

Pursuant to Article 44 paragraph 2 point 3 and in conjunction with Article 15 of the Central Bank of Montenegro Law (OGM 40/10, 46/10), at its meeting held on 7 March 2011, the Council of the Central Bank of Montenegro passed the following

DECISION ON OPEN MARKET OPERATIONS

Article 1

This Decision shall define detailed conditions under which the Central Bank of Montenegro (hereinafter: the Central Bank) may perform open market operations in following monetary policy.

Article 2

The Central Bank shall perform open market operations by purchasing from and selling to banks securities issued by the State of Montenegro, EU Members States and international financial institutions or other securities it deems acceptable (hereinafter: securities).

Article 3

The Central Bank shall perform open market operations through spot trading contracts.

Notwithstanding paragraph 1 of this Article, the Central Bank may perform purchase or sale of securities through direct trade with a certain bank through forward contracts.

Article 4

In open market operations, the Central Bank may perform the purchase and sale of securities as:

- 1) Permanent open market transactions and
- 2) Repurchase (repo) transactions.

Within the meaning of this Decision, permanent open market operations imply the purchase and sale of securities without the obligation of their repurchase or resale.

Within the meaning of this Decision, a repo transaction implies the purchase and sale of securities whereby a seller sells securities to a buyer at the specified

price, subject to the commitment of the seller to repurchase the securities from the buyer at the specified future date and at the predetermined repurchase price.

The Central Bank may sign a framework agreement with a bank on performing transactions under this Article.

Article 5

In open market operations, the Central Bank may purchase and sell securities in one of the following ways:

- 1) By public offering to banks, in which it predetermines the conditions for the purchase and/or sale of securities, or
- 2) Through direct trade with a certain bank.

The Central Bank shall issue instructions on the purchase and sale of securities under the paragraph 1 above.

Article 6

In open market operations, the Central Bank may perform the purchase and sale of securities with a bank that meets the following requirements:

- 1) the bank has not been subject to bankruptcy or liquidation proceedings;
- 2) the bank has not been subject to the prohibition of securities trading;
- 3) the bank is a member of the Central Depository Agency;
- 4) the bank is a participant in the Central Bank's RTGS system.

The Central Bank shall keep records of banks which meet the requirements under paragraph 1 of this Article.

Article 7

In open market operations, a bank which meets the requirements under Article 6 paragraph 1 of this Decision shall purchase and sell securities on its own behalf and for its own account.

Article 8

The Central Bank shall perform open market operations from funds allocated for these purposes by the Council of the Central Bank.

In accordance with the monetary policy objectives and tasks and on the basis of monetary trends, the Council of the Central Bank shall decide on each open market operation, by determining the type of securities to be purchased or sold,

the amount of funds required for that operation, and the amount of interest and/or discount rate for the purchase and/or sale of certain securities.

Article 9

In open market operations, the Central Bank shall sign an agreement with a bank on the purchase and sale of securities.

The agreement under paragraph 1 above shall determine detailed conditions for the purchase and/or sale of securities and in particular, but not limited to: the type of transaction, the total amount of securities to be purchased and/or sold, the interest and/or discount rate on securities, and the manner and deadlines for fulfilling mutual obligations.

Article 10

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

COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

Decision no. 0101-4014/10-3-2010
Podgorica, 7 March 2011

**CHAIRMAN
GOVERNOR,**

Radoje Žugić, MSc