

Pursuant to Article 44 paragraph (2) item 3) of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17) and Article 66 paragraph (7) 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

DECISION

ON DOCUMENTATION SUPPORTING THE APPLICATION FOR GRANTING THE LICENSE TO A CREDIT INSTITUTION

Subject matter

Article 1

(1) This Decision shall closely regulate the documentation that the founders of the credit institution shall submit to the Central Bank of Montenegro (hereinafter: the Central Bank) with the application for granting the license to the credit institution.

(2) The provisions of this Decision referring to legal persons shall also apply to foundations and other entities that do not have the status of a legal person, and that acquire the shares of a credit institution on their own behalf.

Submitting application for granting the license to the credit institution

Article 2

(1) The founders of a credit institution shall submit to the Central Bank an application for granting the licence using a template provided in Annex 1, which forms and integral part of this Decision.

(2) The application referred to in paragraph (1) of this Article, in addition to documentation referred to in Article 66 paragraph (2) items 1), 3), 4), and 5) of the Law on credit institutions (OGM 72/19) - (hereinafter: the Law), shall be supplemented by:

- 1) Basic information on the credit institution referred to in Article 3 of this Decision;
- 2) Programme of activities referred to in Article 4 of this Decision;
- 3) Financial information referred to in Article 5 of this Decision;
- 4) Business plan referred to in Article 6 of this Decision;
- 5) Draft internal acts referred to in Article 7 of this Decision;
- 6) Information on intended outsourcing referred to in Article 8 of this Decision;
- 7) Information on organisational structure and internal control system referred to in Article 9 of this Decision;
- 8) Information on initial capital referred to in Article 10 of this Decision;
- 9) Information on shareholders referred to in Article 11 of this Decision;
- 10) Information on 20 largest shareholders referred to in Article 12 of this Decision, where applicable;
- 11) Evidence of the payment of the fee in line with the regulation of the Central Bank defining the fee for carrying out supervisory function of the Central Bank.

(3) The application does not need to be supplemented by the information and documentation prescribed by this Decision, which are already available to the Central Bank of Montenegro, if that information is complete, accurate and up-to-date, and if the applicant confirms this in writing.

(4) In the procedure of reviewing the application referred to in this Article, the Central Bank may request the applicant to submit, within a certain period of time, additional information and data relevant for deciding on the application.

(5) If the applicant fails to act in accordance with the application referred to in paragraph (4) of this Article within the set deadline, the Central Bank shall decide on the application on the basis of available documentation.

(6) The applicant shall make sure that all information and documentation submitted with the application for granting a license are accurate, truthful and complete until the day of granting the license, and in the event that changes that affect or might affect the accuracy, truthfulness and completeness of documentation and information occur after the submission of the application, the applicant shall submit updated documentation to the Central Bank.

Basic information on the credit institution

Article 3

Basic information on the credit institution being established shall include:

- 1) Information on the identity of the credit institution being established:
 - name of the credit institution,
 - short name of the credit institution,
 - logo of the credit institution,
 - planned date for establishing the credit institution,
 - planned address of the credit institution's head office, or a place where the credit institution being established will permanently perform its activities, if different from head office (place of the managing board of the company);
- 2) Draft memorandum of association of the credit institution;
- 3) Articles of association of the credit institution being established.

Programme of activities

Article 4

Programme of activities of a credit institution should include:

- 1) a list of services referred in Articles 4, 5, and 6 of the Law that the credit institution intends to provide;
- 2) draft of all internal acts and procedures prescribing the manner of acting, organisation of work, powers and responsibilities for each banking, financial, and additional financial service that the credit institution intends to provide.

Financial information

Article 5

Financial information on a credit institution being established should include forecast of financial indicators of the credit institution on an individual basis, and where applicable, on a consolidated basis (indicating the share represented by the credit institution), at least on a base case and stress scenario basis, including:

- 1) forecasts of financial reports for at least the first three business years, detailing the business lines for each service provided and, where applicable, for each country or geographic area where the credit institution intends to operate, including:
 - forecast of the statement of financial position (balance sheet)
 - forecast of the comprehensive income (profit and loss statement), detailing fixed and variable costs and providing an indication of the sensitivity of business to major indicators (volume, exposure, price, geographical distribution, etc.) and an explanation of measures reducing the exposure to such risks, and
 - forecast cash flow statements;
- 2) assumptions for forecasts and explanations of the figures referred to in item 1) of this paragraph, in particular the assumptions for the stress scenario;
- 3) detailed calculation of own funds requirements, capital buffer requirements, liquidity requirements, and leverage requirements, for the next three years;
- 4) funding profile and its diversification, including any source of financing and its conditions;
- 5) a summary of the internal adequacy assessment, at individual basis and where applicable on a consolidated basis, demonstrating that credit institution's liquidity sources will be adequate to meet its individual liquidity requirements;
- 6) an overview of any indebtedness incurred or expected to be incurred by the founders prior the credit institution being established commences its activities, together with information on the lenders, maturity, and other terms of such indebtedness, the use of funds and, where the lender is not a supervised financial institution, information on the origin of the borrowed funds, or on the funds expected to be granted to the credit institution being established;
- 7) where applicable, information about the credit rating of the founder, as well as group of which the credit institution to be established is to become a member (where applicable); and
- 8) an analysis of the scope of supervision on a consolidated basis, including information what members of the group will be included in the supervision on the consolidated basis, as well as the analysis of effects of proposals for exclusion or special treatment by the Central Bank in line with regulations, where applicable.

Business plan

Article 6

Business plan of a credit institution shall be prepared for at least the first three years, and should include, on a base case and stress scenario basis, information on planned business and the structural organisation of the credit institution, including the following items:

- 1) detailed information on services to be provided directly by the credit institution being established, and by its branches, sub-branches and subsidiary persons in Montenegro and abroad, including the geographical distribution of these services and future business expansion plans;
- 2) an overview and detailed explanation of viability of the business model;
- 3) an overview of target market, client segmentation, products and services and delivery channels;
- 4) an overview of all business and legal risk factors, including money laundering and terrorist financing risks, and an explanation of how the credit institution will manage those risks;
- 5) action plan in the period until the credit institution is fully prepared to start its operations, and the description of the credit institution's overall strategy, including strategic goals and advantages, as well as of the reason for the credit institution's establishment and decision to carry on the business for which it seeks authorisation;

Draft internal acts

Article 7

(1) Draft internal acts referred to in Article 2 paragraph (3) item 5) of this Decision shall include acts regulating:

- 1) a risk management framework in the form of a developed strategy for identifying and managing risks, including money laundering and terrorist financing risks, outlining a draft strategy for risk management, tolerance and risk appetite that the credit institution is willing to accept and measures to align assessed risks with the risk appetite;
- 2) liquidity risk management;
- 3) funding concentration and diversification;
- 4) management of security instruments (collateral);
- 5) credit policies;
- 6) concentration risk management;
- 7) determination of expected credit losses, impairment of on-balance sheet and off-balance sheet items and other provisions;
- 8) trading book;
- 9) receiving deposits and approving loans;
- 10) distribution of profits;
- 11) internal audit;
- 12) product management;
- 13) consumer protection;
- 14) business continuity plan, including plans ensuring the availability of key employees in business continuity situations;
- 15) procedure for drafting a recovery plan.

Information on intended outsourcing

Article 8

Information on intended outsourcing of activities of a credit institution being established includes:

- 1) information on intra-group and external outsourcing, to support credit institution's business or control functions, including information on suppliers,

their links to the credit institution, location, rationale for outsourcing, human resources, and internal control system for managing the outsourcing, contingency plans in the event that the outsourced service provider cannot provide continuity of service and functions regarding outsourced activities, to be performed in the credit institution;

- 2) description of the manner of oversight for each material activity that the credit institution plans to outsource;
- 3) copies of all draft or concluded agreements related to the outsourcing of management and operations of the credit institution being established; and
- 4) a description of the credit institution's IT infrastructure, including the systems to be used, arrangements with suppliers, organisation of IT function including structure, strategy, governance, security policies and procedures, and controls to be put in place in respect of the provision of online services;

Organisational structure and internal control system

Article 9

(1) Information on organisational structure and internal control system of a credit institution being established should include:

- 1) organisational chart of the credit institution;
- 2) rules of procedure of the supervisory and management board;
- 3) description of human and personnel resources (for each business activity, including IT, sales, legal affairs, internal audit, and compliance monitoring function);
- 4) description of relations between different functions or organisational units of the credit institution;
- 5) the manner of resolving complaints of various functions or organizational units within the credit institution; and
- 6) information on all payment and settlement systems which the credit institution intends to join, directly or indirectly, during the first year of operation.

(2) Information on the internal controls system of the credit institution being established should include:

- 1) a schematic overview and detailed description of the internal organisation (including allocated financial and human resources) for the compliance function, risk control function and internal audit function, including a description of financial and human resources and an explanation of how the credit institution intends to meet regulatory and prudential requirements, including requirements to prevent money laundering and terrorist financing;
- 2) biographical data for persons who will be responsible for the work of control functions referred to in item 1) of this paragraph;
- 3) description of the compliance monitoring, internal audit, and risk control systems, their internal procedures and reporting lines to the management bodies;
- 4) a description of the internal audit resources and a description of the methodology and work plan of the internal audit for the first three years after obtaining the license, including the audit of outsourced activities.
- 5) draft policies and procedures for:

- reporting every possible violation of regulations committed by responsible persons or other employees of the credit institution in accordance with Article 123 paragraph (2) of the Law,
- resolving conflicts of interest,
- resolving customer complaints,
- prevention of market abuse,
- promoting diversity of the management and supervisory board,
- remuneration for employees whose professional activities have a material impact upon the risk profile of the credit institution (identified employees), and
- draft policies for managing money laundering and terrorist financing risks, including the draft of key procedures to prevent the use of a credit institution to commit other criminal offenses.

(3) Information on the supervisory and management board of the credit institution being established, and working bodies of the supervisory board, should include:

- 1) identification data;
- 2) description of responsibilities and authorisations given to members of the management board;
- 3) description of how expertise and competence diversity was taken into account in the selection of members of the management and supervisory boards; and
- 4) description of all envisaged working bodies of the supervisory board with a list of members and tasks.

Information on initial and internal capital

Article 10

(1) Information on initial and internal capital of a credit institution being established should include:

- 1) initial capital payment plan;
- 2) information on available sources of initial capital funds; and
- 3) assessment of the amount, type and distribution of internal capital.

(2) The plan referred to in paragraph (1) item 1) of this Article should contain initial capital payment plan with a payment deadline ensuring that the entire amount of initial capital will be paid before the registration of the credit institution in CRPS.

(3) The information referred to in paragraph (1) item 2) of this Article should contain a description of the available sources of initial capital funds and, where possible, proof of the availability of those funds, including:

- 1) a list of the use of private financial resources, including their availability and source;
- 2) a description of access to financial markets, including details of financial instruments issued or to be issued;
- 3) copies of agreements and contracts entered into in respect of initial capital, including details of the borrowed or to be borrowed funds, information on the use of funds and the lender or loan, and where lender is not a supervised credit or financial institution, information on the origin of the borrowed funds or on the funds expected to be borrowed; and

- 4) information on the provider of the payment service used to transfer financial resources of the credit institution being established.

(4) The assessment referred to in paragraph (1) item 3) of this Article should include assessment of the amounts, types and distribution of internal capital that is considered adequate to cover the nature and level of all risks to which the credit institution will be or might be exposed and an analysis, including projections, showing that the capital resources will be sufficient to meet the own funds requirement at authorisation and through a severe but plausible stress over the next three years.

(5) The stress scenario and methodology referred to in paragraph (4) of this Article should take into account the scenario and methodology used in the most recent annual supervisory stress test carried out by the Central Bank, and the information shall be provided both for the founder of the credit institution on an individual basis as well as for the consolidated situation, if applicable.

Information on shareholders and acquirers of qualifying holding

Article 11

(1) The application for granting authorisation for acquiring qualifying holding referred to in Article 66 paragraph (2) item 3) of the Law shall be supplemented by:

- 1) a schematic overview of the shareholder structure of the credit institution, including a breakdown of the share in capital, and/or voting rights;
- 2) a list of all legal and natural persons who will, following the establishment of the credit institution, have qualifying holdings in the credit institution, with the following information for each person:
 - number and type of shares or holdings subscribed or to be subscribed,
 - nominal value of shares,
 - premium paid or to be paid,
 - any lien on shares, including information about the person in whose favour the right was recorded; and
 - statements of founders that the credit institution will comply with applicable prudential requirements;

(2) Where the founder or one of the founders of the credit institution is a foundation or a similar entity, the following shall be submitted in addition to the documentation referred to in paragraph (1) of this Article:

- 1) a list of all the creditors of the foundation who manage its assets in accordance with the founding acts of the foundation and all persons who are end users or founders of the foundation and, where applicable, their respective shares in the distribution of income from the foundation's assets;
- 2) a certified copy of the documents on the establishment and management of the foundation; and
- 3) a description of the legal framework for the foundation and the manner of its functioning.

(3) If the person who is or will become the acquirer of the qualifying holding is a member of an entity that is not a legal entity, and its shares are considered to be the property of that entity, the application for granting a license shall be supplemented by:

- 1) information on the identity of each member of that entity with filled out Annexes I and II integral to the Central Bank regulations establishing the criteria and documentation for assessing the eligibility and financial condition of acquirers of qualifying holdings in the credit institution (depending on whether it is a natural or a legal person); and
- 2) a certified copy of the articles of association or the contract governing the management of that entity.

Information on 20 largest shareholders of a credit institution

Article 12

(1) Where none of the founders acquire qualifying holding in the credit institution, the list indicating 20 largest shareholders of the credit institution shall be attached to the application for granting a license, and if the number of founders is fewer than twenty, a list of all shareholders with information from paragraph (2) of this Article shall be submitted, as well as information on whether any such shareholder is subject to supervision by the competent authority.

(2) For each person from the list referred to in paragraph (1) of this Article, filled out Annexes II and III integral to the Central Bank's decision determining the criteria and documentation for assessing the suitability and financial soundness of acquirers of qualifying holdings in a credit institution shall be submitted.

Repealed regulation

Article 13

As from the commencement date of 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 14

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 0101-7725-12/2020
Podgorica, 28 December 2020

**CHAIRMAN
GOVERNOR,**

Radoje Žugić, m.p.

Place and date: _____

Number: _____

**APPLICATION
FOR GRANTING THE LICENSE TO A CREDIT INSTITUTION**

Name and surname /name of the applicant (founder):

Address of habitual residence/head office of the applicant:

Name and surname of the person authorised to represent the applicant
(where the applicant is a legal person):

We hereby submit the application for granting the license to a credit institution in accordance with the Law on Credit Institutions ("Official Gazette of Montenegro", 72/19) and certify that the information provided herein is true, accurate, complete and not misleading.

Unless specifically stated otherwise in a particular document, the information refers to the date of this application. Where certain information refers to a future date, this is specifically set out in the application and the applicant hereby undertakes to notify the Central Bank of Montenegro in writing should any such information prove to be not true, accurate and complete or misleading.

Applicant:

Name and surname

Function

Annexes to the application

1. Information on the credit institution		
1.1. Contact person appointed by the applicant for the purposes of the application		
Name and surname		
Function		
Telephone		
Mobile phone		
E-mail		
Advisor used by the applicant for the purposes of the credit institution's establishment (where applicable)		
Name and surname		
Function		
Telephone		
Mobile phone		
E-mail		
1.2. Basic information on the credit institution being established		
Name		
Short name		
Logo		
Planned date if the establishment of the credit institution		
Planned address of the credit institution's head office, or the place where the credit institution being established will permanently perform its activities where different from the head office (place of the managing board of the company)		
1.3. Constitutional documents		
Number of the Annex containing credit institution's draft memorandum of association		
Number of the Annex containing credit institution's draft articles of association		
1.4. Fees		
Evidence of payment of the fee referred to in Article 2 paragraph (2) item 11) of the Decision		
2. Programme of activities		
2.1. Activity		
Number of the Annex containing: <ul style="list-style-type: none"> - a list of the services that the credit institution intends to provide; - drafts of all internal acts and procedures regulating the operation, the organisation of work and responsibility for each banking, core, and additional financial service the credit institution intends to provide 		
3. Financial information		

Number of the Annex containing financial information referred to in Article 5 of the Decision	
4. Business plan	
Number of the Annex containing business plan referred to in Article 6 of the Decision	
5. Draft of internal acts	
Number of the Annex containing risk management framework referred to in Article 7 paragraph 1 item 1) of the Decision	
Number of the Annex containing liquidity risk management framework referred to in Article 7 paragraph (1) item 2) of the Decision	
Number of the Annex containing funding concentration and diversification policy referred to in Article 7 paragraph (1) item 3) of the Decision	
Number of the Annex containing collateral management policy referred to in Article 7 paragraph (1) item 4) of the Decision	
Number of the Annex containing credit policy referred to in Article 7 paragraph (1) item 5) of the Decision	
Number of the Annex containing concentration risk management policy referred to in Article 7 paragraph (1) item 6) of the Decision	
Number of the Annex containing act on determination of expected credit losses, impairment of on-balance sheet and off-balance sheet items and other provisions referred to in Article 7 paragraph (1) item 7) of the Decision	
Number of the Annex containing trading book policy referred to in Article 7 paragraph (1) item 8) of the Decision	
Number of the Annex containing policy for receiving deposits referred to in Article 7 paragraph (1) item 9) of the Decision	
Number of the Annex containing policy for distribution of profits referred to in Article 7 paragraph (1) item 10) of the Decision	
Number of the Annex containing act on internal audit referred to in Article 7 paragraph (1) item 11) of the Decision	
Number of the Annex containing act on product management referred to in Article 7 paragraph (1) item 12) of the Decision	
Number of the Annex containing act on consumer protection referred to in Article 7 paragraph (1) item 13) of the Decision	
Number of the Annex containing act on business continuity plan, including plans ensuring the availability of key employees in business continuity situations referred to in Article 7 paragraph (1) item 14) of the Decision	
Number of the Annex containing description of procedure for drafting a recovery plan referred to in Article 7 paragraph (1) item 15) of the Decision	
6. Information on intended outsourcing	
Number of the Annex containing information on intended outsourcing referred to in Article 8 of the Decision	
7. Organisational structure and internal control system	

7.1. Organisational structure	
Number of the Annex containing information on organisational structure credit institution being established referred to in Article 9 paragraph (1) of the Decision	
7.2. Information on credit institution's internal control system	
Number of the Annex containing schematic overview for the compliance function, risk control function and internal audit function referred to in Article 9 paragraph (2) item 1) of the Decision	
Number of the Annex containing description of the compliance monitoring, internal audit, and risk control systems, their internal procedures and reporting lines to the management bodies as referred to in Article 9 paragraph (2) item 3) of the Decision	
Number of the Annex containing a description of the internal audit resources and a description of the methodology and work plan of the internal audit for the first three years after obtaining the license, including the audit of outsourced activities referred to in Article 9 paragraph (2) item 4) of the Decision	
Number of the Annex containing draft procedure for reporting every possible violation referred to in Article 9 paragraph (2) item 5) indent 1 of the Decision	
Number of the Annex containing draft policy and procedures for resolving conflicts of interest referred to in Article 9 paragraph (2) item 5) indent 2 of the Decision	
Number of the Annex containing draft policy and procedures for resolving customer complaints referred to in Article 9 paragraph (2) item 5) indent 3 of the Decision	
Number of the Annex containing draft policies and procedures for the prevention of market abuse referred to in Article 9 paragraph (2) item 5) indent 4 of the Decision	
Number of the Annex containing draft policies and procedures for promoting diversity of the management and supervisory board referred to in Article 9 paragraph (2) item 5) indent 5 of the Decision	
Number of the Annex containing draft policy for remuneration for identified employees referred to in Article 9 paragraph (2) item 5) indent 6 of the Decision	
Number of the Annex containing draft of the system and policies for assessing and managing money laundering and terrorist financing risk referred to in Article 9 paragraph (2) item 5) indent 7 of the Decision	
8. Information on the supervisory and management board and heads of control functions	
8.1. Members of supervisory and management board of the institution being established (to be completed separately for each individual)	
Name and surname (where different, name and surname at birth)	
Sex	
Place of birth (and country)	
Address	

Telephone number	
Mobile phone number	
E-mail	
Citizenship	
Personal identification number or another identification number	
Details of the function to be held by the person in the credit institution, planned start date, duration of mandate, and a description of the person's key duties and responsibilities	
Number of the Annex under which the Questionnaire for a candidate for the chairperson or a member of the management board or a member of the supervisory board of a credit institution can be found	
8.2. Other information about the management and supervisory board and working bodies of the credit institution being established	
Description of responsibilities and authorisations given to members of the management board	
Description of how expertise and competence diversity was taken into account in the selection of members of the management and supervisory boards	
Description of all envisaged working bodies of the supervisory board with a list of members and tasks	
8.3. Information on heads of control functions referred to in Article 9 paragraph (2) item 2) of the Decision (to be completed separately for each individual)	
Name and surname (where different, name and surname at birth)	
Sex	
Place of birth (and country)	
Address	
Telephone number	
Mobile phone number	
E-mail	
Citizenship	
Personal identification number or another identification number	
Details of the function to be held by the person in the credit institution, planned start date, duration of mandate, and a description of the person's key duties and responsibilities	
Number of the Annex containing biographical data for persons who will be responsible for the work of control functions	
9. Information on initial and internal capital	
Number of the Annex containing information on initial and internal capital referred to in Article 10 paragraph (1) of the Decision	
10. Shareholders and acquirers of qualifying holding	
10.1. General information	
Number of the Annex containing application for granting the authorisation for acquiring qualifying holding on the prescribed template in line with	

regulation referred to in Article 31 paragraph (5) of the Law on credit institutions	
10.2. Information on natural persons acquiring a qualifying holding	
Number of the Annex containing 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, as laid down in the decision of the Central Bank regulation the acquisition of a qualifying holding in a credit institution	
10.3. Information in relation to legal persons or entities that are not legal persons acquiring shares of a credit institution in their own name	
Number of the Annex containing questionnaire for legal persons acquiring a qualifying holding in a credit institution, as laid down in the Decision on the approval to acquire a qualifying holding in a credit institution of the Central bank regulating the acquisition of a qualified holding in a credit institution,	
11. Information on shareholders/founders	
11.1. Shareholder structure	
Number of the Annex containing a chart setting out the shareholder structure of the credit institution referred to in Article 11 paragraph (1) item 1) of the Decision	
Number of the Annex containing a list of all legal and natural referred to in Article 11 paragraph (1) item 2) of the Decision	
Number of the Annex containing information on founders of the credit institution that is a foundation or a similar entity, referred to in Article 11 paragraph (2) of the Decision (where applicable)	
Number of the Annex containing information on the acquirer of the qualifying holding is a member of an entity that is not a legal entity, and its shares are considered to be the property of that entity, referred to in Article 11 paragraph (3) of the Decision (where applicable)	
12. Information omitted in accordance with Article 3, paragraph (4) of the Decision, with declaration	