

**LAW ON INVESTMENT AND DEVELOPMENT FUND OF MONTENEGRO
(OGM 088/09 of 31 December 2009, 040/10 of 22 July 2010, 080/17 of 1 December 2017)**

Article 1

This Law governs the establishment, activities, authorisations, and organisation of the Investment and Development Fund of Montenegro (hereinafter: the Fund).

Article 2

The Fund shall operate in order to support the economic policy of the Government of Montenegro and to incentivize: accelerated economic development of Montenegro; accelerating growth of micro, small, medium-sized and large business entities; more balanced regional development, competitiveness and liquidity of economic entities, export-oriented production and services, production aimed at reducing import dependency; financing infrastructural projects, water supply projects, wastewater treatment projects and environmental protection projects; efficient implementation and finalizing the privatization process by sale of capital acquired in the process of ownership and management transformation; as well as incentives for financing other projects having local, regional, and national importance.

In order to support development of entrepreneurship, and for easier access to financial resources for users of credits, a Guarantee Fund shall be established within the Fund as the special organisational unit, in accordance with the articles of association of the Fund.

Article 3

The Fund shall have a status of legal entity with rights and obligations set forth by law and general documents of the Fund.

The Fund shall be established and shall operate as a joint stock company, in accordance with this Law.

The name of the Fund shall be: the Investment and Development Fund of Montenegro JSC.

In foreign operations, the Fund may use the English language name, which shall be: Investment and Development Fund of Montenegro.

The registered office of the Fund shall be in Podgorica.

Article 4

The Fund shall be liable with its property for its obligations.

Montenegro shall unconditionally and at first-call guarantee for the liabilities of the Fund, without issuing a specific guarantee.

The liability of Montenegro referred to in paragraph 1 of this Article shall be unlimited joint and several liability.

Article 5

The initial capital of the Fund cannot be less than 50,000,000 euro.

The entire capital of the Development Fund of the Republic of Montenegro shall represent the initial capital of the Fund, and so precisely:

- 1) Monetary assets of the Development Fund;
- 2) Shares and equity interests in enterprises;
- 3) Receivables from previously placed loans;
- 4) Receivables from bonds;
- 5) Immovable property and equipment ownership of that fund.

The capital referred to in paragraph 2 above shall be reduced by the obligations arising from the Law on Restitution of Property Rights and Compensation (OGRM 21/04, 49/07).

Funds of the Directorate for Development of Small and Medium-Sized Enterprises earmarked for financing of the development of small and medium-sized enterprises shall also constitute the initial capital of the Fund.

Articles of association of the Fund shall establish the total value of the initial capital, number of shares and par value, following the appraisal of the authorised appraiser and audit by an international auditing institution having authorisations in accordance with law.

In case that the amount of capital referred to in paragraph 5 above results in being lower than the minimum capital set forth in paragraph 1 above, the missing part shall be provided from the Budget of Montenegro (hereinafter: the Budget).

Article 6

The Government of Montenegro (hereinafter: the Government) shall exercise rights and duties of a founder of the Fund.

Article 7

The Fund may be a member, founder, and/or shareholder of national and international financial institutions, business organisations in Montenegro and abroad, with the consent of the founder.

Article 8

The Fund may use international funds; borrow on money markets and capital markets in Montenegro and abroad, in order to carry out activities in accordance with law and business policy documents of the Fund, with the consent of the founder.

Article 9

The Fund may purchase and sell securities, interests, on the national and international market in accordance with law and business policy documents of the Fund, with the consent of the founder.

Article 10

The criteria and conditions for using funds of the Fund shall be established by business policy documents of the Fund, with the consent of the Government.

The business policy documents of the Fund shall be formulated in accordance with the Economic Policy and strategic documents of the Government.

The Fund shall adopt an annual work plan, financial plan, and medium-term work program, with the consent of the Government.

Article 11

The Fund shall acquire funds for operation from:

- 1) Revenues generated through the operation of the Fund;
- 2) Sale of shares and interests from the portfolio of the Fund;

- 3) Proceeds of liquidation or bankruptcy estate, sale of remaining assets in case of liquidation or bankruptcy proceedings of organisations being in the ownership of the Fund;
- 4) Profit of organisations whereat the Fund has shares or interest;
- 5) Issuing securities;
- 6) Annuities of loan placements and investment activities of the Fund;
- 7) Taking loans and borrowings in country and abroad, as well as from grants;
- 7a) Collecting premium and other funds when carrying out export insurance activities in accordance with this Law;
- 8) other sources, in accordance with law.

Funds for establishment of the Guarantee Fund shall be provided from the Budget, in accordance with law.

Funds for pursuit of export insurance activities shall be provided from the Budget, in accordance with law.

Article 12

The activity of the Fund shall be:

- 1) Approving loans, carrying out factoring and other forms of purchase of receivables and issuing guarantees that, including but not limited to:
 - Provide incentives for the establishment, development and sustainability of micro, small, medium-sized and large business entities and entrepreneurs;
 - Provide support to infrastructural projects, water supply projects, and environmental protection projects;
 - Finance projects having local, regional, and state-level importance;
 - Provide incentives for competitiveness of Montenegrin products and services;
 - Provide employment incentives;
- 2) Issuing guarantees for timely servicing of liabilities of users of credits, with coverage provided from the Guarantee Fund funds;
- 3) Insuring export of goods and services of Montenegro against non-market risks (hereinafter referred to as the export insurance);
- 4) Lending activity aimed at support to social entrepreneurship, self-employment, starting a new investment cycle, and development and strengthening of start-up business;
- 5) Performing activities dealing with the sale of capital in the portfolio of the Fund;
- 6) Performing also other businesses and activities providing the support to the improvement of entrepreneurship and economic development, and
- 7) Performing other activities as well set by law.

The Fund may also perform other activities assigned by the Government when assessed that those are in the interest of economic development of Montenegro.

The Fund shall approve credits directly or indirectly, through a bank and other legal person authorised to issue credits.

The Fund shall carry out export insurance activities on behalf and for the account of Montenegro.

A regulation to be adopted by the Government shall set detailed conditions and the manner of pursuit of export insurance activities.

Article 12a

The Fund shall reduce risks to which it is exposed in operations to a minimum level, guided by the principles of security, solvency, liquidity, risk diversification and preserving the real value of capital.

The Central Bank of Montenegro (hereinafter: the Central Bank) shall stipulate minimum standards for risk management for the Fund.

Article 12b

The Fund shall maintain the capital adequacy ratio at a minimum level of 8%.

The capital adequacy ratio shall be a ratio of capital and asset items and off-balance sheet items and shall be calculated for the Fund in accordance with a regulation adopted by the Central Bank.

Article 12c

The Fund shall submit reports for the registry on credit indebtedness kept by the Central Bank within deadlines and the content set by a regulation of the Central Bank.

Article 12č

If the Fund approves a placement with conditions lower than the market conditions upon a request of the Government, the Government shall compensate to the Fund a difference up the amount of revenues that would have been generated from placement at market conditions.

For projects contributing to development of certain areas or activities financed by the Fund upon a proposal of the Government, for the purpose of preserving the financial sustainability of the Fund, the Government shall:

- Issue a special guarantee to the Fund for the entire amount of placed funds, and/or
- Compensate from the Budget funds incurred losses of the Fund resulting from realisation of such projects.

Regulations governing the State aid shall apply in case of support of projects by the Fund upon a proposal of the Government and compensation by the Government referred to in paragraphs 1 and 2 above.

Article 12ć

Business year profit shall be allocated to the reserve of the Fund.

The Fund shall not be an obligor of payment of the withholding tax on interest paid by the Fund for monetary funds received from international financial institutions.

Article 13

The bodies of the Fund shall be the General Meeting, the Board of Directors and the Executive Director.

The General Meeting of the Fund shall appoint and revoke members of the Board of Directors.

The Board of Directors of the Fund shall have three members.

Article 14

The General Meeting of the Fund shall:

- 1) Adopt the articles of association of the Fund and make its amendments and supplements;
- 2) Appoint and revoke members of the Board of Directors and appoint auditor;
- 3) Decide on remuneration policy and remunerations for the members of the Board of Directors in accordance with a financial plan;
- 4) Adopt report on work of the Fund;
- 5) Adopt annual financial statements, with the auditor's opinion;

- 6) Adopt a decision on disposition of the property of the organisation (purchase, sale, lease, replacement, acquisition or other forms of disposal), the value of which exceeds 20% of the book value of the assets of the Fund, unless a lower share is determined by the articles of association of the Fund;
- 7) Decide on increase or reduction of the share capital of the Fund determined by the articles of association of the Fund, exchange shares of one class for shares of another class;
- 8) Adopt a decision on foundation of business organisations, increase in capital, founding of national and international financial institutions and on membership in international financial institutions;
- 9) Upon a request of the Board of Directors, considers matters from within its competence pertaining to the operation of the Fund; and
- 10) Perform other activities set forth under law and the Articles of association of the Fund.

Article 15

The Board of Directors of the Fund shall:

- 1) Adopt criteria and conditions for using the funds of the Fund;
- 1a) Decide on issuing guarantees for regular settlement of liabilities of users of credits from funds of the Guarantee Fund;
- 2) Adopt an annual work plan of the Fund, financial plan and medium-term work program;
- 3) Adopt decisions on using funds of the Fund, in accordance with the business policy documents of the Fund;
- 4) Formulate the investment policy of the Fund;
- 5) Decide on placement of funds of the Fund according to the criteria and conditions set forth by business policy documents;
- 6) Adopt a decision on borrowing in country and abroad;
- 7) Decides on appointment of representatives of the Fund in management bodies of business organisations and other organisations and institutions;
- 8) Adopt a legal document on organization and systematization of jobs in the Fund;
- 9) Review and propose for adoption year-end accounts of the Fund, with the auditor's opinion and report on work of the Fund, to the General Meeting of the Fund;
- 10) Adopt a rules of procedures on its work;
- 11) Adopt general legal documents of the Fund in accordance with the Articles of association of the Fund;
- 12) Announce a program of financial support for the award of funds of the Fund;
- 13) Decide on other matters in accordance with the Articles of association of the Fund and law;
- 14) Submit to the Government and the Parliament of Montenegro report on work of the Fund and annual financial statements with auditor's opinion until the end of June of the current year for previous year;
- 15) Define policies and procedures for managing risks to which the Fund is exposed in its operation;
- 16) Adopt annual plan and internal audit report;
- 17) Approve introduction of new financial support instruments and services in operation of the Fund;
- 18) Perform other activities set forth under law and the Articles of association of the Fund.

Article 16

The Executive Director shall:

- 1) Act for and on behalf of the Fund and ensure the legality of its work;
- 2) Manage and administer the operations of the Fund and supervise the work of employees, on daily basis;
- 3) Carry out decisions of the Board of Directors;
- 4) Enters into contracts on behalf and for the account of the Fund;
- 5) Submit to the Board of Directors of the Fund proposals of decisions, measures, and conclusions in respect of the operation of the Fund;
- 6) Ensure execution of annual plan, financial plan, and medium-term work program;
- 7) Ensure proper and timely development of period reports and annual accounts;
- 8) Decide on award of credits in the amount up to 50,000 euro and placing deposits with commercial banks in accordance with the legal documents of the Fund;
- 9) Ensure carrying out of other obligations assigned to him/her by law and decisions of the Board of Directors.

The Board of Directors shall appoint and revoke appointment of the executive director of the Fund.

The term of office of the executive director of the Fund shall be four years and he/she may be reappointed.

Article 16a

A Guarantee Board shall operate with the Fund.

The Guarantee Board shall issue recommendations and opinions to the Board of Directors of the Fund concerning issuing of guarantees for regular settlement of liabilities of users of credits from funds of the Guarantee Fund.

The Government shall determine composition and number of members of the Guarantee Board by way of its document.

Technical office of the Fund shall perform expert and administrative-technical affairs for the Guarantee Board.

Article 17

The administrative-technical office of the Fund shall carry out administrative and financial-technical affairs of the Fund, unless such affairs are delegated to another legal entity.

The Fund shall carry out financial and accounting affairs in accordance with the law governing accounting.

The Fund shall not be obliged to compile, submit and publish consolidated financial statements and consolidated report to the management for organisations wherein has acquired ownership on the account of ownership and management transformation, as a legal successor of the Development Fund of Montenegro, within the meaning of regulations governing the accounting and auditing affairs.

If in the process of determining fair value of shares and ownership interests of the Fund, inherited from the Development Fund of Montenegro, impairment in the fair value of shares and ownership interests is determined, the Fund shall record such impairment in the capital line item as part of revaluation reserves.

Article 18

Public nature of the Fund's work shall be exercised by submitting reports on operations and annual financial statements, with the auditor's opinion to the Government and the Parliament of Montenegro, for information.

The Program of financial support, defining criteria and conditions for using the funds of the Fund shall be published on the website of the Fund.

The Fund shall also be obliged to publish on its website data concerning approved placements, and so as follows: name of the beneficiary of funds, amount of approved funds, intended use of placement, and place of implementation.

Article 18a

The Central Bank shall carry out control of operations of the Fund

In carrying out control referred to in paragraph 1 of this Article, the Central Bank shall assess alignment of operations of the Fund with this Law and regulations of the Central Bank.

The Central Bank shall carry out control of operations of the Fund by:

- 1) Analysing reports, information and other data the Fund submits in accordance with this Law and regulations of the Central Bank, information and data submitted upon a request of the Central Bank and other data on operation of the Fund the Central Bank has available, and
- 2) On-site examination of business books, bookkeeping and other documentation at the Fund and other participants in activity subject of the examination (hereinafter: the on-site examination).

Article 18b

The Central Bank shall notify the Fund on planned on-site examination, as a rule, ten business days before start of the examination.

The examination referred to in paragraph 1 above shall be carried out during the working hours of the Fund, and the Fund is obliged to ensure for the examination to be carried out outside of the working hours as well if so is required due to scope or nature of the examination.

Article 18c

Persons authorised by the Central Bank to carry out such activities (hereinafter: the authorised persons) shall carry out the examination of operations of the Fund.

The Fund is obliged to enable undisturbed carrying out of the on-site examination to the authorised persons of the Central Bank and to enable adequate conditions for carrying out such an examination.

Article 18č

The Fund shall be obliged to enable to the authorised persons of the Central Bank to carry out on-site examination at the registered office of the Fund and at other places where the Fund, or another person upon its authorisation, performs operations subject of the examination being carried out.

Upon a request of the Central Bank, the Fund shall be obliged to enable to the authorised persons access and to make available business books, other business documentation and administrative or business records and electronic files, as well as the examination of information technologies and other supporting technologies, to the extent required to carry out the examination.

Article 18c

A report shall be drawn on the completed examination of the Fund.

Notwithstanding paragraph 1 above, if no illicit or irregularities in operation are disclosed during the examination referred to in Article 18a paragraph 3 item 1 herein, which require measures to be imposed against the Fund, no report shall be taken.

The Fund may submit objections to the report on examination to the Central Bank within eight business days following that of its receipt.

The Central Bank may directly verify statements of the Fund presented in objections to the report on examination, and if deems justifiable to make an addendum to the report to which the Fund may submit objections within three business days following that of its receipt.

The Central Bank shall notify the Fund, within eight days following that of the receipt of objections to the report or addendum to the report on examination, in writing on their acceptance or rejection.

The report on examination shall have a confidential nature and cannot be published in full or parts thereof without the consent of the Central Bank.

Article 18d

If irregularities in operation of the Fund are disclosed during the examination, the Central Bank may impose a measure of written warning against the Fund, therein setting deadlines for correcting determined irregularities.

The following shall be deemed the irregularities in operation of the Fund within the meaning of paragraph 1 of this Article:

- 1) Decline of the capital adequacy ratio of the Fund below the prescribed level;
- 2) Proceedings, by acting or failure to act, contrary to the regulation referred to in Article 12a paragraph 2 of this Law;
- 3) Incorrect and untimely submission to the Central Bank of reports referred to in Article 12c of this Law.

If the Fund fails to correct determined irregularities within the deadline set in the warning referred to in paragraph 1 above, the Central Bank shall submit a report thereof to the state administration authority responsible for financial affairs, containing the impact assessment of determined irregularities to the security and stability of operations of the Fund.

Article 19

Unless otherwise stipulated by this Law, provisions of the law governing business organisations shall apply accordingly to the organisation and operation of the Fund, except for the provision concerning liquidation of the organisation.

Provisions of the law governing factoring and purchase of receivables, in the segment concerning the manner of pursuit of such activities, shall apply on operations of the Fund.

Provisions of the law governing establishment, operation and supervision of banks shall not apply to the establishment, operations and supervision of the Fund.

Provisions of the law governing investment funds shall not apply to the status and operation of the Fund.

Provisions of the law governing conditions and manner of pursuit of insurance activity oversight of pursuit of insurance activity shall not apply to the status and operation of the Fund.

Provisions of the law governing conditions, manner of initiating and conducting bankruptcy shall not apply to the status and operation of the Fund.

Article 20

The appraisal and audit of the total value of initial capital referred to in Article 5, paragraph 5 herein shall be carried out by no later than 31 January 2010.

Article 21

The Fund shall take over the activities on monitoring and realisation of financial support to the development of micro, small, and medium-sized enterprises carried out by the Directorate for Development of Small and Medium-sized Enterprises, as of the day of commencement of operation.

The transfer of funds to carry out activities referred to in paragraph 1 above and required documentation shall be performed in accordance with the legal instrument of the Government.

Article 22

The Fund shall commence with operations on 31 March 2010.

As of the day of commencement of operation of the Fund, the Development Fund of the Republic of Montenegro shall cease to operate.

The Fund shall take over all rights and obligations of the Development Fund of the Republic of Montenegro.

Article 23

As of the day of commencement of operation, the Fund shall take over the equipment, assets, and documentation of the Development Fund of the Republic of Montenegro.

Until a general legal document on organization and systematisation of the Fund is adopted, the Fund shall take over the employees of the Development Fund of the Republic of Montenegro.

The employees not assigned in accordance with the general legal document referred to in paragraph 2 above, shall exercise employment-based rights in accordance with the general labour legislation.

Article 24

The bodies of the Development Fund of the Republic of Montenegro and state administration authority competent for financial affairs shall undertake all necessary measures and actions in order to register the Fund with the Central Register of the Commercial Court.

Article 24a

Enabling regulations based on authorisations set forth by this Law shall be adopted within 12 months as of the day this Law enters into force.

Article 24b

The articles of association of the Fund shall be aligned with provisions of this Law within six months as of the day the enabling regulations referred to in Article 24a of this Law enter into force.

Article 25

The Law on the Development Fund of the Republic of Montenegro (OGRM 46/92, OGM 12/07) shall be rescinded as of the day the Fund commences to operate.

Article 26

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