

Pursuant to Article 44 paragraph (2) item 3) of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17), and Article 172 paragraph (6) 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 LARGE EXPOSURES OF CREDIT
INSTITUTIONS**

Article 1

In the Decision on Large Exposures of Credit institutions (OGM 127/20) in Article 13, after paragraph (1), two new paragraphs shall be added, worded as follows:

“(2) When reporting to the Central Bank of the breach, the credit institution shall, without delay, provide, in particular, the following information:

- 1) the amount of the breach in relation to Tier 1 capital;
- 2) the name of the client due to which the breach occurred or, where applicable, the name of the group of connected persons concerned;
- 3) date of the occurrence of the breach;
- 4) description of available collateral (even if not eligible for credit risk mitigation), if any;
- 5) a detailed explanation of the reasons for the breach;
- 6) remedial actions already implemented or planned by the credit institution to remove the breach; and
- 7) expected time needed to return to compliance with the large exposure limits.

(3) The Central Bank may request the credit institution to provide further information and explanations if it is not satisfied that the information provided is sufficiently detailed to allow for a comprehensive assessment of the specific circumstances of the breach.”

Current paragraph (2) shall become paragraph (4).

Article 2

After Article 13, a new article shall be added, worded as follows:

“Reasons for the breach of large exposure limits

Article 13a

(1) When assessing the justification of the reasons for the breach in accordance with Article 13 paragraph (2) of this Decision, the Central Bank shall take into account, in particular, the following:

- 1) frequency and number of breaches;
- 2) predictability of the breach;

3) reasons beyond control of the credit institution that led to inability to prevent the breach.

(2) For the purposes of paragraph (1) item 1) of this Article, the Central Bank shall assess whether the breach of the limits referred to in Article 10 of this Decision is a rare event taking into account any previous breaches of the credit institution due to the same cause, triggered by the same event or concerning the same client or group of connected persons.

(3) If a credit institution notifies the Central Bank of a second breach during the last 12 months that concerns the same client or group of connected persons or stems from the same origin as the first breach, that event shall not be deemed a rare one within the meaning of paragraph (2) of this Article, and if, during the last 12 months, a credit institution has already notified the Central Bank of two breaches of the large exposure limits referred to in Article 10 of this Decision that concern different persons or different groups of connected persons, and are due to different causes or have been triggered by different events, any further breach or breaches, though unrelated, shall not be deemed a rare event.

(4) For the purposes of paragraph (1) item 2) of this Article, the Central Bank shall assess whether the credit institution could have foreseen the breach event, whether it had applied proper and effective risk management measures in accordance with the regulation governing the minimum standards for risk management in credit institutions and the regulation governing the governance arrangements in credit institutions, or whether the credit institution could have been in a position to anticipate the breach using available information.

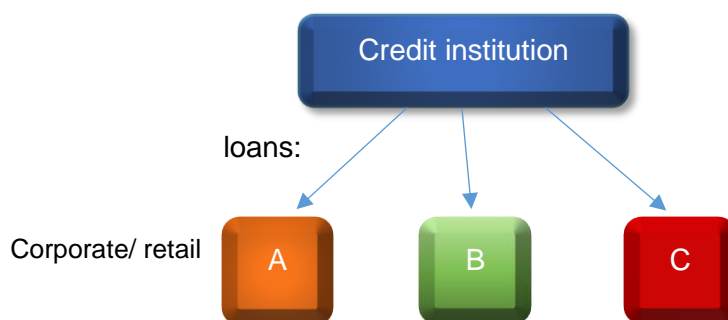
(5) Where the Central Bank finds that in multiple credit institutions identical or similar breaches have occurred that could be attributed to the same cause, it shall be deemed that the breach was caused by an unforeseeable event.

(6) The reasons referred to in paragraph (1) item 3) of this Article shall be, in particular, the following:

- 1) an unexpected and substantial decrease of own funds of the credit institution, including due to the impact of major operational risk events, such as external fraud, natural disaster or pandemic, that are not linked to an inadequate implementation of the credit institution's internal control mechanisms;
- 2) In cases where an exposure to which the large exposure limits referred to in Article 14 of this Decision do not apply, or an exposure to which limits to large exposures to reduced value referred to in Article 15 of this Decision are applied, fully or partially ceases to be eligible for such an exemption due to a decision of a third party that could not have been anticipated or prevented by the credit institution;
- 3) the merger of counterparties or clients (by establishing a new legal person or by acquisitions between counterparties), but only in cases when the credit institution did not have knowledge of or could not have anticipated this merger to prevent a breach."

Article 3

In Annex 1: “Identifying interconnectedness of persons within the group of connected persons”, in “**Scenario E5: Credit institution as source of funding (no grouping requirements)**” the schematic diagram shall be replaced with the following schematic diagram:



Article 4

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

**CHAIRMAN
GOVERNOR,**

Decision number: 0101-9128-4/2021
Podgorica, 30 December 2021

Radoje Žugić, m.p.