

Pursuant to Article 44 paragraph 2 item 3 of the Central Bank of Montenegro Law (OGM 40/10, 06/13, 70/17), Article 115 paragraph 7 and Article 134 paragraph (9) of the Law on Credit Institutions (OGM 72/19, 8/21), the Council of the Central Bank of Montenegro, at its meeting held on 30 December 2021, passed the following

## **DECISION AMENDING THE DECISION ON CAPITAL ADEQUACY OF CREDIT INSTITUTIONS**

### **Article 1**

In the Decision on Capital Adequacy of Credit Institutions (OGM 128/20) in Article 3 paragraph (1), item 9) shall be amended to read:

“9) **dilution risk** means the risk that an amount of purchased receivables is reduced through cash or non-cash receivables of the debtor to the creditor who has sold receivable to a credit institution, and of which a credit institution, as a buyer of purchased receivables was not aware;”

In item 42, in the first sentence after the word “collects”, the following shall be added: “margins”.

The second sentence of item 42) shall be reworded with no relevance to the English translation.

Item 92 shall be amended to read:

“92) **micro, small and medium-sized enterprises** (hereinafter: SMEs) has the same meaning as under the law governing the accounting.”

After item 95) a semi-colon shall be added.

After item 95) a new item shall be added to read:

“**96) exposure to retail** means the exposure which, for a credit institution that applies the standardised approach referred to in Part Three Title II Subtitle 3 of this Decision when calculating capital requirements for credit risk, meets the requirements of Article 140 paragraph 1 of this Decision, or for a credit institution that applies the internal ratings based approach referred to in Part Two Title II Subtitle 3 of this Decision when calculating capital requirements for credit risk, meets the requirements of Article 166 paragraph 5 of this Decision.“

### **Article 2**

In Article 18 item 15) after the words: “off-balance sheet items”, the following shall be added: “classified as pass assets”.

### **Article 3**

In Article 21 paragraph (1) after the words: “require deduction”, the following shall be added: “from Common Equity Tier 1 capital”.

### **Article 4**

In Article 24 after the words: “to be deducted”, the following shall be added: “from Common Equity Tier 1 capital”.

### **Article 5**

In Article 25 in introductory sentence of paragraph (1) after the words: “to be deducted”, the following shall be added: “from Common Equity Tier 1 capital”.

In paragraph (2) after the words: “to be deducted”, the following shall be added: “from Common Equity Tier 1 capital”.

### **Article 6**

In Article 52 paragraph (5) item 2) shall be reworded with no relevance to the English translation.

### **Article 7**

In Article 101 paragraph (6) shall be reworded with no relevance to the English translation.

In Article 101 paragraph (7) shall be amended, worded as follows:

“(7) For the purposes of paragraph (6) this Article, the exposure to a non-defaulted SME to which weights referred to in paragraph (5) of this Article apply, may be included in one of the exposure categories referred to in Article 129 paragraph (1) indents 7 to 9 of this Decision.”

### **Article 8**

In Article 136 paragraph (7) the words: “Article 3 item 19) of the Law”, shall be replaced by the following: “Article 16 item 19) of the Law”.

### **Article 9**

In Article 140 paragraph (4) shall be reworded with no relevance to the English translation.

Paragraph (5) shall be deleted.

Current paragraphs (6) and (7) shall become paragraphs (5) and (6).

### **Article 10**

In Article 145 paragraph (7) item 1) shall be reworded with no relevance to the English translation.

#### **Article 11**

In Article 166 paragraph (5) item 1) indent 2 and in Article 173 paragraph (2) shall be reworded with no relevance to the English translation.

#### **Article 12**

In Article 181 paragraph (1) shall be reworded with no relevance to the English translation.

#### **Article 13**

In Article 185 paragraph (10) item 3) shall be reworded with no relevance to the English translation.

#### **Article 14**

In Article u 237 paragraph (1) item 1) indent 3) the words: “to small and medium-sized enterprises (SME)”, shall be replaced by the following: “to SMEs”.

#### **Article 15**

In Article 263 paragraph (6) item 2) indent 3 and in Article 275 paragraph (4) shall be reworded with no relevance to the English translation.

#### **Article 16**

In Article 279 paragraph (1) in the Table and in paragraph (2) shall be reworded with no relevance to the English translation.

#### **Article 17**

In Article 308 paragraph (1) item 4) shall be reworded with no relevance to the English translation.

The introductory sentence of paragraph (4) shall be reworded with no relevance to the English translation.

#### **Article 18**

In Article 342 paragraph (3) the words: “Section of Subtitle 4”, shall be replaced by the following “Section 4 of Subtitle 4”.

#### **Article 19**

In Article 400 paragraph (4) shall be reworded with no relevance to the English translation.

#### **Article 20**

In Article 434 in the introductory sentence of paragraph (1) the words: “A credit institution can”, shall be replaced by the following: “If a credit institution buys exclusively options and warrants, it may”.

#### **Article 21**

In Article 435 paragraph (7) item 4) the words: “in Article 6 item 2) indents 1 to 4”, shall be replaced by the following: “in paragraph (6) item 2) indents 1 to 4 of this Article”.

#### **Article 22**

In Article 455 paragraph (2) shall be reworded with no relevance to the English translation.

#### **Article 23**

In Article 489 paragraphs shall be renumbered with no relevance to the English translation.

#### **Article 24**

In Article 504 paragraph (2) item 2) the words: "800%", shall be replaced by the following: "80%".

#### **Article 25**

After Article 504 three new articles shall be added, worded as follows:

### **"Transitional provision for Common Equity Tier 1 capital**

#### **Article 504a**

A credit institution may, during 2022, include into Common Equity Tier 1 capital 25% of negative effects of transition to the valuation of asset items by applying MSFI 9, as established in accordance with Decision on Capital Adequacy of Banks (OGM 38/11, 55/12, 82/17).

### **Transitional provision for deductions from Common Equity Tier 1 capital for non-performing exposures**

#### **Article 504b**

(1) Deductions from Common Equity Tier 1 capital referred to in Article 18 item 13) of this Decision shall not apply to non-performing exposures which were originated prior the start of application of this Decision.

(2) By way of derogation from paragraph (1) of this Article, where the terms and conditions of an exposure which was originated prior to the start of application of this Decision have been modified by the credit institution in a way that increases the credit institution's exposure to the debtor, the exposure shall be considered as having been originated on the date when the modification applies.

(3) A credit institution shall calculate deductions from Common Equity Tier 1 capital referred to in Article 18 paragraph 15) for non-performing exposures referred to in paragraph (1) of this Article that were originated prior to the start of application of this Decision.

### **Defining default**

#### **Article 504c**

(1) The provisions of Article 197 of this Decision shall apply from 1 January 2023.

(2) Until the start of application of the provisions of paragraph (1) of this Article, it shall be considered that the default has occurred if the debtor is more than 90 days past due”.

### **Entry into force**

#### **Article 26**

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, 8/21).

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

**CHAIRPERSON  
GOVERNOR,**

**Radoje Žugić, m.p.**

Decision number: 0101-9128-3/2021  
Podgorica, 30 December 2021