

Pursuant to Article 44 paragraph (2) item 3) of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17), and Article 173 paragraph (4) of the Law on Credit Institutions (OGM 72/19), the Council of the Central Bank of Montenegro, at its meeting held on 21 December 2020, passed the following

**DECISION  
ON DOING BUSINESS WITH PERSONS CONNECTED WITH A CREDIT  
INSTITUTION**

**Subject matter**

**Article 1**

This Decision shall prescribe business of the credit institution with persons connected with the credit institution.

**Business with persons connected with the credit institution**

**Article 2**

(1) For the purpose of doing business with persons connected with the credit institution under the conditions of Article 173 paragraph (1) of the Law on Credit Institutions (OGM 72/19), (hereinafter: the Law), before providing services to or using services from those persons, the credit institution shall take into account the available documentation and data, in particular:

- 1) when granting loans - the total loan amount, interest rate, term of fulfilment of the obligation, financial information on the borrower showing his financial condition and creditworthiness in accordance with the agreed conditions, as well as data on the value of collateral, determined by independent assessment;
- 2) when receiving a deposit - the amount of the interest rate, conditions and term period;
- 3) when leasing a property or equipment - lease conditions and market price;
- 4) when providing or using services - the price and conditions under which that service is provided or used;
- 5) when buying or selling assets - the purchase price and relevant information confirming the value of those assets; and
- 6) in case of an investment - the justification of that investment and the assessment of the risk associated with that investment.

(2) Management board of the credit institution, with the approval of the supervisory board of the credit institution, shall decide on doing business with persons connected with the credit institution referred to in paragraph (1) of this Article.

(3) A credit institution may grant a loan for resolving housing issues to an employee considered as a person connected with the credit institution within the meaning of Article 173 paragraph (2) of the Law, if the following conditions are met:

- 1) the employee to whom the loan was approved does not have a resolved housing issue;
- 2) the loan was approved from the credit institution's funds, allocated from the realised profit for those purposes;
- 3) the loan is approved in accordance with the general acts of the credit institution.

(4) A credit institution shall ensure that a person connected with the credit institution cannot participate in the deciding on the business between that person and the credit institution or between any other person connected with that person and that credit institution.

(5) A credit institution cannot purchase non-performing assets from a person connected with that credit institution.

(6) Limitation of exposure to persons connected with the credit institution should be adequate to the risk profile of the credit institution.

### **Conditions under which business is not possible with persons connected with the credit institution**

#### **Article 3**

A credit institution shall not provide to or use services from persons connected with the credit institution under the conditions where:

- 1) lower fees or interest on loans and other exposures are charged compared to those charged to persons that are not connected with the credit institution;
- 2) higher interest on deposits and borrowings is paid compared to interest paid by the credit institution to persons that are not connected with the credit institution;
- 3) collateral that is of lower value is accepted, or which the credit institution would not accept from a person that is not connected with the credit institution;
- 4) loans or other exposures are granted that, due to the type of transaction, level of risk, financial condition of the beneficiary, or the type of collateral offered, would not be granted to a person that is not connected with the credit institution;
- 5) assets are sold at a lower price, or assets are purchased at a price higher than the one that the credit institution would pay to a person that is not connected with the credit institution;
- 6) shares of a legal person in which the person connected with the credit institution is a shareholder are purchased, and which the credit institution would not otherwise purchase due to the level of risk that the transaction carries;
- 7) goods or services are paid, or property is leased, at a price higher than that which the credit institution would pay to a person not connected with the credit institution and services are provided or property is leased at a price lower than that which the credit institution would give to a person not connected with the credit institution;
- 8) financial derivatives transactions are negotiated under the conditions that are more favourable than the conditions under which those transactions are negotiated with persons that are not connected with the credit institution; and
- 9) other services which bring persons connected with the credit institution in a more favourable position than other persons to whom the credit institution provides those services, or which put a credit institution in a less favourable

position in relation to the position in which it would be if it used the services of another person.

### **Records on businesses with persons connected with the credit institution**

#### **Article 4**

(1) A credit institution shall keep records on businesses with persons connected with the credit institution which contain in particular:

- 1) information on persons connected with the credit institution as well as the basis for that connection; and
- 2) information on the type of business and the amount of exposure of the credit institution towards persons connected with the credit institution

(2) A credit institution shall make a file containing documentation on businesses referred to in paragraph (1) of this Article.

### **Reporting to the Central Bank**

#### **Article 5**

A credit institution shall report to the Central Bank of Montenegro on business operations with persons connected with the credit institution, in accordance with a separate regulation of the Central Bank.

### **Termination of regulations**

#### **Article 6**

As from the commencement date of application of this Decision, the Decision on Minimum Standards for Operations with Bank Related Parties (OGM 60/08) shall be repealed.

### **Entry into force**

#### **Article 7**

This Decision shall enter into force on the day following that of its publication in the Official Gazette of Montenegro, and it shall apply from the date of application of the Law on Credit Institutions (OGM 72/19).

## **THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO**

**CHAIRMAN  
GOVERNOR,**

**Radoje Žugić, m.p.**

Decision number. 0101-7571-3/2020  
Podgorica, 21 December 2020