

Pursuant to Article 17 paragraph 1 point 2) of the Central Bank of Montenegro Law (OGRM 52/00 and 47/01), and in conjunction with Article 27 of the Banking Law (OGM17/08), the Council of the Central Bank of Montenegro, at its meeting held on 17 and 18 September 2008, passed the following

D E C I S I O N

on documents supporting the request for granting approvals under the Banking Law

I. General Provisions

Subject matter

Article 1

This Decision prescribes the documents that shall be submitted to the Central Bank of Montenegro together with the request for granting approvals under the Banking Law (OGM 17/08). The approvals are requested for:

- 1) acquiring or increasing qualified participation in a bank (Article 9);
- 2) signing the shareholder's agreement (Article 19);
- 3) performing activities not specified in the decision on granting license (Article 25);
- 4) electing member of bank's board of directors (Article 32);
- 5) founding bank subsidiaries and parts of a bank abroad (Article 42);
- 6) using the debtor's rating assigned by external institutions (Article 60);
- 7) internal audit outsourcing (Article 74);
- 8) acquiring banking market concentration (Article 77);
- 9) payment of dividends above a certain amount (Article 83);
- 10) electing an auditor or an audit firm (Article 95);
- 11) excluding the information on subordinated member of the banking group from consolidated financial statements (Article 134);
- 12) founding foreign bank representative office (Article 147)

Request and documents

Article 2

The request for granting the approval shall be submitted to the Central Bank of Montenegro (hereinafter: the Central Bank) in writing, together with the documents prescribed by this Decision and the evidence on payment of fee, pursuant to the regulation of the Central Bank governing the amount of fee for the performance of the supervisory function of the Central Bank.

applicant to submit, in a due time, missing documents and additional information and data which are important in the process of deciding upon the request.

If the applicant does not comply with the request under paragraph 2 above in a due time, the Central Bank shall decide upon the request on the basis of available documents.

2. Documents to be submitted together with the requests

Acquiring or increasing the qualified participation

Article 3

The following documentation shall be submitted together with the request for acquiring and increasing the qualified participation in a bank:

1) For natural person:

- Personal information (name and last name, date and place of birth, address of permanent or temporary residence, citizenship),
- Summary of past and current working engagement (name of the employer and nature of work the person has been or is performing),,
- Overview of shareholders' participation in business organizations which are bank shareholders,
- Overview of shareholders' participation in business organizations other than bank shareholders,
- Information on financial situation of that person,
- Evidence on reported and/or paid taxes for the last three years,
- evidence that the person is not sentenced for criminal offences,
- evidence on sources of funds for acquiring bank's shares;

2) For legal person:

- Certificate of registration of such legal person or other corresponding document,
- Annual financial statements (balance sheet, profit and loss statement and report on cash flows) for the last three years (and/or available financial statements if a legal person operates less than three years), with the auditor's opinion (if these statements are subject to an audit)
- Overview of the ownership structure including participation of bank's shareholders and participation of other natural persons and legal entities in capital of that legal entity,
- Overview of participation of that legal entity in the capital of other legal entities, which incorporates participation of that legal entity in the capital of business organizations which are bank's shareholders and participation in the capital of other legal entities,
- Information on legal and natural persons, who, on the basis of ownership or otherwise, have significant influence on operations of legal persons in which that legal person has participation of 5% or more in capital,
- Information on legal and natural persons, who, on the basis of ownership or otherwise, have significant influence on operations of legal persons which have participation of 5% or more in capital of such legal persons,
- Personal information and information on qualifications and working experience for the executive director and members of the board of directors of that legal person and/or for the members of other corresponding managing body,

- Information on legal penalties against founders or executives in such legal person for the period of five preceding years.

The applicant, who acquires or increases the qualified participation up to the level which represents the controlling interest in a bank, shall also submit, together with the documents referred to in paragraph 1 above, the document incorporating the planned bank management strategy.

Signing the Shareholders' Agreement

Article 4

A group of bank's shareholders shall, together with the request for granting the approval for signing the shareholders' agreement, submit the following:

- 1) Proposal of the shareholders' agreement;
- 2) Information on the objectives which a group of shareholders intends to achieve by signing the shareholders' agreement;
- 3) Information, data and evidences referred to in Article 3 point 1) herein for natural person who is a member of the group of shareholders, and who does not have qualified participation in the bank;
- 4) Information, data and evidences referred to in Article 3 point 2) herein for legal person which is a member of the group of shareholders, and which does not have qualified participation in the bank.

If the Central Bank determines that a group of shareholders concluded the informal shareholders' agreement, such group of shareholders shall submit to the Central Bank the documents under paragraph 1 points 2) to 4) above, together with the request for granting the approval for acquiring a qualified participation.

Performing activities not specified in the decision on granting license

Article 5

The bank shall, together with the request for performing activities not specified in the decision on granting the license, submit the following:

- 1) Information and description of operations for which performance the approval is requested;
- 2) evidence on legal basis for performing such activities and/or corresponding decision of the board of directors;
- 3) Business plan referring to these activities with the projection of their impact on the balance sheet, profit and loss statement and risk management policy in a bank;
- 4) evidence on organisational, technical and staff capacities for performing these activities.

Election of a member of bank's board of directors

Article 6

The bank shall, together with the request for granting the approval for electing member of the bank's board of directors, submit the following:

- 1) The questionnaire (Annex 1) which is attached to this Decision and makes an integral part thereof, and which is personally filled out and signed by a person requesting the approval;
- 2) A proof of the authority in charge that there are no obstacles for the election of members of a board of directors from Article 31 points 4), 7) and 8) of the Law on Banks;
- 3) proposal of the decision on the election of the member of the bank's board of directors with follow-up information and prepared material on the basis of which the suggestion for the election is made;
- 4) information that there are no obstacles for the election of the proposed person as member of the bank's board of directors, with regard to the structure of the board of directors prescribed in Article 30 of the Banking Law.

Founding bank subsidiaries and parts of the bank abroad

Article 7

The bank shall, together with the application for issuing licence for founding bank's subsidiaries and parts of the bank abroad, submit the following:

- 1) For founding bank subsidiary:
 - Basic information on bank's subsidiary and/or part of the bank to be founded abroad,
 - Business plan of bank's subsidiary for the first three business years, with the projection of impact of bank's subsidiary activities on the bank's operations,
 - Information on persons who will be managers of the bank subsidiary,
 - Projection of the organisational structure and human potential of the bank's subsidiary;
- 2) For founding organisational unit, except a representative office:
 - Basic information on organisational unit to be founded,
 - Information on the volume and type of services which a bank intends to provide through the organisational unit, with the organisational structure,
 - Projection of impact of the organisational unit activities on bank's operations,
 - Information on persons which will be managers of organisational unit operations;
- 3) For founding a representative office:
 - Basic information on bank's representative office to be founded,
 - Information on organisational capacities and human potential of the representative office and projected costs for the functioning of the representative office,
 - Information on persons who will be managers of the representative office.

Using debtor's rating assigned by external institutions

Article 8

The bank shall, together with the request for granting approval for the use of debtors' rating assigned by external institution, submit the following:

- 1) Bank's statement on the intention of using the rating assigned by external institution;
- 2) Documents and information from the Annex 2 which is attached to this Decision and makes an integral part thereof.

Internal audit outsourcing

Article 9

The bank shall, together with the request for granting the approval for internal audit outsourcing, submit the following:

- 1) For performing a full internal audit:
 - Evidence that these operations are entrusted to an audit firm or to the person who has audit licence, with information on the experience of the audit firm and/or an auditor in bank auditing;
- 2) For performing audit of specific areas:
 - Evidence under point 1) of this Article, or
 - Evidences on professional qualifications of persons who will perform the audit of a specific area, including the evidences on fulfilment of specific requirements for performing the audit of specific area, if these requirements are determined by a law or other regulation.

Acquiring banking market concentration

Article 10

The bank shall, together with the request for granting approval for acquiring banking market concentration, submit the following:

- 1) Documents on the manner and reasons for acquiring banking market concentration;
- 2) Study on economic viability of statutory change by which the banking market concentration is acquired;
- 3) A detail explanation of the impact of acquiring banking market concentration on balance sheet, profit and loss statement and bank's operations;
- 4) Projected business plan for the three-year period after the acquisition of the concentration.

Electing an auditor or an audit firm

Article 11

The bank shall, together with the request for granting the approval for the election of an auditor or audit firm, submit the following:

- 1) Decision of the board of directors on the election of an auditor or audit firm;
- 2) Basic information on auditor's performance and/or performance of audit firm;
- 3) A copy of auditor's license;
- 4) Information on auditor's experience and/or experience of a leading the audit, in the process of audit of bank's financial statements;
- 5) Evidence that there are no obstacles referred to in Article 95 points 2) to 5) of the Banking Law regulating the election of an auditor.

Payment of dividends

Article 12

The bank shall, together with the request for granting the approval for the payment of dividends above the level specified under Article 83 of the Banking Law, submit the following:

- 1) Annual financial statements of a bank, with the external auditor's opinion;
- 2) Decision or proposal of the decision on dividends payout;

- 3) Analysis of impact of dividends payout on bank's performance indicators.

Exclusion from consolidation

Article 13

The bank shall, together with the request for granting the approval for the exclusion of information on subordinated member of a banking group from the consolidated financial statements, submit the following:

- 1) Analysis of consolidated financial statements, with the analysis of financial statement of subordinated member of a banking group;
- 2) A detail explanation of reasons for the exclusion of financial statements of subordinated member of a banking group;
- 3) Risk assessment for the banking group in a case of exclusion of financial statements of subordinated member of a banking group;
- 4) Methodology for the assessment of a banking group position.

Founding foreign bank representative office

Article 14

The bank shall, together with the request for granting the approval for establishing foreign bank representative office, submit the following:

- 1) Statement from the court or other register in which a bank is registered;
- 2) Articles of association and strategic plan of a bank;
- 3) Financial statements of a bank for the past three years, with an external auditor's opinion;
- 4) Name and address of the representative office to be founded;
- 5) Information on person who is proposed to be a manager in a representative office;
- 6) Information on technical capacities and human potential of a representative office;
- 1) Consent for the establishment of a representative office issued by relevant state authority where the bank's head office is registered, or evidence that such consent is not needed.

3. Final Provisions

Initiated Procedures

Article 15

The procedures for granting approvals under this Decision, initiated up to the day when this Decision entered the force, shall be terminated pursuant to the provisions of this Decision.

Entry into force

Article 16

This Decision shall enter into force eight days after its publishing in the Official Gazette of Montenegro.

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

Decision No.0101-323/11-2
Podgorica, 18 September 2008

PRESIDENT OF THE COUNCIL

Ljubiša Krgović

**QUESTIONNAIRE
FOR THE CANDIDATE FOR MEMBER OF THE BANK'S BOARD OF
DIRECTORS**

I. Name and address of a bank	
II. General information on candidate 1) Name and last name	
2) Permanent and temporary residence	
3) Date and place of birth	
4) Citizenship	
5) Business telephone number and e-mail address	
III. Education Indicate all degrees of education, with the duration time and finishing year, and acquired academic knowledge	
IV. Language skills (only for foreigners) Indicate proficiency level of the language which is formally used in Montenegro	
V. Professional skills Indicate chronologically all types of further professional training, name of the topic, organizer and duration of further professional training, with information on obtained licenses and certificates	

<p>VI. Curriculum vitae</p> <p>6.1. Indicate chronologically all employers and work positions and period over which the candidate performed specific job</p> <p>6.2. Experience in banking and financial operations (indicate in detail kinds of jobs which the candidate performed)</p> <p>6.3. Indicate whether the candidate was relieved from the position of the member of board of directors, Managing director or similar position in a legal entity, and if so, indicate the reasons for his removal or withdrawal.</p>	
<p>VII. Relation with a bank and other parties</p> <p>7.1. Indicate whether the candidate is an independent person, pursuant to Article 30 paragraph 4 of the Law on Banks</p> <p>7.2. Indicate whether the candidate is a person related to other bank or legal entity, pursuant to Article 31 points 1) and 2) of the Law on Banks, and if so, indicate the kind of relation.</p>	
<p>VIII. Bankruptcy and enforceable orders over the candidate's property</p> <p>Indicate have there been any bankruptcy proceedings or enforceable orders over the candidate's property, and if so, indicate the orders.</p>	
<p>IX. Management and governance in business organizations</p> <p>Indicate whether:</p> <ol style="list-style-type: none"> 1) the candidate was a manager in any bank or business organization during the period of bankruptcy proceeding, and if so, indicate the details related to the bankruptcy of that association 2) the candidate was a member of the board of directors or manager in any bank during the interim administration, and if so, indicate the details related to the bankruptcy of that association 	

<p>X. Sentencing Indicate whether:</p> <ol style="list-style-type: none"> 1) the competent court prohibited the candidate to perform his business activities, and if so, indicate the imposed measures and their duration 2) The candidate was sentenced for criminal acts, and if so, indicate a kind of criminal act and kind of penalties. 	
<p>XI. Financial relation with the bank Indicate whether:</p> <ol style="list-style-type: none"> 1) a bank has exposure to that candidate, and if so, indicate the total amount of a bank's exposure to this person 2) A bank has exposure to business organization which is in the candidate's ownership, or to business organization in which the candidate is the member of the board of directors or Managing director, and if so, indicates the total amount of bank's exposure to that business organization. 	

I declare that all answers are truthful and complete according to my notice, and that I did not conceal any information which may affect the decision of the Central Bank upon the request for obtaining the approval for my election as a member of the board of directors.

I commit myself to immediately inform the Central Bank about all changes which may have a significant impact on obtaining the approval for my election.

Place and date:

Signature of a candidate:

INFORMATION AND DATA PROVING THE FULFILMENT OF REQUIREMENTS FOR GRANTING APPROVAL FOR USING RATING ASSIGNED BY AN EXTERNAL INSTITUTION

I. Basic information on external institution:

- 1) Type of credit assessments performed by an external institution;
- 2) Countries in which the external activity is active;
- 3) Overview of legal and organisational structure of the external institution and group to which it belongs (ownership structure, large subsidiaries, ancillary and other services that are provided) – information on ownership should cover persons that have qualified participation or voting rights in external institution of 5% and more;
- 4) Total number of full time employees;
- 5) Total number of clients and list of significant clients;
- 6) Information on financial position of external institution (financial statements for the last three years and a plan for the following three years);
- 7) Respecting the code of conduct which is similar to standards accepted by market or which are in accordance with the internationally recognised principles.

II. Information and evidence for the criteria of objectivity:

- 1) Brief description of methodology of credit ratings and processes and the manner on which such methodology has been adopted, implemented and applied. This description should cover procedures used to provide consistency in the use of rating methodology for all credit ratings, in particular, role of the committees for determining ratings and guidelines to be used, the volume of inputs obtained from rated entities, access to non-public information, etc.;
- 2) For each part for which the methodology is applied consistently (e.g. part of structured finances, public finances or commercial entities), brief description of quantitative inputs: (key indicators, sources of data, assumptions and quantitative techniques used, the volume of inputs obtained from rated entities, etc.);
- 3) For each part for which the methodology is applied consistently, brief description of qualitative inputs, in particular volume of qualitative rating, e.g. strategies, business plan of rated entities, etc.;
- 4) Overview of main differences in basic methodologies relative to individual geographic areas;
- 5) Description of methodology used for verifying the accuracy and consistency of the system for determining rating, with detailed results of such analysis;
- 6) General information on verifying credit ratings: e.g. regular procedure, main characteristics, volume, frequency and staff teams included in verification, funds used, treatment, main stages of verification process, data updating, information obtained from rated entities used for checking credit ratings, and the like;
- 7) Evidence that back testing exists and that has been operational for at least one year.

III. Information and evidences for the criteria of independence:

- 1) Description of the procedures aimed at ensuring fair and objective credit ratings: identification mechanisms, prevention, management and elimination of actual or potential conflicts of interest;

- 2) Detail description of protective mechanisms used for shareholders' rating and for rating of other persons from the group of connected parties;
- 3) Evidence on the existence of the internal audit function and mechanisms that ensure that the internal procedures of development, review and withdrawal of credit ratings are efficiently implemented;
- 4) Evidence that members of rating teams and committees have adequate qualifications, including also information on the level of knowledge and experience in making credit rating and that these qualifications are maintained or improved over time through adequate training programmes;
- 5) Description of main characteristics of internal code of conduct in external institution;
- 6) Evidence that reward policy for the employees included in credit rating does not influence the development of independent and objective credit ratings: (e.g. statement that the analysts reward is not connected with the decisions on credit rating, fees from rated entities or income from rating beneficiaries);
- 7) Details of the reward policy in external institution;
- 8) Statement that persons included in the credit rating process are not connected by any business relationship with rated entities, which could jeopardise independency and high-quality credit rating.

IV. Information and evidences for the criteria of transparency:

- 1) Evidence that basic information on methodology used by external institution to form its credit assessments have been disclosed;
- 2) Description of disclosure procedures and information on the dates of the access to credit ratings by all potential clients;
- 3) Description of transparency policy in relation to the types of credit rating.

V. Information and evidences for the criteria of credibility:

- 1) The presence of external institution on the market in home country, other countries and regions;
- 2) evidence that the external institution exists at the market at least three years;
- 3) number of for which the credit rating was assigned by external institution;
- 4) information on income accomplished by the external institution from the activities of rating development in the last three years.

VI. Information needed for credit ratings mapping:

- 1) Information for mapping long-term credit ratings:
 - Definition of default,
 - Credit default rate (CDR) during the period of three years for each category of credit ratings and at least two most recent CDRs,
 - Ten-year average of three-year CDR, and if not available, the assessment of ten-year average of three-year CDR,
 - If variables are applied to default rate, provide information on variables applied to default of each credit rating grade,
 - Description of methodology for calculating CDR: selection of the pool (aggregation of default, weighting mechanism),
 - Statistical significance of default rates,
 - Dynamic significance of rating methodologies (point-in-time or through the cycle),
 - Importance of credit rating grades,
 - Range of credit assessments used by the external institution,

- Duration of credit ratings,
 - Transition matrix,
 - Geographic coverage.
- 2) Information for mapping long-term credit ratings for structural products:
- Definition of default rate based on the calculation of default rate,
 - Information on rating together with the explanation of main characteristics,
 - Significance of credit rating grades,
 - Range of credit assessments used by the external institution,
 - Duration of credit ratings,
 - Transition matrix,
 - Geographic coverage.
- 3) Information for mapping short-term credit ratings:
- relationship between short-term basic credit ratings and long-term basic credit ratings,
 - relationship between short-term credit ratings for structural products and long-term credit ratings for structured products