009, 75/18 of 23 November 2018)

Article 1

This Law governs the amount of default interest rate paid by debtor defaulting in settling a monetary liability in cases when the default interest rate has not been contracted.

Article 2

Debtor defaulting in settling a monetary liability shall owe, in addition to principal, a default interest rate to the debt amount until the repayment date, at the rate determined by this Law.

Article 3

The default interest rate shall be determined in the level of basic default interest rate increased by eight percentage points.

The basic default interest rate shall be the interest rate established by the European Central Bank for the main refinancing operations that shall be valid on the first calendar day of the semi-annual period it relates to.

Article 4

The default interest rate shall be determined semi-annually and calculated annually.

The default interest rate shall be determined for the following semi-annual periods: from 1 January to 30 June, and from 1 July to 31 December.

Article 5

Pursuant to Article 3 of this Law, the Central Bank of Montenegro shall determine and post the default interest rate on its website on the first business day of the semi-annual period it relates to, and the rate shall also be published in the "Official Gazette of Montenegro".

Article 6

The default interest rate shall be calculated annually, by applying the decursive simple interest calculation to matured principal, without accruing the default interest to the principal after the expiry of the accounting period.

When calculating the default interest rate, the calculation for the number of calendar days shall be applied using the following formula:

for non-leap year

$$Z_k = \frac{C \times p \times d}{36.500}$$

for leap year

$$Z_k = \frac{C \times p \times d}{36.600}$$

Where:

Z_k = default rate

C = principal

p = default interest rate per semi-annual period it refers to

d = Number of days

Article 7

The provisions of this Law shall not apply to default in settling monetary liabilities for which other interest rate has been stipulated by the law.

Article 8

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