

Pursuant to Article 17, paragraph 1 point 2) of the Law on the Central Bank of Montenegro (OG RoM no 52/00 and 47/01) and with regard to Article 78 paragraph 4 of the Law on Banks (OG MNE, 17/08), the Council of the Central Bank of Montenegro, at its meeting held on 17 and 18 September 2008, passed the following

**DECISION**  
**On Minimum Standards for Operations with Bank Related Parties**

**1. General Provision**

**Article 1**

This Decision prescribes the minimum standards for bank operations with the related parties.

**2. Operations with Bank Related Parties**

**Article 2**

A bank shall perform business transactions with the bank related parties only in accordance with its business policy, which in its part relating to business transactions with the bank related parties, shall contain at a minimum the following:

- 1) Business transactions with the bank related parties shall be performed only if approved by the Board of Directors;
- 2) Restrictions of exposures to bank related parties shall be adequate to the risk profile of the bank, respecting minimum restrictions stipulated by the Law on Banks;
- 3) A bank related party shall not participate in the name of the bank in making decisions on business transactions between him/her and the bank, or between the bank and any other person related with that party.

**Article 3**

Decision of the Bank on any business transaction with the bank related parties shall be based on complete review of documentation and determining of all relevant facts related to that business transaction, including:

- 1) The total amount of loans, interest rate, deadline for performing obligations, financial information on the borrower showing his/her financial standing and the

- ability to execute repayment in accordance with the agreed conditions, as well as data on the value of the collateral, determined by an independent assessment;
- 2) In purchase and sale of assets, purchase and sale price and relevant information confirming the value of that assets, and
  - 3) In investments, justification of the investment and assessment of the risk related to that transaction.

#### **Article 4**

Operations of the bank with the bank related parties under more favourable conditions shall be considered the following transactions in particular:

- 1) Payment of lower fees or interests on loans and other exposures of those charged to parties not related with the bank;
- 2) Payment of higher interest on deposits from the interest the bank pay to parties not related with the bank;
- 3) Acceptance of the collateral of less value, or which the bank shall not accept from the party not related with the bank;
- 4) Disbursement of loans or other exposures which, due to the transaction type, risk level, financial standing of its user, or the type of the collateral offered, shall not be approved to the party not related with the bank;
- 5) Property sale at a lower price, or its purchase at a price higher than the bank shall pay to the party not related with the bank;
- 6) Purchase of shares of the legal person in which a shareholder is a bank related party, which the bank shall not buy otherwise, due to the risk level which that transactions bears;
- 7) Payment of goods and services, or the leasing of the property, at the price higher than the bank would pay to the party not related with the bank.

Notwithstanding paragraph 1 referred to in this Article, granting of housing loans to bank's employees shall not be considered as operations under more favourable conditions, provided the following conditions are satisfied:

- 1) An employee the loan is granted to has not resolved his/her housing problem;
- 2) A loan is granted from the bank's assets, allocated from the profit gained for those purposes;
- 3) A loan is granted in accordance with general acts of a bank.

#### **Article 5**

The Bank shall not purchase non-performing assets from any bank related party.

Non-performing assets, in the sense of this Decision, shall be considered asset which, in accordance with the regulation of the Central Bank regulating the classification of bank assets, is classified into group "C" or lower.

## **Article 6**

Exposure to a party supervising the bank, or is supervised by the party supervising the bank, shall be secured in any moment by:

- 1) Cash in a convertible currency, at least to the amount of 100% of the unpaid amount of the exposure;
- 2) Securities issued by the Government of Montenegro, the market value of which is least equal to the unpaid amount of the exposure; or
- 3) Other securities recognized on the market, the market value of which is at least 30% higher than the unpaid amount of the exposure.

## **Article 7**

Bank shall keep the record of related parties which shall contain, as the minimum:

- 1) Information on the bank related parties and the basis of such relation;
- 2) Information on the type and the amount of exposure, with the documentation on transactions with the bank related parties.

## **Article 8**

Bank shall submit to the Central Bank reports on exposures and reports on operations with the bank related parties, in accordance with the special regulation of the Central Bank.

### **3. Final Provision**

## **Article 9**

This Decision shall come into force on the eighth day of its publication in the "Official Gazette of Montenegro".

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

**PRESIDENT**

**Ljubiša Krgović**

Decision No 0101-323/11-10  
Podgorica, 18th September 2008