

DECISION
ON RESERVE REQUIREMENTS OF CREDIT INSTITUTIONS AT THE
CENTRAL BANK OF MONTENEGRO
(OGM 19/22 of 22 February 2022, 78/24 of 7 August 2024)

Article 1

This decision regulates the obligation of credit institutions to calculate, allocate and maintain their reserve requirements with the Central Bank of Montenegro (hereinafter: the Central Bank), the reserve requirement base, the reserve requirement rate, the method and deadlines for the calculation, allocation and maintenance of reserve requirements, and the conditions for the use of reserve requirements by credit institutions.

Article 2

For the purpose of this decision, the following terms and definitions shall be used:

- 1) **base** is an average daily balance of demand and time deposits over the calculation period, other than central bank deposits;
- 2) **calculation period** is a one-month period, from the first until the last calendar day in a month for which credit institutions are obliged to calculate the base;
- 3) **maintenance period** is a one-month period starting from the third Wednesday in a month until the day preceding the third Wednesday in the following month over which credit institutions are obliged to maintain the prescribed reserve requirement;
- 4) **business days** are all weekdays, except Saturdays, Sundays and all other non-business days in accordance with the law.

Article 3

Credit institutions shall ensure daily updating of their records on demand and time deposits in their business books.

Article 4

Credit institutions shall calculate the reserve requirement by applying the rate of:

- 5.5% - on a part of the base comprised of demand deposits and deposits with contractual maturity up to 365 days and/or up to 366 days;
- 4.5% - on a part of the base comprised of deposits with contractual maturity over 365 days and/or 366 days.

Deposits with contractual maturity referred to in paragraph 1 indent 2 above that have the deposit cancellation clause in the period shorter than 365 days and/or 366 days shall be subject to the rate specified in paragraph 1 indent 1 above.

Article 5

The reserve requirement shall be calculated by applying the rates referred to in Article 4 paragraph 1 of this decision on the appropriate part of the base.

Credit institutions shall calculate their reserve requirements in accordance with paragraph 1 above two days prior to the expiration of the maintenance period.

Article 6

Credit institution shall deposit the calculated reserve requirement to the reserve requirement account in the country and/or to the Central Bank's foreign accounts and it may not allocate or deposit reserve requirement in any other form.

The reserve requirement shall be deposited in euros.

Reserve requirement funds deposited by a credit institution to the Central Bank's foreign accounts may not be transferred to any other accounts held abroad other than the credit institution's transaction account in the RTGS system.

Article 7

The allocation of reserve requirement shall be made on Wednesdays. In case Wednesday is a non-business day in accordance with the law, the allocation shall be made on the following business day.

Article 8

During the maintenance period, the end-of-day reserve requirement balance of a credit institution shall equal the amount calculated in accordance with Article 5 paragraph 1 herein.

Article 9

Credit institutions may use up to 50% of their reserve requirement deposits to maintain their daily liquidity.

Credit institutions shall not be charged any fee for the use of their reserve requirement referred to in paragraph 1 above provided that they meet the prescribed level of reserve requirement at the end of the same day.

Article 10

The Central Bank shall pay monthly remuneration to credit institutions on 50% of their reserve requirements funds in accordance with Article 6 paragraph 1 of this Decision that is to be calculated at the 0 (zero) rate.

Article 11

If the Central Bank determines that a credit institution has acted contrary to the provisions specified herein, the credit institution shall not have the right to apply the reserve

requirement rate under Article 4 paragraph 1 indent 2 of this decision during the period of six months following the established violation date.

The Central Bank shall impose measures against the credit institution for which it has been determined that it had violated provisions of this decision pursuant to the law governing the taking up and pursuit of business of credit institutions.

Article 12

Where the Central Bank determines that a credit institution has miscalculated and/or has misallocated or has failed to allocate the reserve requirement within the deadline referred to in Article 7 herein, the credit institution shall be charged a monthly fee for the miscalculated or untimely allocated reserve requirement at the rate specified in a separate Central Bank regulation.

Where a credit institution has failed to meet the prescribed level of used reserve requirement on the same day in line with Article 9 paragraph 1 of this decision, it shall pay the monthly fee at the rate referred to in paragraph 1 above.

Article 13

Fees referred to in Articles 10 and 12 herein shall be calculated by multiplying the determined amount of reserve requirement by the specified rate and number of days, and dividing the obtained result by 360.

The Central Bank shall inform credit institutions in writing on the calculation of fees under Articles 10 and 12 of this decision.

If a credit institution allocates reserve requirement funds to the Central Bank's foreign accounts, it shall pay a fee at a rate to be specified in a separate regulation of the Central Bank.

Article 14

No later than one day prior to allocating reserve requirement, credit institutions shall submit to the Central Bank:

- reserve requirement reports using the reporting forms ObR, ObR-p, ObR-d1 and ObR-d2 enclosed as Annex 1 and making an integral part of this decision;
- a written request for depositing to and/or withdrawing the reserve requirement funds from the Central Bank's foreign accounts.

A credit institution planning to withdraw its reserve requirement funds from the Central Bank's foreign account in the amount exceeding 500,000 euros shall inform the Central Bank thereof via a written notice no later than three business days prior to the intended withdrawal date.

Article 15

In the period from 3 January 2022 until the entry into force of this decision, the Central Bank shall pay monthly remuneration to credit institutions on 50% of their reserve requirements funds at the EONIA rate minus 10 basis points on annual basis, provided that this rate may not fall below zero.

Article 16

Credit institutions shall commence the reporting pursuant to this decision as of 15 March 2022.

Article 17

Decision on Bank Reserve Requirement to be Held with the Central Bank of Montenegro (OGM 88/17 and 43/20) shall be repealed with effect from the date of entry into force of this decision.

Article 18

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

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO