

Pursuant to Article 16 paragraph 2 and Article 44 paragraph 2 item 3 of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17, 125/23), the Council of the Central Bank of Montenegro, at its meeting held on 11 April 2024, passed the following

DECISION

ON DETAILED CONDITIONS FOR AND THE MANNER OF GRANTING LOANS TO CREDIT INSTITUTIONS IN CASE OF THEIR LIQUIDITY NEEDS

I. BASIC PROVISIONS

Article 1

This Decision governs detailed conditions for and the manner of granting loans to credit institutions licensed and/or authorised by the Central Bank of Montenegro in case of their liquidity needs (hereinafter: the liquidity loan).

Article 2

The Central Bank of Montenegro (hereinafter: the Central Bank) may grant a liquidity loan to a credit institution which is solvent within the meaning of the loan governing credit institutions.

The credit institution shall use the liquidity loan granted exclusively for meeting its due liabilities to depositors and other creditors of the credit institution.

The credit institution shall keep separate records of the use of the liquidity loan funds for the purposes referred to in paragraph 2 above.

Article 3

The Central Bank of Montenegro may grant a liquidity loan to a credit institution in the form of:

- 1) intraday liquidity loan,
- 2) overnight liquidity loan, or
- 3) emergency liquidity assistance loan.

The Council of the Central Bank may allocate funds from which the Central Bank shall grant the liquidity loans.

Article 4

The Central Bank may grant an intraday liquidity loan and an overnight liquidity loan to a credit institution provided that it is secured by debt securities issued by the state of Montenegro, EU Member States and international financial institutions - by transferring the ownership right over those securities to the Central Bank through repurchase transaction (transaction of the sale of these securities with repurchase obligation) - (hereinafter: repurchase transactions) or by constituting a lien on those securities to the benefit of the Central Bank.

The Central Bank may issue a credit institution an emergency liquidity assistance loan provided that it is secured by securities issued by the state of Montenegro, EU Member States and international financial institutions - by transferring the ownership rights over those securities to the Central Bank through repurchase transaction or by constituting a lien on those securities to the benefit of the Central Bank, or other collateral that the Central Bank deems appropriate, other than immovable property.

Article 5

The nominal value of securities issued by the State of Montenegro, EU Members States, and international financial institutions and/or the market value of other collateral offered as security for the liquidity loan shall be no less than 115% of the loan value.

When the Central Bank assesses that the value of collateral for emergency liquidity assistance loan is not sufficient to secure receivables on that loan, a credit institution shall, at the request of the Central Bank, provide additional collateral referred to in Article 4 of this Decision and/or repay the appropriate portion of the loan.

Article 6

In case of collateral referred to in Article 4 of this Decision that has agreed maturity, that maturity must exceed that of the liquidity loan.

Article 7

The ownership right or lien on collateral referred to in Article 4 of this Decision shall be constituted to the benefit of the Central Bank in accordance with regulations and the provisions of this Article.

The ownership right or lien on domestic securities referred to in Article 4 of this Decision shall be registered in the proprietary account of such securities holder with the securities registry kept in Montenegro in accordance with the law.

The ownership right or lien on foreign securities referred to in Article 4 of this Decision shall be registered with the Clearstream Banking with head office in Luxembourg.

The lien on other collateral referred to in Article 4 of this Decision shall be registered in accordance with general regulations.

Article 8

A credit institution shall submit a liquidity loan application to the Central Bank, unless otherwise stipulated in this Decision.

The liquidity loan application shall contain in particular:

- 1) the amount of the requested liquidity loan, and
- 2) information on the type and value of funds offered as collateral against the liquidity loan, and in case of collateral that has maturity, the maturity date of the collateral.

In addition to the application referred to in paragraph 1 of this Article, the credit institution shall submit to the Central Bank the evidence of ownership over the collateral offered as security for the liquidity loan and the possibility of transferring ownership right over the securities through a repurchase transaction, and/or the possibility of constituting a lien over the collateral.

Article 9

The Central Bank shall conclude a liquidity loan agreement with a credit institution against the collateral set out in this Decision (hereinafter: the agreement).

The agreement shall regulate in particular: the type of liquidity loan granted, the amount to be disbursed, loan maturity, the manner of loan repayment, interest rate and the collection of other receivables, the collateral against the loan, the registration and termination of the Central Bank's ownership right and/or lien on the pledged collateral, the manner and conditions for the termination of the agreement.

Article 10

The Central Bank shall transfer the granted liquidity loan funds to the credit institution's account with the Central Bank after concluding the agreement and receiving appropriate evidence on the registration of the ownership right and/or lien referred to in Article 7 of this Decision.

Article 11

The Central Bank shall charge the annual interest on the granted liquidity loan.

The interest referred to in paragraph 1 of this Article shall be calculated on daily basis by multiplying the loan amount by the interest rate and dividing the obtained amount by 360, adding the resulting amount to the loan amount to be repaid to the Central Bank.

The interest shall be calculated for both working and non-working days and paid on the occasion of the liquidity loan repayment.

Article 12

When signing the liquidity loan agreement and as the security for the payment of interest, a credit institution shall submit to the Central Bank an adequate number of signed and certified blank promissory notes and the authorisation for their filling in.

The Central Bank may also use the promissory notes referred to in paragraph 1 of this Article for the collection of the outstanding portion of the liquidity loan.

Article 13

The Central Bank will not grant a liquidity loan to a credit institution having outstanding liabilities to the Central Bank, unless otherwise stipulated in this Decision.

Article 14

The Central Bank may refuse a credit institution's liquidity loan application if it assesses that the credit institution fails to meet the conditions for granting the liquidity loan, that the offered collateral is unacceptable for the Central Bank or that there are other circumstances that prevent the granting of the liquidity loan.

The Central Bank may temporarily suspend the granting of the liquidity loan to a specific credit institution or to all credit institutions, as well as specify the highest amount of the liquidity loan that may be granted to a specific credit institution or to all credit institutions, informing the credit institution(s) thereof.

II. INTRADAY LIQUIDITY LOAN

Article 15

The Central Bank may grant an intraday liquidity loan (hereinafter: the intraday loan) to a credit institution if the credit institution is lacking funds in its account to meet all its due liabilities during a working day.

The credit institution may use the intraday loan provided that it has used 50% of its allocated reserve requirements for maintaining daily liquidity.

Article 16

The Central Bank shall charge interest on the granted intraday loan at an interest rate equal to the weighted average effective lending interest rate (WAELIR) on loans granted by credit institutions, calculated on the last day of the month preceding the month in which this loan is being granted, increased by 0.5 percentage points.

Article 17

The credit institution shall repay the intraday loan to the Central Bank on the same working day, no later than by the expiry of time envisaged for the exchange of payment transaction messages in accordance with the RTGS Daily Operating Schedule specified under the Operating Rules of the Central Bank of Montenegro Payment System (OGM 48/14, 57/14) (hereinafter: the RTGS Daily Operating Schedule).

If the credit institution fails to repay the intraday loan within the deadline referred to in paragraph 1 of this Article, the Central Bank shall grant the overnight liquidity loan to the credit institution, without the credit institution's application, in the amount of the outstanding portion of the intraday loan.

III. OVERNIGHT LIQUIDITY LOAN

Article 18

If a credit institution does not have sufficient funds in the account to settle all its due liabilities at the end of time envisaged for the exchange of payment transaction messages in the RTGS Daily Operating Schedule, the Central Bank may grant an overnight liquidity loan (hereinafter: the overnight loan) to the credit institution .

The credit institution may submit the overnight loan application on a working day no later than 15:00 hours.

The credit institution may use the overnight loan provided that it has used 50% of its allocated reserve requirements for maintaining daily liquidity.

Article 19

The Central Bank shall charge interest on the granted overnight loan at an interest rate equal to the weighted average effective lending interest rate (WAELIR) on loans granted by credit institutions, calculated on the last day of the month preceding the month in which this loan is being granted, increased by 1 percentage point.

Article 20

The Central Bank shall grant the overnight loan to a credit institution at the end of the time envisaged for the exchange of payment transaction messages in the RTGS Daily Operating Schedule.

The credit institution shall repay the overnight loan and the corresponding interest to the Central Bank until 12:00 hours on the following working day.

Article 21

If a credit institution fails to repay the overnight loan within the deadline specified under Article 20 paragraph 2 of this Decision, the Central Bank shall charge the interest at a rate equal to the statutory default rate to the credit institution for the period beginning from the maturity date until the collection of this loan.

Any default in the repayment of the overnight loan during the day on which the credit institution has been obliged to repay the loan shall be considered a one-day loan default.

IV. EMERGENCY LIQUIDITY ASSISTANCE LOAN

Article 22

The Central Bank may grant an emergency liquidity assistance loan to a credit institution experiencing short-term difficulties in maintaining liquidity.

Article 23

In addition to information referred to in Article 8 paragraph 2 of this Decision, the emergency liquidity assistance loan application shall specify the period for which the short-term loan has been requested.

In addition to information referred to in Article 1 of this Decision, a credit institution's emergency liquidity assistance loan application shall also be supported with the following:

- 1) the statement of the management board that the credit institution is solvent;
- 2) the report on the position and reasons for the liquidity shortfall;
- 3) an overview of activities and measures the credit institution has taken to improve its liquidity;
- 4) the plan of inflow and outflow of funds for the period for which the liquidity loan has been requested;
- 5) the statement of the management board that the credit institution has been unable to provide funds from other sources of liquidity available in the market.

If the credit institution is a foreign credit institution's subsidiary, it shall support the emergency liquidity assistance loan application with the statement of that foreign credit institution that it is unable to provide the necessary liquidity support to its subsidiary.

If the emergency liquidity assistance loan is granted to a branch of a foreign credit institution, the branch of the foreign credit institution shall support the emergency liquidity assistance loan application with the information referred to in paragraph 2 of this Article about the credit institution to which it belongs and submit the statement of that foreign credit institution that it is unable to provide the necessary liquidity support to its branch.

Article 24

The Central Bank may grant the emergency liquidity assistance loan to a credit institution for the period of up to 180 days.

The credit institution shall repay the emergency liquidity assistance loan by the expiry of time envisaged for the exchange of payment transaction messages in accordance with the RTGS Daily Operating Schedule on the deadline date.

If the contractual deadline date for the repayment of the emergency liquidity assistance loan is a non-working day, the credit institution shall repay the loan to the Central Bank no later than by 10:00 hours on the following working day.

Article 25

The Central Bank may sign only once the agreement on the renewal of the emergency liquidity assistance loan with the credit institution with which it has previously signed the emergency liquidity assistance loan agreement, under the same conditions and for an additional period of no more than 180 days.

The renewal of the emergency liquidity assistance loan in accordance with paragraph 1 of this Article may be granted to a credit institution that has previously adopted a programme of measures for resolving liquidity shortfall problems and which is deemed acceptable by the Central bank.

The Council of the Central Bank shall decide on the credit institution`s request for the renewal of the emergency liquidity assistance loan by passing a decision on either approving or denying the application for the renewal of the emergency liquidity assistance loan, whichever the case may be.

In its decision on approving the renewal of the emergency liquidity assistance loan, the Council of the Central Bank shall specify the period for which the renewal of the emergency liquidity assistance loan is approved.

The agreement on the renewal of the emergency liquidity assistance loan with a credit institution shall be concluded on the basis of the decision on approving the renewal of the emergency liquidity assistance loan.

Article 26

The Central Bank shall charge interest on the granted emergency liquidity assistance loan at an interest rate equal to the weighted average effective lending interest rate (Waelir) on loans granted by credit institutions, calculated on the last day of the month preceding the month in which this loan is being granted, increased by 1.5 percentage points.

Article 27

If the credit institution fails to repay the emergency liquidity assistance loan within the agreed deadline, the Central Bank shall charge the interest at a rate equal to the statutory default rate to the credit institution for the period beginning from the maturity date until the collection of this loan.

V. PENALTY PROVISIONS

Article 28

A pecuniary penalty ranging from EUR 3,000 to EUR 10,000 shall be imposed on a credit institution where it:

- 1) fails to use liquidity loan granted exclusively for meeting its due liabilities to depositors and other creditors (Article 2 paragraph 2);
- 2) fails to keep separate records on the use of liquidity loan funds (Article 2 paragraph 3).

A pecuniary penalty ranging from EUR 500 to EUR 1,000 shall also be imposed on the responsible person in the credit institution for the misdemeanour specified in paragraph 1 of this Article.

VI. FINAL PROVISIONS

Article 29

As from the commencement date of the application of this Decision, the Decision on Detailed Conditions for Granting Loans to Banks in Case of their Liquidity Needs (OGM 82/17) shall be repealed.

Article 30

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

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

Decision number: 0101-2978-4/2024

Podgorica, 11 April 2024

CHAIRPERSON,

G O V E R N O R
Irena Radović, m.p.