

Pursuant to Article 44 paragraph (2) item 3) of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17) and Article 31 paragraph (5) of the Law on Credit Institutions (OGM 72/19), the Council of the Central Bank of Montenegro, at its meeting held on 28 December 2020, passed the following

D E C I S I O N
**ON THE CRITERIA AND DOCUMENTATION FOR ASSESSING THE
SUITABILITY AND FINANCIAL SOUNDNESS OF THE ACQUIRER OF A
QUALIFYING HOLDING IN A CREDIT INSTITUTION**

I. BASIC PROVISION

Subject matter

Article 1

This decision shall prescribe in more detail the criteria against which the Central Bank of Montenegro (hereinafter: the Central Bank) shall assess the suitability and the financial soundness of a person that is a proposed acquirer of a qualifying holding in a credit institution (hereinafter: the acquirer), the assessment of the existence of significant influence, the manner of determining the size of the holding by a proposed indirect acquirer, the manner of submitting the application, and the documentation to be enclosed with the application for granting the authorisation for acquiring a qualifying holding in a credit institution.

**II. CRITERIA FOR ASSESSING THE SUITABILITY AND FINANCIAL
SOUNDNESS OF THE ACQUIRER OF A QUALIFYING HOLDING**

Assessment of fulfilment of the criteria

Article 2

In rendering a decision upon an application for granting the authorisation for acquiring qualifying holding in a credit institution, the Central Bank shall assess whether requirements of suitability of the proposed acquirer and financial soundness of the proposed acquisition referred to in Article 31 paragraph (1) of the Law on Credit Institutions (OGM 72/19) – (hereinafter: the Law) have been met.

Personal repute of the acquirer

Article 3

(1) When assessing the good repute of an acquirer, the Central Bank shall assess the repute of the acquirer and of their shareholders, the repute and appropriate professional knowledge and qualifications, as well as the repute of all persons connected with the acquirer and persons having business links to the acquirer.

(2) It shall be considered that the requirement regarding good repute, is not met by the acquirer:

- 1) who has been convicted by a judgement with final force and effect of a criminal offence against property, payment system and the economy, or a criminal offence against official duty;
- 2) against whom criminal offence proceedings have been initiated for a criminal offence referred to in item 1) of this paragraph, if that may cast doubt on the personal repute of the acquirer;
- 3) who has been convicted by a judgement with final force and effect or against whom criminal offence proceedings have been initiated for another criminal offence, if that may cast doubt on the personal repute of the acquirer;
- 4) who has been convicted of a misdemeanour due to irregularity or non-compliance with the positive regulations governing banking operations, insurance activities, payment service provision, consumer protection or any other regulations, if that may cast doubt on the personal repute, integrity and conscientiousness of the acquirer;
- 5) if a misdemeanour proceedings have been initiated against an acquirer or against a legal person in which such acquirer holds a qualifying holding, due to a violation of regulations governing banking operations, insurance activities, payment service provision, consumer protection or any other regulations, if that may cast doubt on the personal repute, integrity and conscientiousness of the acquirer;
- 6) who manages or has managed, at the time of committing the act, a business undertaking convicted by a judgement with final force and effect of any criminal offence, or upon which measures or misdemeanour sanctions have been imposed or against which proceedings referred to in item 3) of this paragraph have been initiated, if that may cast doubt on the repute, conscientiousness, and reliability of the acquirer; or
- 7) for whom, based on multiple credible sources of information, the existence of another reason has been established that may cast doubt on the repute and suitability of the acquirer.

(3) When assessing the circumstances referred to in paragraph (2) items 2 and 3) of this Article, the Central Bank shall take into consideration all available information regarding the sanctions, the significance of the relevant criminal offence or misdemeanour, the existence of any aggravating or mitigating circumstances, any legal remedies filed, any penalties or other criminal sanctions imposed, as well as the period which has elapsed since the act was committed and the acquirer's conduct throughout that period, and in the event of any large number of minor incidents, it shall be assessed whether they may, considered collectively, impinge on the repute and suitability of the acquirer.

(4) When determining the existence of circumstances referred to in paragraph (2) items 4) and 5) of this Article to assess the repute and suitability of the acquirer, the Central Bank shall take into consideration available information on all relevant supervision findings, reports, initiated or completed supervisory procedures and any resulting measures or misdemeanours, to the extent they relate to a person or a business undertaking currently or formerly managed by the acquirer, that have been imposed by a competent authority due to irregularities or non-compliance with regulations governing banking operations, insurance activities, financial service provision, consumer protection or any other regulations.

(5) When determining the existence of circumstances referred to in paragraph (2) item 6) of this Article to assess the personal repute of the acquirer, the Central Bank shall take into consideration any information on business activities of the acquirer, information indicating the unfair conduct of the acquirer in past professional activities, such as non-transparency and absence of cooperation with competent authorities, any refusal or revocation of authorisation to perform managing functions or carry out a profession or an activity, and where available, the Central Bank shall also analyse reasons for any termination of employment contract, removal from a key function or similar function or any prohibition of directing the business of or representing a legal person imposed by a competent authority.

(6) Where an acquirer is a legal person, the acquirer shall be deemed to not be of good repute where the Central Bank, depending on the influence on the acquirer, and acting in accordance with the provisions of this Article, assesses that persons who have a direct or indirect qualifying holding in the capital of the acquirer, or any member of the acquirer's management body are not of good repute.

(7) An acquirer shall be deemed to not be of good repute and integrity where the Central Bank, acting in accordance with the provisions of this Article, assesses that, depending on their influence on the acquirer, the persons constituting a group of connected persons with the acquirer or persons having business links to the acquirer are not of good repute.

(8) The Central Bank may, where it deems necessary, request the information based on which the repute of the acquirer may be assessed from other authorities in Montenegro and other countries.

(9) When assessing the personal repute and integrity, the Central Bank shall analyse collected information and assess whether any minor deficiencies that, taken individually, do not impinge on the acquirer's personal repute, if observed collectively, indicate that the acquirer is not of good repute.

Professional competence of the acquirer

Article 4

(1) The professional competence of the acquirer shall be assessed with regard to competence in management (hereinafter: the management competence) and competence in the area of banking and financial services provided by the credit institution in which a qualifying holding is being acquired (hereinafter: the financial competence), including the professional competence of the person responsible for directing business where the acquirer is a legal person.

(2) When assessing the management competence of the acquirer, the Central Bank shall take into consideration whether the acquirer, as a shareholder, holder of interests in business undertakings or a member of a management body or a manager in business undertakings, demonstrated due expertise, conscientiousness, diligence and compliance with relevant regulations and professional standards.

(3) When assessing the financial competence of the acquirer, the Central Bank shall take into consideration whether the acquirer, as a majority shareholder, a person with

qualifying holding or a member of a management body or a manager of a credit or financial institution, has demonstrated due expertise, conscientiousness, diligence and compliance with relevant regulations and professional standards.

(4) When assessing professional competence, the Central Bank shall take into consideration financial and business results and any illegalities and irregularities established in the operation of the legal person in which the acquirer has or has had a majority participation in capital, or in which the acquirer holds or has held significant interest, or in which the acquirer performed a function as a member of the management body or a senior management function in the period before significant irregularities or violation of the law were established in the operation of that legal person, before bankruptcy proceedings were initiated against that undertaking, before a decision on court liquidation proceedings was adopted or before its authorisation was revoked, and the Central Bank shall assess whether the acquirer's conduct had any effect on the occurrence of events referred to above.

(5) When assessing professional competence, the Central Bank shall also analyse the following:

- 1) whether the acquirer's income and assets allow the settlement of the acquirer's future financial obligations;
- 2) whether the acquirer is listed as an unreliable debtor (e. g. the list of tax debtors, credit registers, etc.);
- 3) whether the acquirer's assets have been or are currently subject to personal bankruptcy proceedings;
- 4) whether the acquirer is subject to any civil, misdemeanour or administrative proceedings that may threaten the settlement of the acquirer's future financial obligations;
- 5) any large investments, exposures or debt of the acquirer.

(6) Where the acquirer submits an application for granting prior authorisation for increasing a direct or indirect qualifying holding equalling or exceeding 20%, 33% or 50% of the share in capital or voting rights in a credit institution, the acquirer shall, in addition to the application for granting authorisation, submit updated documentation evidencing professional competence in line with the increased holding and responsibility associated with acquiring the increased holding.

(7) When assessing the professional competence of the acquirer, the Central Bank shall also take the following into consideration:

- 1) previously carried out assessments as well as any assessments of other competent authorities in Montenegro or in another country, regarding whether the acquirer possesses adequate professional knowledge, competences and experience for acquiring qualifying holding in another credit or financial institution;
- 2) whether the acquirer is a natural person performing a managing function in the same or in another credit or financial institution subject to supervision by the Central Bank or another competent authority in Montenegro or in another country;
- 3) whether the acquirer is a credit or financial institution or another legal person subject to supervision by the Central Bank or another competent authority in Montenegro or in another country.

Criteria for proposed new members of management bodies and members of senior management

Article 5

- (1) Where the acquirer intends to appoint new persons as members of the supervisory or management board, the acquirer shall provide evidence that these persons meet the requirements prescribed by the Law.
- (2) Where the acquirer intends to appoint new persons to perform executive functions within the credit institution responsible for the day-to-day operations of the credit institution, the acquirer shall provide evidence that these persons possess adequate professional knowledge, competences and experience required for a member of the senior management of a credit institution.
- (3) Provisions of the Central Bank regulation governing the assessment of the suitability of members of the management bodies and key function holders in a credit institution shall apply to the assessment of the fulfilment of conditions referred to in paragraphs (1) and (2) of this Article.

Financial soundness

Article 6

- (1) When assessing the financial soundness of the acquirer, the Central Bank shall assess the acquirer's financial situation and financial stability.
- (2) Financial soundness of the acquirer shall imply the ability of the acquirer to finance the acquisition of a qualifying holding, and the ability and willingness to maintain their own financial stability and the financial stability of the credit institution.
- (3) Financial soundness of the acquirer shall correspond to the description of the acquirer's objectives regarding the acquisition of a qualifying holding.
- (4) Where the acquisition would result in a qualifying holding equalling or exceeding 50% of share in the capital or voting rights of a credit institution, or in the credit institution becoming a subsidiary undertaking of the acquirer, the acquirer's intention of an adequate increase in the credit institution's capital, in order to maintain an adequate level of own funds following the acquisition, shall be clearly reflected in the business plan and the forecast financial statements of the credit institution for at least the first three years following the acquisition.
- (5) When assessing financial soundness, the Central Bank shall:
 - 1) having regard to the size of the acquirer's holding in the credit institution, assess whether the acquirer is sufficiently financially sound to ensure the sound and successful management of the credit institution for at least the first three years following the acquisition of a qualifying holding;
 - 2) verify whether the sources and manner of funding used to finance the acquisition of a qualifying holding and the existing financial relationships between the acquirer and the credit institution indicate that a conflict of interest may arise that could negatively affect the stability of the credit institution;

3) assess whether the indebtedness of the acquirer has a negative impact on the acquirer's financial strength and, consequently, on the ability and capability of the credit institution to comply with prudential requirements, including the potential obligations that the acquirer undertook to assume with regard to the credit institution's compliance with prudential requirements and other obligations, where applicable.

(6) The acquirer shall not be deemed financially sound where, based on available data, the Central Bank assesses that it may reasonably be expected that the acquirer will face financial difficulties during the acquisition process or in the foreseeable future following the acquisition.

(7) Where the acquirer is a credit institution or a financial institution authorised in another country or where another supervisory authority is competent to exercise supervision over the acquirer, the Central Bank shall, when assessing the acquirer's financial soundness, take into account the assessment of the acquirer's financial strength and financial stability made by the authority competent to exercise supervision over the acquirer, as well as other documents obtained from that supervisory authority.

Compliance with prudential requirements

Article 7

(1) When assessing the suitability of the acquirer, the Central Bank shall take into consideration the possible effect of the acquisition on the credit institution's ability to comply with prudential requirements following the acquisition, including capital requirements, liquidity requirements, large exposure limitations and requirements related to governance arrangements, internal control system, risk management and compliance.

(2) The Central Bank shall take into consideration the intentions and objectives of the acquirer specified in the strategy and the business plan, particularly with regard to liquidity and capital support to the credit institution and the credit institution's corporate governance and development issues, as well as with regard to the acquirer's plans for potential further acquisition or sale of the holding in the credit institution.

(3) Prior to deciding on the application, the Central Bank may request from the acquirer to assume obligations related to the compliance with prudential requirements such as:

- 1) provision of financial support in case of liquidity, solvency or risk management issues and governance-related issues in general;
- 2) adequate capitalisation by means of recapitalisation and other measures of increasing own funds.

(4) When deciding on the acquirer's application for granting authorisation, the Central Bank shall take into consideration the acquirer's statements regarding the requests referred to in paragraph (3) of this Article.

(5) If, following the acquisition, the credit institution will become a member of a group, the Central Bank shall assess:

- 1) whether the group has adequate organisational structure, transparent and clear corporate governance arrangements and adequate level of capital;
- 2) whether the credit institution's close links to other natural and legal persons impede or prevent adequate supervision, the adequate exchange of information between competent supervisory authorities and the allocation of responsibilities among those competent authorities, taking into account whether the geographical location or business activities of group members or persons that are closely linked or will become closely linked to the credit institution following the acquisition, and third-country regulations applicable to the natural or legal person closely linked to the credit institution prevent the Central Bank in its supervisory activity.

(6) Where the acquirer intends to acquire 50% or more of the share in capital or voting rights of a credit institution or where the credit institution will become a subsidiary of the acquirer following the acquisition, compliance with prudential requirements shall be assessed at acquisition and for the first three business years following the acquisition on a continuous basis.

Prevention of money laundering and terrorist financing

Article 8

(1) Within the meaning of Article 31 paragraph (1) item 6) of the Law, it shall be deemed that there are reasonable grounds to suspect that the acquisition of qualifying holding is associated with money laundering or terrorist financing operations or attempts thereof where:

- 1) the Central Bank has become aware of facts that may serve as reasonable grounds to suspect that the acquirer is or has been involved in money laundering operations or attempts thereof, regardless of whether this money laundering was directly or indirectly linked to the planned acquisition of qualifying holding in a credit institution;
- 2) the Central Bank has become aware of facts that may serve as reasonable grounds to suspect that the acquirer is or has been involved in terrorist activities or terrorist financing, in particular if the acquirer is subject to an international sanctions regime; or
- 3) the proposed acquisition of qualifying holding increases the risk of money laundering or terrorist financing.

(2) When performing the assessment referred to in paragraph (1) of this Article, the Central Bank shall also include persons that form a group of connected persons with the acquirer, persons having business links to the acquirer, including the acquirer's direct or indirect owners with qualifying holding, as well as natural persons who are ultimate shareholders, holders of qualifying holdings or members of the acquiring legal person.

(3) When assessing whether the proposed acquisition of qualifying holding increases the risk of money laundering or terrorist financing, the Central Bank shall take into consideration information, assessments, evaluations and reports obtained from international organisations and bodies competent for the prevention of money laundering and terrorist financing and predicate offences associated with money

laundering and terrorist financing (e.g. Transparency International, OECD, World Bank), as well as publicly available information and information from the media.

(4) It may be deemed that there are reasonable grounds to suspect that the proposed acquisition could increase the risk of money laundering or terrorist financing even where there are no criminal records relating to the acquirer or no reasonable grounds to suspect that the acquirer participated in money laundering or terrorist financing where, e.g. the head office of the acquirer is in a country which the Financial Action Task Force (hereinafter: FATF) or the European Commission has identified as a country whose regulatory deficiencies pose a significant risk for the international financial system, or in a third country, if that country does not permit the implementation of anti-money laundering and counter-terrorist financing measures applied in the European Union, or where the acquirer has personal or business links to such a country (direct or through a family member or another person with whom the acquirer has close links).

(5) When assessing the source of funds used to finance the acquisition of a qualifying holding in a credit institution, the Central Bank shall assess the business activity which generated those funds and the means through which the funds have been or are intended to be transferred, so as to assess whether this may give rise to money laundering or terrorist financing risk, and for that purpose, the Central Bank shall verify:

- 1) whether the money transactions used to finance the acquisition of qualifying holding in a credit institution were performed through credit or financial institutions subject to supervision by competent authorities that, inter alia, supervise the prevention of money laundering and terrorist financing in the European Union or in third countries which have in place and effectively apply anti-money laundering and counterterrorist financing regulations in accordance with the FATF Recommendations;
- 2) information on the business activities that generated the funds intended for the financing of the acquisition of a qualifying holding in a credit institution, including all information on the acquirer's business activities and the credibility of the financing scheme as well as the adequacy of the purchase price of shares being acquired; and
- 3) evidence on whether the funds intended for financing the acquisition of qualifying holding have an uninterrupted payment transaction trail leading back to their source or other information that may remove any doubt as to the legality of the source of funding.

(6) Where the Central Bank is unable to verify the source of the funds in the manner referred to in paragraph (5) of this Article, it shall assess whether the explanation provided by the acquirer is reasonable, justified and credible, having regard to the results of the assessment of the acquirer's good repute.

(7) Where the documentation on the source of funds is incomplete, insufficient or where it contains information which give rise to suspicion regarding the legality of the source of funds (for instance, lack of evidence on capital movements, cross-border relocations of

head office, changes in the management or in shareholders, or persons with qualified holdings, or a member of the undertaking of the acquirer that is a legal person, earlier associations of shareholders or persons with qualified holdings or the management of

the undertaking with persons convicted of criminal offence), the Central Bank shall request additional information, and should such additional information fail to remove the suspicion that the funds intended to finance the acquisition of a qualifying holding were obtained and transferred illegally, the Central Bank shall be deemed to have reasonable grounds to suspect that the acquisition concerned is associated with money laundering or terrorist financing activities or attempts thereof.

III. ACTING IN CONCERT

Circumstances based on which acting in concert is determined

Article 9

(1) Within the meaning of Article 12 paragraph (2) item 12) of the Law, the following shall be deemed circumstances indicating the existence of a cooperation that could result in a permanent and significant change in the business strategy of a credit institution:

- 1) existence of personal or economic links between several shareholders and the proposed member of the supervisory board;
- 2) shareholders jointly propose the appointment of one or several members of the supervisory board;
- 3) shareholders have cooperated earlier in proposing the appointment of one or more members of the supervisory board;
- 4) the number of supervisory board members proposed jointly by two or more shareholders;
- 5) whether the appointment of a proposed member of the supervisory board allows significant influence to be exerted on the supervisory board's activities;
- 6) existence of other circumstances similar to circumstances referred to in items (1) to (5) of this paragraph or the existence of other circumstances similar to circumstances referred to in Article 12 paragraph (2) of the Law.

(2) The following forms of normal cooperation between shareholders in a credit institution shall not be deemed acting in concert:

- 1) submission of a request to include an item in the agenda of the general shareholders assembly and proposal of a decision to be taken at the general shareholders assembly, with the exception of the decision on the appointment of the members of the supervisory board referred to in paragraph (1) of this Article;
- 2) submission of a requests to convene the general shareholders assembly;
- 3) casting identical votes regarding proposals of decisions included in the agenda of the general shareholders assembly such as: the decision on the increase or decrease of the initial capital, the decision on the distribution of profit, the decision on the financial statements of the credit institution, the decision on the appointment of external auditor and other issues decided upon by the general shareholders assembly in accordance with its statutory powers, with the exception of the appointment of members of the supervisory board referred to in paragraph (1) of this Article.

IV. SIGNIFICANT INFLUENCE

Circumstances based on which the existence of significant influence is assessed

Article 10

(1) The Central Bank shall assess the existence of significant influence, i.e. whether the accomplishment of the proposed acquisition would create the possibility for the acquirer to exercise significant influence over the management of the credit institution, by taking into account the following circumstances:

- 1) the existence of material and frequent transactions between the acquirer and the credit institution in which a qualifying holding is acquired;
- 2) the relationship between the acquirer and the credit institution in which a qualifying holding is acquired;
- 3) whether the acquirer enjoys additional privileges or rights compared to other shareholders under equal conditions, by virtue of the articles of association of the credit institution in which a qualifying holding is acquired or a contract entered into;
- 4) whether the acquirer is a member of the management or supervisory board of a credit institution in which a qualifying holding is acquired or whether a member of a supervisory board was appointed at the acquirer's proposal or whether the acquirer is entitled to appoint members of the supervisory board;
- 5) the overall shareholder structure of the credit institution in which a qualifying holding is acquired or of its parent undertaking, particularly in a fragmented shareholder structure with a large number of shareholders with smaller interests in the capital of the credit institution;
- 6) personal, professional or other business relationship between the acquirer and the shareholders of the credit institution in which a qualifying holding is acquired or the existence of a shareholders' agreement enabling the acquirer to exercise significant influence over the credit institution in which a qualifying holding is acquired;
- 7) the acquirer's position within the group of which the credit institution in which a qualifying holding is acquired is a member;
- 8) the possibility for the acquirer to participate in the operating and financial strategy decision-making in the credit institution in which a qualifying holding is acquired;
- 9) the acquirer's level of inclusion in the management of the credit institution in which a qualifying holding is acquired to the present date;
- 10) other circumstances pointing to the exercising or the possibility of exercising significant influence over the management of the credit institution in which a qualifying holding is acquired.

(2) To establish the existence of significant influence, it is sufficient to determine that the holding enables the acquirer to exercise significant influence, regardless of whether such influence is actually exercised or not.

V. THE MANNER OF DETERMINING THE SIZE OF THE HOLDING OF AN INDIRECT ACQUIRER OF A QUALIFYING HOLDING IN A CREDIT INSTITUTION

Indirect acquisition

Article 11

- (1) An indirect acquisition of a qualifying holding in a credit institution may occur where:
 - 1) a natural or legal person acquires or increases a direct or indirect holding in an existing holder of a qualifying holding in a credit institution; or
 - 2) a natural or legal person has a direct or indirect holding in a person acquiring or increasing a direct holding in a credit institution.

- (2) Indirect acquisition of a qualifying holding shall be determined based on the control criterion and the multiplication criterion for each indirect acquirer, with the control criterion applied first and, where it is established that the person indirectly acquiring a qualifying holding in a credit institution does not acquire, directly or indirectly, control over an existing holder or acquirer of a qualifying holding, the multiplication criterion referred to in paragraph (6) of this Article applied subsequently.

- (3) It shall be deemed that by applying the control criterion, the indirect acquirer in the credit institution shall be:
 - 1) any natural or legal person who, directly or indirectly, acquires control over an existing direct or indirect holder of a qualifying holding in a credit institution;
 - 2) any natural or legal person who directly or indirectly controls a direct acquirer of a qualifying holding in a credit institution.

- (4) In paragraph (3) of this Article, items 1) and 2) include a natural person or another entity that is the ultimate acquirer.

- (5) The size of the holding of an existing holder of a qualifying holding over which the indirect holder has gained control or the size of the holding of an acquirer over which the indirect acquirer has control shall be considered the size of the indirect holding of each indirect acquirer determined under the application of the control criterion.

- (6) The multiplication criterion shall be applied where no relationship of control has been established in the manner set out in paragraph (3) of this Article, and it shall be used when calculating the holding of each indirect acquirer depending on the size of the indirect acquirer's holding in the direct or indirect acquirer or holder of a qualifying holding in a credit institution.

- (7) The indirect holding in a credit institution shall be calculated under the application of the multiplication criterion by multiplying the holdings in the group of credit institutions, starting from the direct holding in the credit institution, which is then multiplied by the holding in the undertaking immediately above the direct acquirer or holder of a holding in the credit institution and continuing up to the ultimate acquirer, until the result of the multiplication equals 10% or more.

- (8) The following persons shall be deemed to have indirectly acquired a qualifying holding in a credit institution under the multiplication criterion:

- 1) each person whose indirect holding in a credit institution after the calculation in accordance with paragraph (7) of this Article equals 10% or more; and
- 2) any person exercising direct or indirect control over the person or persons referred to in indent 1 of this paragraph.

(9) Examples of the manner of calculation of an indirect holding in a credit institution are provided in Annex 4, which makes an integral part of this Decision.

VI. APPLICATION FOR GRANTING AUTHORISATION FOR ACQUIRING QUALIFYING HOLDING

Documentation and information on the acquisition

Article 12

The following documents and information shall be enclosed with the application for granting authorisation for acquiring qualifying holding:

- 1) name and head office of the credit institution in which a qualifying holding is acquired;
- 2) number and type of shares being acquired, their nominal value and purchase price, share in capital, number of voting rights attached to shares (where different from the share in the capital), any rights of lien over shares being acquired including the information on the person in whose favour the lien was established and, where applicable, information on the premium paid or to be paid;
- 3) overview of the shareholder structure of the credit institution before and after the proposed acquisition with regard to the share in the share capital and the share in the voting rights (where different), indicating the nominal and market value of shares;
- 4) information on the criteria based on which the purchase price was determined and on the results of the due diligence performed on the credit institution in which a qualifying holding is acquired, and where the market price differs from the purchase price, an explanation is to be provided;
- 5) a certified copy of the contract or the preliminary contract on the acquisition of shares based on which a qualifying holding is directly or indirectly acquired in a credit institution;
- 6) statement on whether the acquirer acts in concert with other shareholders/acquirers, including data on such shareholders/acquirers;
- 7) in the event of acting in concert with other acquirers/shareholders, data on their share in the funding of the acquisition and a certified copy or translation of the agreement governing the mutual relationship of the shareholders acting in concert, where such written agreement exists;
- 8) statement of the acquirer on the reasons for the acquisition (whether it is a strategic investment, portfolio investment or some other reason), the strategy regarding the acquisition, the period for which the acquirer intends to hold the shares, any intentions to increase or reduce the share in capital of the credit institution over the next five years following the acquisition of the qualifying holding, the influence the acquirer intends to exercise over the credit institution,

including the policy of distribution of profit, strategic development and allocation of resources of the credit institution;

- 9) a detailed explanation on the sources of funding used for the proposed acquisition including the following documents and data:
 - the sources and transparency of own funds for the acquisition, including an explanation of the manner in which the funds were acquired and, where applicable, information on the acquirer's assets to be sold in order to finance the proposed acquisition, information on the conditions of sale, purchase price, appraisal, and details on when and how the assets were acquired,
 - means of payment for the purchase price of the shares (information on the transfer of funds including information on the institution(s) participating in the transfer),
 - details on access to capital sources and financial markets including, where applicable, details on financial instruments to be issued,
 - where funds are borrowed - loan agreements, including the information on the creditor, lending terms, maturity, security interests and the source of income to be used to repay such borrowings,
 - in the case referred to in indent 4 of this item, where funds are borrowed from a credit or financial institution that is not subject to supervision - evidence on the source of borrowed funds,
 - information on any financial arrangement with other shareholders of the credit institution in which a qualifying holding is being acquired,
 - where shares are acquired to increase the Tier 1 capital of the credit institution - evidence to support that the funds for the acquisition have been allocated to a special-purpose account with a credit institution having its head office in Montenegro;
- 10) a statement of the acquirer regarding whether, following the acquisition, they intend to invest additional funds in the credit institution's capital, if needed for the development of its activities or in case of financial difficulties;
- 11) analysis of whether the acquirer's close links to the credit institution following the acquisition will have any impact on the credit institution's ability to provide timely and accurate information and reports to the Central Bank;
- 12) a list of natural and legal persons connected with the acquirer of a qualifying holding, a description of the manner in which they are connected and a chart showing the group of persons connected with the acquirer including the share in the capital and voting rights of shareholders having significant influence over individual group members and a list of registered activities of all group members.

Documentation submitted by natural persons

Article 13

(1) In addition to the documentation prescribed in Article 12 of this Decision, natural persons intending to acquire direct or indirect qualifying holding in a credit institution shall enclose the following documents and information along with the application for granting authorisation for acquiring qualifying holding:

- 1) name and surname, date and place of birth, address or habitual residence, citizenship, personal identification number (JMB), certified copy of a personal identification document (identity card or passport), e-mail address;

- 2) detailed curriculum vitae including education, work experience, a list of all legal persons in which the acquirer is or has been employed or in which the acquirer performs or has performed the function of a member of the management body, or in which the acquirer is or has been a holder of a qualifying holding, including a description of their activities and the addresses of their head offices as well as information on the periods during which the acquirer performed the respective function or during which the acquirer held a qualifying holding;
- 3) for an acquirer who is a citizen of Montenegro and legal persons having their head office in Montenegro in which such acquirer has a holding or control, a certificate confirming the absence of any criminal record that is not older than three months;
- 4) for an acquirer who is not a citizen of Montenegro and legal persons in which such acquirer has a holding or over which such acquirer has control, information from criminal records indicating whether the acquirer has been convicted of any criminal offence which, by definition, corresponds to criminal offences referred to in Article 3 paragraph (2) of the this Decision and whether a criminal proceeding has been initiated against such person, and information from misdemeanour offence records evidencing that the acquirer has not been convicted of a misdemeanour offence, not older than three months, or, where unavailable, the acquirer's statement thereon;
- 5) evidence that no bankruptcy proceedings have been initiated or opened against the acquirer's property and the legal persons in which the acquirer has or has had control or in which the acquirer performs or has performed a function in the management bodies over the past ten years;
- 6) statement of the acquirer on whether in the past 10 years:
 - the competent supervisory authority has refused to issue to the acquirer consent, authorisation, license, etc. to perform an activity or a function,
 - the competent supervisory authority has withdrawn, annulled or abolished the authorisation, consent, license, etc. of the acquirer to perform an activity, or consent to perform a function in the managing bodies of a legal person,
 - vocational or professional association has excluded the acquirer from membership in that association,
 - the employer in a legal person in which the acquirer performed a managing function or another similar function has removed the acquirer from function, terminated their employment contract or revoked their power of representation;
- 7) information on whether any criminal or misdemeanour offence proceedings were initiated against or whether a penalty or another measure sanctioning criminal or misdemeanour offences or deficiencies in the implementation of adequate policies and procedures put in place to prevent such offences has been imposed on a legal person in which the acquirer has performed the function of a member of the management body or another managing function, or over which the acquirer had control, including the details of the case and a description of that person's role in the case;
- 8) statement of the acquirer on whether the acquirer or a legal person over which the acquirer has or has had control or in which the acquirer performs or has performed a managing function has been subject to any civil, administrative or other court or arbitration proceedings or investigation and whether the acquirer or the legal person has been imposed a measure or the execution of any decision which could be deemed relevant in the decision-making procedure

regarding the application, or which could affect the stable and effective management of the credit institution;

- 9) information on whether another authority competent for the supervision or oversight from Montenegro or another country has ever assessed the acquirer's good repute, including the information on the identity of the authority and the results of the assessment;
- 10) a description of business activities of the acquirer and the legal persons in which the acquirer performs a function of a member of the management body or another managing function or over which the acquirer has control;
- 11) a description of the acquirer's financial position, including details regarding the level and sources of income, assets and liabilities, and loans, guarantees and security interests granted or received, as well as information on the operation of legal persons in which the acquirer performs or has performed a managing function and legal persons in which the acquirer has or has had control, including audited financial statements for the past two years and, where available, the legal persons' credit ratings;
- 12) a description of financial and non-financial interests (including loans, guarantees and securities, whether granted or received) between the acquirer and any of the following persons connected with the acquirer:
 - other direct or indirect shareholders or holders of a qualifying holding in a credit institution,
 - members of the management bodies or the senior management of a credit institution in which a qualifying holding is acquired or a member of a group of which the credit institution is a member,
 - politically exposed persons,
 - persons authorised to vote, on their own behalf or on the behalf of other persons, at the general assembly of the credit institution under the following conditions:
 - a) where the right to vote pertains to third parties with whom the acquirer has entered into an agreement binding them to adopt, by acting in concert, a lasting common policy towards the management of the credit institution in which a qualifying holding is acquired;
 - b) where the right to vote pertains to third parties under an agreement concluded with the acquirer providing for the temporary transfer of voting rights to such third parties;
 - c) where the voting rights are attached to shares pledged by the acquirer, provided that that person controls the voting rights and makes a statement on their intention to exercise them;
 - d) where the voting rights are attached to shares over which that person has the right of usufruct;
 - e) where the voting rights are held or may be exercised by an undertaking controlled by that person in cases referred to in provisions under a) to d) of this indent;
 - f) where the voting rights are attached to shares deposited with that person, and which that person may exercise at their own discretion in the absence of instructions from the shareholders;
 - g) the voting rights held by a third party in its own name, for the account of the acquirer;

- h) the voting rights exercised by that person as a proxy, provided that the person may exercise the voting rights at its discretion in the absence of instructions by the shareholders;
- 13) proposed methods of resolving any possible conflict of interest which may arise from relationships referred to in item 12) of this paragraph.

(2) A natural person acquirer shall submit the information referred to in paragraph (1) of this Article in the template provided in Annex 2, which makes an integral part of this Decision.

(3) A natural person acquirer shall deliver the documents and information referred to in paragraph (1) items 1), 3), 4), 6) to 9), and 13) of this Article pertaining to persons that a group of connected persons with the acquirer.

Documentation submitted by legal persons

Article 14

(1) In addition to the documents referred to in Article 12 of this Decision, a legal person directly or indirectly acquiring a qualifying holding in a credit institution shall enclose the following documents and information along with the application for granting the authorisation for acquiring qualifying holding:

- 1) where the head office of the legal person is in Montenegro, firm name and head office of the acquirer, registration number and identification number,
- 2) where the head office of the legal person is in another country, excerpt from the court register or another relevant register, submitted as an original or a certified copy, not older than three months, including information on the national identification number, registered activity, head office, persons authorised for representation and the initial capital amount;
- 3) a certified copy of articles or memorandum of association (contract or decision on establishment), and for the acquirer having their head office outside Montenegro, a summary explanation of the legal form of the undertaking;
- 4) information on whether the acquirer has been or is subject to the supervision by an authority competent for the supervision of financial services or another authority in Montenegro or in another country;
- 5) a description of the activity of the acquirer and any legal person under the control of the acquirer;
- 6) information on whether any other authority competent for the supervision or oversight in Montenegro or in another country has ever assessed the good repute of the acquirer, members of the acquirer's management bodies and ultimate shareholders, direct and indirect holders of qualifying holdings in the acquirer and any legal persons controlled by the acquirer, including the information on the identity of the authority and the results of the assessment;
- 7) information on members of the acquirer's management bodies (name and surname, date and place of birth, address, e-mail address, personal identification number, detailed curriculum vitae, including education, work experience, list of all legal persons in which they are or have been employed or in which they perform or have performed the function of a member of the management body and in which they are or have been a holder of a qualifying holding, including a description of activities and the addresses of their head offices as well as the periods during which they have performed the function or

have been holders of a qualifying holding), including the documentation referred to in Article 13 paragraph (1) items 3) to 11) of this Decision;

- 8) excerpt from the Central Registry of Business Entities or another relevant registry (an original or a certified copy), including the information on the share in the capital and voting rights and the existence of any shareholder agreements, and a list of all shareholders exerting significant influence on the acquirer;
- 9) a list of natural persons who are ultimate owners or direct and indirect shareholders or holders of interest, including an overview of the total nominal value of shares or interests and the percentage share in the initial capital of the acquirer, including documentation prescribed for such persons under Article 13 paragraph (1) of this Decision;
- 10) where the acquirer is a member of a group as a parent undertaking or a subsidiary, a detailed chart of the group's organisational structure and information on the share in the capital and voting rights of shareholders exerting significant influence on group members and the business activities of group members, including a chart showing the group's organisation before and after the proposed acquisition;
- 11) where the acquirer is a member of the group, information on the relationships between any group members providing banking and financial services and other group members, and the identity of authorities competent for the supervision of their operation;
- 12) where the acquirer is a member of a group, a list of all credit institutions, insurance undertakings and investment firms within the group and relevant competent supervisory authorities and an analysis of the scope of the prudential consolidation of the credit institution and the group, including information on which group members would be included in the requirements of consolidated supervision and whether the requirements would apply on a consolidated or a subconsolidated basis;
- 13) description of all financial and non-financial interests or relationships (including loans, guarantees and security interests, whether granted or received) between the acquirer, the group of which the acquirer is a member and the members of the acquirer's management bodies and any of the following persons:
 - the credit institution in which the qualifying holding is acquired;
 - other direct or indirect shareholders of the credit institution;
 - members of the management bodies or the senior management of the credit institution in which a qualifying holding is acquired or a member of the group of which the credit institution is a member;
 - politically exposed persons; and
 - persons authorised to vote on their own behalf or on the behalf of other persons at the general assembly of the credit institution under the following conditions:
 - a) where the right to vote pertains to third parties with whom the acquirer has entered into an agreement binding them to adopt, by acting in concert, lasting common policy towards the management of the credit institution in which a qualifying holding is acquired;
 - b) where the right to vote pertains to third parties under an agreement concluded with the acquirer providing for the temporary transfer of voting rights to third parties,

- c) where the voting rights are attached to shares pledged by the acquirer, provided that that person controls the voting rights and makes a statement on their intention to exercise them;
 - d) where the voting rights are attached to shares over which that person has right of usufruct;
 - e) where the voting rights are held or may be exercised by an undertaking controlled by that person in cases referred to in provisions a) to d) of this indent;
 - f) where the voting rights are attached to shares deposited with that person, which the person may exercise at their own discretion in the absence of instructions from the shareholders;
 - g) where the voting rights are held by a third party in its own name, and for the account of the acquirer;
 - h) where the voting rights are exercised by that person as a proxy, provided that the person may exercise the voting rights at its discretion in the absence of instructions by the shareholders;
- 14) proposed methods for resolving potential conflict of interest that may arise from relationships described in item 12) of this paragraph;
 - 15) a certificate on whether any criminal, misdemeanour, civil or administrative proceedings or disputes have been initiated against the acquirer and any legal person that the acquirer controls or has controlled over the past ten years and against any shareholder that exerts or has exerted significant influence over the acquirer over the past ten years and whether the aforementioned persons were convicted by a judgement with final force and effect of a criminal or misdemeanour offence, not older than three months, or a statement thereon where such certificate is unavailable;
 - 16) annual financial statements of the acquirer for the past three years, including the balance sheet, profit and loss statement and cash flow reports, and where the acquirer is a legal person within a group, annual financial statements on a consolidated and sub-consolidated basis;
 - 17) where the acquirer is a newly-established undertaking, instead of available financial statements, forecast balance sheets, including planned forecasts for the first three business years, including planning assumptions used;
 - 18) information on the credit rating of the acquirer and the group of which the acquirer is a member, where available;
 - 19) analysis of the impact of the proposed acquisition on the timely and accurate reporting of the credit institution to the Central Bank and other competent authorities from another country following the proposed acquisition;
 - 20) opinion or consent of the authority competent for the supervision, or the oversight of services provided by the acquirer from another country in respect of the proposed acquisition.

(2) Where the acquirer is a legal person having its head office outside Montenegro, the following documents and information shall be submitted by the acquirer in addition to the documentation prescribed in Article 12 of this Decision and paragraph (1) of this Article:

- 1) certificate issued by the competent supervisory authority authorised for the supervision of financial services or another supervisory authority or agency from the country in which the acquirer has its head office certifying that the

acquirer was set up in line with national regulations, that it has obtained all authorisations and consents required for operation and that it has duly paid the taxes and other liabilities (certificate of good standing);

- 2) certificate of orderly operation issued by the authority competent for the supervision of financial services, or a statement thereon where such certificate is unavailable;
- 3) a statement by the competent authority from the country in which the acquirer has its head office stating that there are no obstacles or restrictions for the provision of information necessary for the Central Bank to exercise supervision over the credit institution in which a qualifying holding is acquired;
- 4) general information on the national legislation of the country in which the acquirer has its head office, particularly information on the extent to which the country's anti-money laundering and counter-terrorist financing regulations are consistent with the FATF Recommendations; and
- 5) legal opinion of an expert for the regulations of the country in which the acquirer has its head office regarding any legal obstacles for obtaining information from the country's competent authorities or from the acquirer.

(3) Where the acquirer is a sovereign wealth fund, the following documents and information shall be submitted by the acquirer in addition to the documentation prescribed in Article 12 of this Decision and paragraph (1) of this Article:

- 1) name of ministry or another state authority in charge of defining the investment policy of the fund;
- 2) details of the investment policy of the fund and any restrictions on investment;
- 3) names and functions of persons responsible for making investment decisions; and
- 4) detailed information on any influence that the competent ministry or state authority responsible for defining the investment policy of the fund may exert on the day-to-day operations of the fund and the credit institution in which a qualifying holding is acquired.

(4) Where the acquirer is a private equity fund or a hedge fund, the following documents and information shall be submitted by the acquirer in addition to the documentation prescribed in Article 12 of this Decision and paragraph (1) of this Article:

- 1) a detailed description on the performance of former investments by the acquirer in qualifying holdings in credit and financial institutions;
- 2) details on the acquirer's investment policy and any investment restrictions, including details on investment monitoring, information based on which the acquirer took the decision to invest in the credit institution in which a qualifying holding is acquired and any facts that may trigger changes to the acquirer's exit strategy;
- 3) the acquirer's decision-making framework for investment decisions, such as internal policies, including the names and functions of persons responsible for making such decisions;
- 4) a detailed description of the acquirer's regulatory framework and internal policies applicable to the prevention of money laundering and terrorist financing.

(5) Where the acquirer is a collective investment undertaking, the following documents and information shall be submitted by the acquirer in addition to the documentation prescribed in Article 12 of this Decision and paragraph (1) of this Article:

- 1) the identity of holders of holdings in the collective investment undertaking that control or have veto powers over the decisions of that undertaking;
- 2) details on the investment policy and any restrictions on investment;
- 3) names and functions of persons responsible for defining and making investment decisions and a copy of any management mandate or terms of reference of the collective body;
- 4) detailed description of the regulatory framework and internal policies for the prevention of money laundering and terrorist financing; and
- 5) detailed description of investments in other credit institutions, insurance or reinsurance undertakings or investment firms, indicating whether such investments were approved by a competent supervisory authority and if so, the identity of the authority.

(6) Information referred to in paragraphs (1) to (5) of this Article for legal persons acquirer shall be submitted on the template provided in Annex 3, which makes an integral part of this Decision, while information on natural persons connected with such acquirer as well as information on members of managing bodies of the acquirer shall be submitted on the template provided in Annex 2, which makes an integral part of this Decision.

Information on the acquirer's strategy

Article 15

(1) Where the acquirer intends to acquire more than 10% and up to 20% of the share in the capital or voting rights of a credit institution, the following information on the strategy shall be enclosed with the application for granting authorisation:

- 1) the strategy of the acquirer regarding the acquisition, including a statement on how long the acquirer intends to hold its holding in the credit institution and whether the acquirer intends to increase, reduce or maintain the level of its holding in the five years following the acquisition;
- 2) an indication of the acquirer's intention to act as an active minority shareholder and the rationale for such a role in the management of the credit institution; and
- 3) information on the financial position of the acquirer and the acquirer's willingness to invest additional funds in the credit institution if needed for the development of the activities of the credit institution or in case of financial difficulties.

(2) Where the acquirer intends to acquire more than 20% and up to 50% of the share in the capital or voting rights of the credit institution, or where the acquirer holds a holding of less than 20%, but will gain influence equivalent to that of a shareholder holding more than 20% and up to 50% of the share in the capital and voting rights of the credit institution due to the shareholder structure of the credit institution, the following information on the strategy towards the credit institution shall be enclosed with the

application for granting authorisation in addition to the information referred to in paragraph (1) of this Article:

- 1) details on the influence that the acquirer intends to exercise on the financial position of the credit institution, including the dividend policy, strategic development, and the allocation of resources of the credit institution; and
- 2) a description of the acquirer's intentions and expectations with regard to the credit institution in the next five years covering all elements referred to in paragraph (4) of this Article.

(3) Where the acquirer intends to acquire at least 50% of the share in the capital or voting rights of the credit institution or if the proposed acquisition will result in the credit institution becoming a subsidiary of the acquirer, the following shall be enclosed with the application for granting authorisation in addition to information referred to in paragraph (1) and paragraph (2) item 1) of this Article:

- 1) a business plan comprising a strategic development plan;
- 2) projection of financial statements;
- 3) description of the impact of the acquisition on the corporate governance and the organisational structure of the credit institution in which a qualifying holding is acquired.

(4) The strategic development plan of the credit institution referred to in paragraph (3) Item 1) of this Article shall contain the main goals of the proposed acquisition and the main ways of achieving them, including:

- 1) the overall goal of the proposed acquisition;
- 2) financial goals for the first three financial years following the acquisition stated in terms of expected impact on equity, cost-benefit ratio estimate, earnings per share;
- 3) the impact of the proposed acquisition on a possible redirection of the type of services, products, targeted customer groups and reallocation of funds of the credit institution; and
- 4) activities and procedure of including the credit institution in which a qualifying holding is acquired in the group, including a description of future relations with other group members and policies governing intra-group relations, and where the acquirer is an institution authorised and supervised by a competent authority in the European Union Member State, information about particular parts within the group directly affected by the proposed acquisition shall suffice.

(5) Projections of financial statements referred to in paragraph (3) item 2) of this Article should be submitted on an individual and consolidated basis for a period of three years and include the following:

- 1) a projection of balance sheet and profit and loss statement submitted on the forms on which the credit institutions submit balance sheet and profit and loss statement to the Central Bank;
- 2) projection of capital requirements and capital adequacy ratio;
- 3) information on risk exposure, including credit, market and operational risks as well as other relevant risks;
- 4) projections of intra-group transactions.

(6) A description of the impact of the acquisition on the corporate governance and organisational structure of the credit institution referred to in paragraph (3) item 3) of this Article should include:

1) a description of the impact on:

- the composition and duties of the management and supervisory boards, risk committee, remuneration committee, appointment committee, audit committee and other committees, including information concerning persons appointed to direct the business;
- administrative and accounting procedures and internal controls, including changes in procedures relating to accounting, internal audit, compliance, prevention of money laundering and terrorist financing, risk management and the appointment of persons responsible for the activities of internal audit, compliance and risk control functions;
- the overall IT architecture including any changes concerning the outsourcing policy, the data flowchart, the software used and the essential information system security procedures and tools including back-up, business continuity plans and audit trails;
- the policies governing outsourcing, including information on the areas that will be outsourced, on the selection of service providers, and on the respective rights and obligations as set out in outsourcing contracts, including audit arrangements and the quality of service expected from the provider; and

2) any other information which may affect the corporate governance and organisational structure of the credit institution in which a qualifying holding is acquired, including any modification regarding the voting rights of the shareholders.

(7) Where a qualifying holding is acquired based on an intra-group transaction, whereby the ultimate indirect acquirer remains the same, the acquirer need not submit the strategy, business plan and the internal organisation of the credit institution where the proposed acquisition will not result in changes to these documents.

Information on the management of the credit institution following the acquisition

Article 16

Where the acquirer intends to appoint new members of the management and/or supervisory board of the credit institution following the acquisition of a qualifying holding, documentation to be enclosed with the applications for granting the approval for the selection of members of the supervisory and management boards of a credit institution in accordance with the separate Central Bank decision, shall be enclosed with the application for granting authorisation for acquiring qualifying holding.

Application for granting authorisation

Article 17

(1) The application for granting authorisation for acquiring qualifying holding shall be submitted on the template provided in Annex 1, which makes an integral part of this

Decision, accompanied by all annexes necessary for the decision-making procedure, in paper and electronic form.

(2) Information on natural persons acquiring a qualifying holding as well as natural persons that are ultimate shareholders, holders of holdings or interests in the acquirer that is a legal person, shall be submitted on the template provided in Annex 2 to this Decision.

(3) Legal persons acquiring a qualifying holding shall enclose the Questionnaire for legal persons acquiring a qualifying holding in a credit institution set out in Annex 3 to this Decision together with all related annexes.

VII. FINAL PROVISIONS

Repealed Regulations

Article 18

As from the commencement date of the application of this Decision, the Decision on documents supporting the request for granting approvals under the Banking Law (OGM 57/08, 80/10) shall be repealed.

Entry into force and application

Article 19

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).

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

Decision number: 0101-7725-10/2020
Podgorica, 28 December 2020

**CHAIRMAN
G O V E R N O R,**

Radoje Žugić, m.p.

**APPLICATION FOR GRANTING AUTHORISATION FOR ACQUIRING
QUALIFYING HOLDING IN A CREDIT INSTITUTION**

1. Name and surname/ firm name and address/ head office of the applicant	
2. Firm name and head office of the credit institution in which a qualifying holding is acquired	
3. Name and surname of the person authorised to represent the applicant (annex under which the power of attorney is provided)	
4. Contact person name and surname	
5. Contact person telephone number	
6. Contact person e-mail address	
7. Contact-person fax number	
8. Number and type of shares being acquired	
9. Nominal value of shares acquired	
10. Data on premium paid or to be paid with respect to shares being acquired, if any	
11. Purchase price of shares being acquired (annex containing a certified copy of the contract or the preliminary contract on the purchase of shares based on which a qualifying holding in a credit institution is directly or indirectly acquired)	
12. Criteria based on which the purchase price was determined (where the market price differs from the purchase price, an explanation shall be provided)	
13. Percentage share in the capital of the credit institution in which a qualifying holding is acquired	
14. Number of voting rights attached to shares being acquired	
15. Rights of lien, if any, over shares being acquired, information on the number of pledged shares, the lien contract or other transaction which is basis for lien and the identity of secured parties (name and surname or firm name, address, TIN)	
16. Where due diligence was performed on the credit institution in which a qualifying holding is acquired, annex under which the due diligence report is provided	

<p>17. Information on whether the acquirer is already a holder of shares of the credit institution being acquired (number and type of shares, their nominal value and share in the initial capital)</p>	
<p>18. Annex under which a chart setting out the credit institution's shareholder structure before and after the proposed acquisition is provided, with regard to the share in the Tier 1 capital and the voting rights and the nominal and market value of shares</p>	
<p>19. Information on whether the acquirer acts or intends to act in concert with other shareholders and other acquirers (including a list of any such persons, specification of their share in the funding for the proposed acquisition or the capital of the credit institution and a certified copy or a certified translation of the agreement governing the mutual relationship of the acquirers or shareholders acting in concert)</p>	
<p>20. Annex under which an outline of the business reasons for acquiring a qualifying holding in a credit institution is provided, along with the strategy of the acquirer with regard to the proposed acquisition, including the period for which the acquirer intends to hold its holding in the credit institution and any intention to increase, reduce or maintain the level of its investment in the next five years</p>	
<p>21. Statement by the acquirer regarding the acquirer's intention to act as an active minority shareholder and the rationale for such intention (only for acquirers acquiring holdings in a credit institution of less than 20%)</p>	
<p>22. Annex outlining the acquirer's intentions towards the credit institution following the acquisition of a qualifying holding, and the influence the acquirer intends to exercise on the credit institution's financial position, including its dividend policy, strategic development and the allocation of its resources (for acquirers of 20% and up to 50% of the holding in the capital of the credit institution)</p>	
<p>23. A statement of the acquirer regarding whether they intend to invest additional funds in the credit institution's capital, if needed for the development of its activities or in case of financial difficulties</p>	
<p>24. Analysis of whether the acquirer's close links to the credit institution following acquisition will have any impact on the credit institution's ability</p>	

to provide timely and accurate information and reports to the Central Bank	
25. Where the acquirer intends to acquire at least 50% of the share in the capital or voting rights of the credit institution or if the proposed acquisition will result in the credit institution becoming a subsidiary of the acquirer, annex under which the business plan of the credit institution for the following three years is provided in accordance with article 15 of this Decision	
26. Where the acquirer intends to appoint new members of the management or supervisory board, annex under which documents prescribed in the Central Bank regulation governing the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution	
27. Annex under which a list of persons connected with the acquirer is provided, along with the description of the manner in which they are connected and a chart setting out the group of persons connected with the acquirer	
28. The answer to the question whether the acquirer has any links to politically exposed persons? If the answer is yes, specify their identity, their current or past function and the manner in which they are connected with the acquirer	
29. Description of the acquirer's activities in relation to the acquisition preceding the application	
30. Annex under which a detailed description of the sources of funding for the proposed acquisition is provided along with the following information: 1) the source and availability of own funds for the acquisition, including an explanation of the manner in which the funds were acquired and, where applicable, information on the acquirer's assets to be sold in order to finance the proposed acquisition and information on the conditions of sale, purchase price, appraisal, and details on when and how the assets were acquired, 2) means of payment (information on the transfer of funds including information on the institution(s) participating in the transfer);	

<p>3) details on access to capital sources and financial markets, including details on financial instruments to be issued,</p> <p>4) where funds are borrowed, annex under which loan agreements are provided including the information on the creditor, lending terms, maturity, collateral and the source of income to be used to repay such borrowings,</p> <p>5) where funds are borrowed from a creditor that is not a supervised credit or financial institution, annex under which evidence on the source of borrowed funds used to acquire a holding in the credit institution is provided</p> <p>6) information on any financial arrangement with other shareholders of the credit institution being acquired,</p> <p>7) where the head office of the institution through which the funds will be transferred is located in a third country, evidence shall be provided to support that relevant anti-money laundering and counter-terrorist financing regulations apply to such institution and that it is subject to supervision,</p> <p>8) where shares are acquired to increase the Tier 1 capital of the credit institution, evidence shall be submitted to support that the funds for the acquisition have been allocated to a special-purpose account with a credit institution having its head office in Montenegro;</p>	
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I hereby declare that all the answers are true and complete and that that no information has been withheld that may affect the decision of the Central Bank regarding the application for granting authorisation for acquiring qualifying holding.

I undertake to notify the Central Bank of any changes that may have a significant influence on the granting of the authorisation.

Place and date	Signature of the acquirer
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QUESTIONNAIRE FOR NATURAL PERSONS ACQUIRING A QUALIFYING HOLDING IN A CREDIT INSTITUTION OR CONNECTED WITH AN ACQUIRER OF A QUALIFYING HOLDING IN A CREDIT INSTITUTION

1. Name and surname at application and at birth (where different)	
2. Date and place of birth	
3. Address (habitual residence)	
4. Telephone/mobile phone number	
5. Fax number	
6. E-mail address	
7. Citizenship	
8. Personal identification number	
9. Annex under which a certified copy of the identification document (identity card or passport) is provided	
10. Education:	
1) year the qualification was obtained	
2) duration of education	
3) name of educational institution and educational programme (field of study)	
4) acquired title	
11. Professional training:	
1) year of professional training	
2) name of organiser	
3) professional training topic	
4) whether the professional training ended with passing exams, issuing certificates, licenses, etc. Specify which	
12. Work experience, including membership in management bodies:	
1) period of performing a function	
2) firm name and head office of employer	
3) activity of employer	
4) function name and the description of its position in the employer's organisational hierarchy	
13. List of functions currently performed by the acquirer (membership in supervisory boards, committees, government bodies, association bodies, etc.)	
14. List of all business undertakings in which the acquirer has held or holds a holding in capital, including the following information: 1) firm name and head office of the undertaking,	

<ul style="list-style-type: none"> 2) activity of the undertaking, 3) share of holding in the capital, 4) period during which the acquirer held or the date since which the acquirer has held the holding in capital; 	
<p>15. Has:</p> <ul style="list-style-type: none"> 1) any competent authority, over the past ten years, refused to issue to the acquirer consent, authorisation, license, etc. to perform a business activity or a function, or annulled or abolished consent, authorisation, license, etc. to perform a business activity or consent to perform a function in the managing bodies of a legal person, 2) any vocational or professional association excluded the acquirer from membership in that association? <p>If the answer to any of these questions is yes, explain the circumstances and reasons underlying the case and enclose the relevant documentation.</p>	
<p>16. Whether any criminal or misdemeanour offence proceedings have been initiated against or whether a penalty or another measure sanctioning criminal or misdemeanour offences has been imposed on the acquirer or a legal person in which the acquirer has performed the function of a member of the management body or another managing function, or over which the acquirer has had control, or whether the acquirer was responsible for any deficiencies in the implementation of adequate policies and procedures put in place to prevent such offences, over the past ten years?</p> <p>If the answer is yes, explain the personal liability of the acquirer and the role in the case and enclose the relevant documentation.</p>	
<p>17. Annex under which evidence indicating whether criminal proceedings have been initiated against the acquirer is provided (not older than three months)</p>	
<p>18. Annex under which certificates from criminal and misdemeanour offence records are provided or a statement thereon (where such certificate is unavailable).</p>	
<p>19. Have any bankruptcy proceedings been initiated or opened against the acquirer's property or against any legal person in which the acquirer has performed a function in the management bodies or had a relationship of control over the past ten years?</p> <p>Annex under which evidence thereon is provided (or a statement thereon where such certificate is unavailable)</p>	
<p>20. Whether the acquirer or a legal person over which the acquirer has had or has control or in which the acquirer has performed or performs a managing function has been subject to any civil, administrative, enforcement or other court or arbitration proceedings or investigation and whether the</p>	

<p>acquirer has been imposed a measure or the execution of any decision which could be relevant in the decision-making procedure regarding the application, or which could affect the stable and effective management of the credit institution?</p> <p>If the answer is yes, provide details on the circumstances and the status of the case and enclose the relevant documentation.</p>	
<p>21. Has the employer in which the acquirer performed a managing function or another similar function has, terminated the acquirer's employment contract, removed the acquirer from function or revoked their power of representation over the past ten years.</p> <p>If the answer is yes, provide details on the circumstances of the case and enclose the relevant documentation.</p>	
<p>22. Has another authority competent for the supervision or oversight of banking services from Montenegro or another country ever assessed the acquirer's good repute?</p> <p>If the answer is yes, specify the identity of the competent authority and the result of the assessment and provide a copy of the assessment, where available.</p>	
<p>23. Describe the business activities of the acquirer and the business activities of the undertaking in which the acquirer performs a function as a member of the management bodies or over which the acquirer has control.</p>	
<p>24. Describe the financial position of the acquirer:</p>	
<p>1) specify the sources of income and net income of the acquirer in the past year.</p>	
<p>2) specify any significant debt of the acquirer (total amount of debt, the identity of the creditor and the basis for borrowing).</p>	
<p>3) specify the immovable property owned by the acquirer and its value.</p>	
<p>4) specify movable property owned by the acquirer the value of which exceeds EUR 10,000 and its value?</p>	
<p>5) specify the undertakings and other entities in which the acquirer has shares, interests or securities and their nominal and market value.</p>	
<p>6) specify the amount of your savings.</p>	
<p>25. Describe any financial and non-financial interests (including loans, guarantees, security interests, etc. granted and received) between the acquirer and persons connected with the acquirer and any of the following persons:</p>	
<p>1) other direct or indirect holders of holdings or shareholders of the credit institution in which a qualifying holding is acquired,</p>	

2) persons authorised to vote on their own behalf or on the behalf of other persons at the general assembly of the credit institution whose shares are being acquired, as referred to in Article 13 paragraph (1) item 12) indent 4 of this Decision,	
3) members of the management board, supervisory board or senior management of the credit institution in which a qualifying holding is acquired,	
4) member of a group of which the credit institution is a member,	
5) politically exposed persons.	
26. Where there are financial and non-financial interests referred to in item 25) of the Questionnaire, describe the proposed methods of resolving any possible conflicts of interest which may arise from such relationships.	
27. Annex under which audited reports on the operation of undertakings in which the acquirer performs or has performed a function in the management body, as well as of undertakings in which the acquirer has or has had control are provided for the last two years, including the credit rating of the undertakings (where available).	

I hereby declare that all the answers are true and complete and that that no information has been withheld that could affect the decision of the Central Bank regarding the application for granting authorisation for acquiring qualifying holding.

I undertake to notify the Central Bank of any changes that could have a significant influence on the granting of the authorisation concerned.

Place and date	Signature of the acquirer
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**QUESTIONNAIRE
FOR LEGAL PERSONS ACQUIRING A QUALIFYING HOLDING IN A CREDIT
INSTITUTION**

1. Firm name of legal person, business entity registration number and personal identification number (<i>only for legal persons having their head office in Montenegro</i>)	
2. Name of register in which the legal person is entered and annex under which the excerpt from the register is provided (in the form of an original or a certified copy), including information on the national identification number, activity, authorised representatives, and Tier 1 capital amount (not older than three months) <i>only for legal persons having their head office outside Montenegro</i>	
3. Address of the legal person's registered head office	
4. Address of place of business (where different from the head office)	
5. Annex under which a certified copy or a certified translation of the articles or memorandum of association is provided, and for acquirers having their head office outside Montenegro, annex under which a summary description of the main features of the legal form of the undertaking is provided	
6. Information on whether the acquirer is currently or has previously been subject to the supervision by an authority competent for the supervision of financial services or another authority in Montenegro or in another country	
7. Description of the acquirer's activity and the activity of all legal persons under the acquirer's control	
8. Has any other supervisory authority authorised for the supervision of financial services or another supervisory authority or agency in Montenegro or in another country ever assessed the good repute of the acquirer or the good repute of persons managing the acquirer and of ultimate shareholders, direct and indirect holders of participating interests of the acquirer and legal persons controlled by the acquirer – specify the supervisory authority and the result of the assessment.	
9. Annex under which a list of the members of the management bodies of the acquirer is provided, along with a completed Questionnaire for natural persons acquiring a qualifying holding in a credit institution or connected with an acquirer of a qualifying holding in a	

<p>credit institution (the template provided in Annex 2 to this Decision) for each such person</p>	
<p>10. Annex under which an excerpt from the register of shareholders (the Central Securities Depository and Clearing Company) or book of holdings of the legal person acquirer (in the form of an original or a certified copy) is provided, including the specification of the total nominal value of shares and the percentage share in the initial capital of the acquirer for each shareholder or holder of interest, and information on shareholders exerting significant influence on the acquirer</p>	
<p>11. Annex under which a list of natural persons who are the ultimate shareholders or holders of interests in the acquirer or members of the acquiring undertaking is provided, along with a completed Questionnaire provided in Annex 2 to this Decision for each such person</p>	
<p>12. If the legal person is a member of a group, annex under which the organisational chart of the group before and after the proposed acquisition of a holding in the credit institution is provided, along with an overview of the share in the capital and voting rights of each holder of qualifying holding exerting significant influence over members of the group and on the activities performed by each member of the group</p>	
<p>13. If the acquirer is a member of a group, annex under which information on the relationships between any group member that is credit institution, insurance or re-insurance undertaking or investment firm and other members of the group is provided, along with the information on the competent supervisory authority for each member of the group</p>	
<p>14. If the acquirer is a member of a group, annex under which information on any group member that is a credit institution, insurance or re-insurance undertaking or investment firm is provided, along with an analysis of the scope of prudential consolidation of the credit institution and the group, including information about which members of the group would be included in the scope of consolidated supervision and at which basis within the group these requirements would apply (on a consolidated or a sub-consolidated basis)</p>	
<p>15. Describe all financial and non-financial interests or relationships between the acquirer, the members of the management bodies of the acquirer and the group of which the acquirer is a member (including loans, guarantees and security interests, whether granted or received) and the following persons:</p>	

1) the credit institution in which a qualifying holding is acquired and any other member of the group of which the credit institution is a member	
2) other direct or indirect shareholders of the credit institution in which a qualifying holding is acquired	
3) persons authorised to vote on their own behalf or on the behalf of other persons at the general assembly of the credit institution in which a qualifying holding is acquired, as referred to in Article 14 paragraph (1) item 13) indent 5) of this Decision	
4) members of the management bodies and senior management of the credit institution in which a qualifying holding is acquired or a member of the group of which the credit institution is a member	
5) politically exposed persons	
16. In case of financial and non-financial interests referred to in item 15) of this Questionnaire, describe the methods proposed for resolving any potential conflicts of interest which may arise from such relationships.	
17. Annex under which a certificate (where available, not older than three months) and a statement are provided on whether criminal, misdemeanour offence, civil or administrative proceedings or disputes have been instituted against the acquirer and any legal person controlled by the acquirer over the last ten years and against any shareholder that exerts or has exerted significant influence over the acquirer in the last ten years and whether the aforementioned persons were convicted by a judgement with final force and effect for a criminal or misdemeanour offence	
18. Information on the credit rating of the acquirer and any group of which the acquirer is a member (where available)	
19. Analysis of the impact of the proposed acquisition on the credit institution's timely and accurate reporting to the Central Bank and other competent authorities in a Member State or a third country following the proposed acquisition	
20. Annex under which audited annual financial statements are provided for at least the acquirer and any subsidiaries and group members on an individual and a consolidated and sub-consolidated basis for the last three business years, including: <ol style="list-style-type: none"> 1) the balance sheet 2) the profit and loss statement 	

3) the annual reports and financial annexes and any other documents filed with the competent register or authority	
21. Where the acquirer is a legal person having its head office in another country:	
1) annex under which a certificate issued by the competent supervisory authority in the country where the acquirer has its head office is provided, certifying that the acquirer was set up in line with national regulations, that it has obtained all authorisations and consents required for operation and that it has settled its liabilities towards the government based on tax and other liabilities	
2) annex under which a certificate of orderly operation of the acquirer issued by the authority competent for the supervision of financial services, or a statement thereon, where such certificate is unavailable, is provided	
3) annex under which a statement by the competent supervisory authority is provided confirming that there are no obstacles or restrictions for the provision of information necessary for the supervision of the credit institution in which a qualifying holding is acquired	
4) annex under which information on the national legislation applicable to the acquirer is provided, including information on the extent to which the country's anti-money laundering and counter-terrorist financing regime is consistent with the FATF recommendations	
5) legal opinion of an expert for the regulations of the country in which the acquirer has its head office regarding any legal obstacles for obtaining information from the country's supervisory authorities or from the acquirer	
22. Where the acquirer is a sovereign wealth fund, the following information shall be enclosed:	
1) name of ministry or another government body in charge of defining the investment policy of the fund	
2) details of the investment policy and any restrictions on investment	
3) names and functions of persons responsible for making investment decisions	
4) information on any influence that the competent ministry or government body responsible for defining the investment policy of the fund exerts	

on the day-to-day operations of the fund and the credit institution in which a qualifying holding is acquired	
23. Where the acquirer is a private equity fund or a hedge fund, the following information shall be enclosed:	
1) detailed description on the performance of former investments by the acquirer in qualifying holdings in financial and credit institutions	
2) details on the acquirer's investment policy and any investment restrictions, including details on investment monitoring, information based on which the acquirer took the decision to invest in the credit institution in which a qualifying holding is acquired and any facts that may trigger changes to the acquirer's exit strategy	
3) the acquirer's decision-making framework for investment decisions (internal policies and procedures) including names and functions of persons responsible for making such decisions	
4) detailed description of the acquirer's internal anti-money laundering and counterterrorist financing policies and of the regulatory framework applicable to the prevention of money laundering and terrorist financing	
24. Where the acquirer is a collective investment undertaking, the following information shall be enclosed	
1) identity of holders of interests in the undertaking controlling the collective investment undertaking or having veto powers over the decisions of that undertaking	
2) details on the investment policy and any restrictions on investment	
3) names and functions of persons responsible for defining and making investment decisions, and a copy of any management mandate or terms of reference of the collective body	
4) detailed description of the legal framework and internal procedures for the prevention of money laundering and terrorist financing	
5) detailed description of investments in other credit institutions, insurance or reinsurance undertakings or investment firms, including information indicating whether such investments were approved by a competent authority and if so, the identity of the authority	
25. Annex under which the opinion or the authorisation of the competent authority is provided in	

respect of the investments referred to in item 24 of this Questionnaire	
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I hereby declare that all the answers are true and complete and that that no information has been withheld that could affect the decision of the Central Bank regarding the application for granting authorisation for acquiring qualifying holding.

I undertake to notify the Central Bank of any changes that could have a significant influence on the granting of the authorisation concerned.

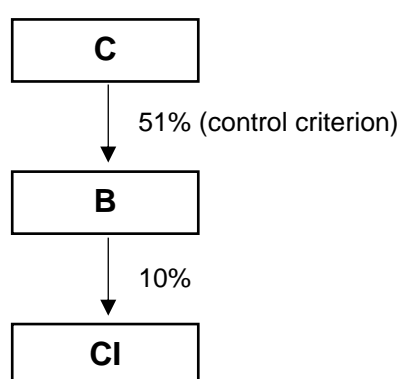
Place and date	Signature of the acquirer
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EXAMPLES OF THE CALCULATION OF INDIRECT HOLDINGS IN A CREDIT INSTITUTION

For the purpose of the calculation of indirect holdings in a credit institution in the examples provided in this Annex, it shall be assumed that control is only gained if the size of the holding being acquired is in excess of 50% (although control could also be acquired with a smaller participation) and that no significant influence is acquired.

In examples 1 to 4 of this Annex, 'CI' indicates the credit institution in which a holding is acquired, while 'B', 'C' and 'D' are acquirers.

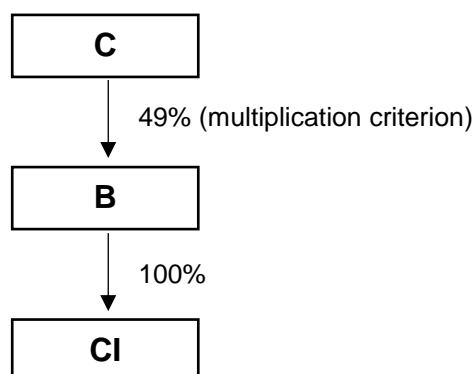
Example 1:



Following C's acquisition of control over B, the undertaking C shall, in accordance with the control criterion referred to in article 12 paragraph (3) of this Decision, be deemed to have indirectly acquired a qualifying holding in a credit institution, given that the undertaking B holds a qualifying holding in the credit institution equal to 10%. All persons holding, directly or indirectly, control over the undertaking C shall also be deemed to have indirectly acquired a qualifying holding in the credit institution equal to 10% under the control criterion referred to in Article 12 paragraph (3) of this Decision.

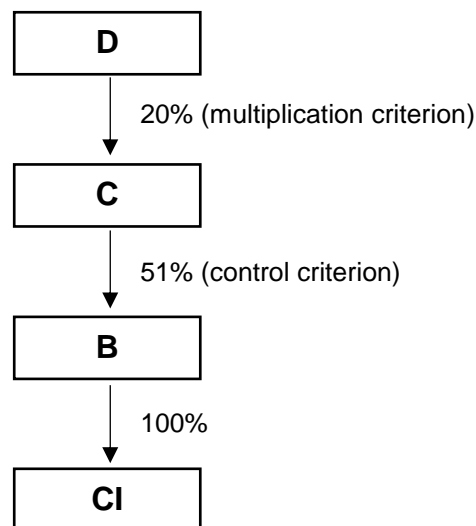
Due to the relationship of control, there is no need to apply the multiplication criterion.

Example 2:



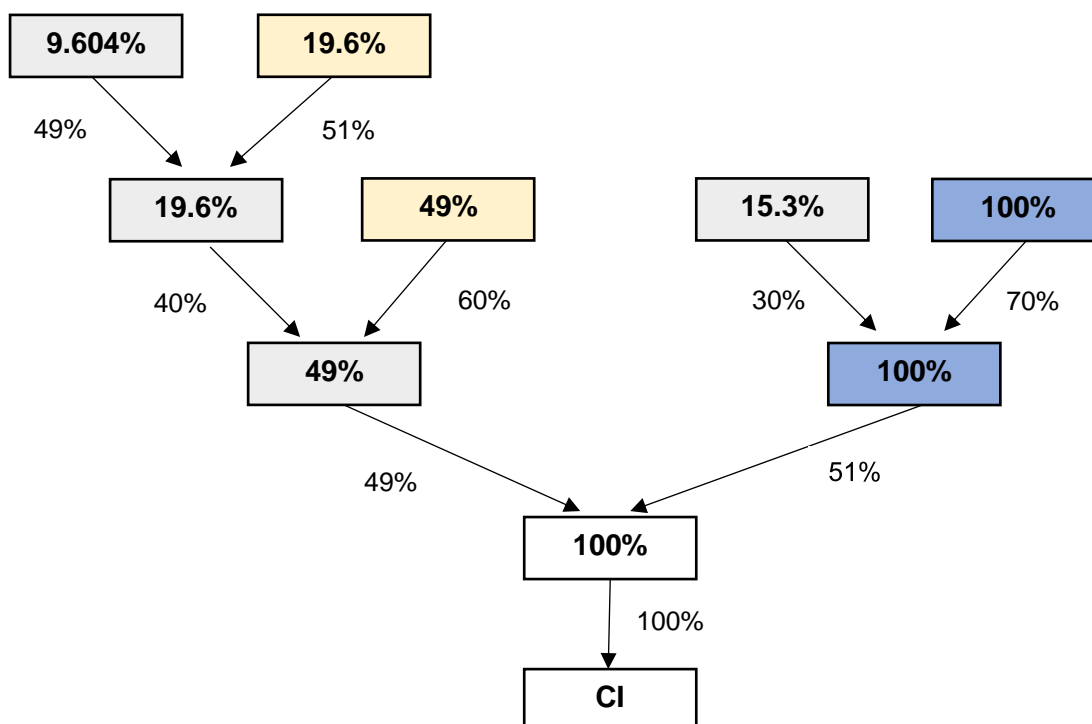
In this Example, the undertaking C does not acquire control over the undertaking B and, therefore, no qualifying holding is deemed to have been acquired under the application of the control criterion referred to in Article 12 paragraph (3) of this Decision. In order to assess if any qualifying holding is acquired indirectly, the multiplication criterion shall be applied, which requires the percentage of the holding acquired by the undertaking C in the undertaking B to be multiplied with the percentage of B's holding in the credit institution (49% x 100%). Since the result is 49%, a qualifying holding shall be deemed to have been acquired indirectly by the undertaking C. All persons holding, directly or indirectly, control over the undertaking C shall also be considered indirect acquirers of a qualifying holding in a credit institution equalling 49%. The multiplication criterion is applied to holders of holdings in the undertaking C who do not hold control over the undertaking C, starting from the bottom of the group hierarchy, i.e. the direct holding in the credit institution.

Example 3:



In this Example, D does not acquire control over C, and therefore, no qualifying holding is deemed to have been acquired under the control criterion referred to in Article 12 paragraph (3) of this Decision. In order to assess whether D is an indirect acquirer of a qualifying holding, the multiplication criterion is applied by multiplying the percentages of the holdings across the corporate chain. Since the resulting percentage is 10.2%, D is deemed to have indirectly acquired a qualifying holding in the credit institution. All persons holding, directly or indirectly, control over the undertaking C shall also be considered indirect acquirers of a qualifying holding in the credit institution equalling 10.2%.

Example 4



Legend:

Percentages shown next to arrows indicate the holding in the undertaking immediately below in the corporate chain

100%	Indirect holder of a holding of 100% under the application of the control criterion
49%	Indirect holder of a holding of 49% under the application of the multiplication criterion
49%	Indirect holder of a holding in a credit institution of 49% holding control over another indirect holder of a holding in a credit institution of 49%, with the size of the holding of the latter holder determined under the application of the multiplication criterion

Example 4 sets out the structure of a group, showing the size of the indirect holding in the credit institution for each indirect holder of a holding. The size of the holding of each shareholder in the undertaking immediately below in the corporate chain is shown next to the arrow. The size of the direct or indirect holding in the credit institution is shown between brackets in the box depicting each direct or indirect shareholder.

The chart shows the shareholder structure following the completion of the acquisition. Where the size of the direct or indirect holding in the credit institution of the person who is the actual acquirer is at least 10%, that acquirer shall be deemed to have

acquired a qualifying holding. Those direct or indirect shareholders of the acquirer for which it is determined under the application of the multiplication criterion that they have indirectly acquired a holding in the credit institution of at least 10% shall also be deemed acquirers of qualifying holding.