

LAW ON MEASURES FOR PROTECTION OF THE BANKING SYSTEM
(Official Gazette of Montenegro 64/08)

Subject of the Law

Article 1

With a view of protecting banking sector from the consequences of global financial crisis and maintaining safety and soundness of the banking system, this law shall guarantee the payment of the deposits and it shall prescribe measures for maintenance of liquidity and solvency of banks that are founded and operating in Montenegro.

Guaranteeing Deposits

Article 2

The Government of Montenegro (hereinafter referred to as the Government) shall guarantee the payment of deposits of natural and legal persons, placed with banks that are founded and operating in Montenegro (hereinafter referred to as the bank) above the amount prescribed by special law, up to the full amount.

Payment referred to in paragraph 1 above shall be performed by the Deposit Protection Fund under the conditions and in the manner prescribed by the special law regulating the protection of deposits.

Issuing Guarantees

Article 3

The Government may, upon the request of the bank, issue a guarantee for a loan or borrowing taken from other bank or financial institution for the purpose of creating favorable conditions for mutual bank lending.

Bank's shareholders shall pledge their own shares they are holding in such bank on behalf of the Government, for issuing guarantees referred to in paragraph 1 above, and the value of the guarantee issued cannot be higher than the amount of nominal value of shares.

For the guarantee issued in accordance with paragraphs 1 and 2 of this Article, the Government shall pay fee in the amount of 0.5% of the value of the guarantee issued at annual level.

Fulfillment of Obligations and Credit Support

Article 4

The Government may, for the purpose of maintaining liquidity of a bank, upon its request, perform premature repayment of total debt of the state to such bank including loans for which the Government has issued the guarantee.

The Government may, upon the request of the bank, provide credit support to the bank that needs additional funds for liquidity.

The Government may provide credit support to the bank referred to in paragraph 1 above only after the premature debt repayment of the Government to such bank.

The Government shall provide funds for the support referred to in paragraph 2 above from the deposits that are at special account with Central Bank of Montenegro (hereinafter referred to as the Central Bank) or borrowings at the financial market in cooperation with the Central Bank.

Conditions for Use of Credit Support

Article 5

Bank's shareholders shall pledge their own shares they are holding in such bank on behalf of the Government for the approved credit support, and the amount of credit support cannot be higher than the amount of nominal value of shares.

Credit support shall be granted for period no longer than one year with interest rate that is equal to the reference interest rate of the European Central Bank as of the day of the approval of the credit support.

Bank Recapitalization

Article 6

The Government may, for the purpose of providing solvency of the bank, upon its request, provide funds for recapitalization through the purchase of shares in such bank at nominal value if there are no other possibilities for recapitalization.

If the bank has not submitted to the Government a request for recapitalization, nor has it obtained funds from other sources, the Central Bank shall, if it evaluates that the bank needs additional funds, propose the Government to provide funds for bank recapitalization with a view of protecting and maintaining stability of the banking system.

The Government shall provide funds referred to in paragraphs 1 and 2 above from the deposit funds that are placed at special account with Central Bank or borrowings at the financial market.

Report on Committed Funds

Article 7

Report on funds committed in accordance with the provisions of articles 3, 4, 5 and 6 of this law shall be submitted to the Parliament of Montenegro with the annual budget report of the state.

Use of Reserve Requirement

Article 8

The Central Bank may approve the bank to use the funds of the reserve requirements on daily basis for period longer than one day, under the procedure and in the manner prescribed by the regulation of the Central Bank.

Borrowings of the Central Bank

Article 9

The Central Bank may use up to 50% of the value of its capital for granting short term borrowings up to 30 days to banks.

Subsidiary Regulations

Article 10

The Ministry of Finance shall prescribe detailed conditions and procedure for issuing guarantees, provision of the credit support and recapitalization of the bank referred to in articles 3, 4, 5 and 6 of this law.

The Central Bank shall prescribe detailed conditions and procedure for the use of funds referred to in articles 8 and 9.

Timeframe for Adoption of Regulations

Article 11

Regulations referred to in article 10 above shall be adopted within three days after this law become effective.

Other Regulations

Article 12

Provisions of other laws and regulations contrary to this law and regulations adopted pursuant to this law shall not be applied during the application of the measures determined on the basis of this law.

Application of the Law

Article 13

This law shall be applied until 31 December 2009.

Coming into Effect

Article 14

This Law shall become effective on the day of its publication in the “Official Gazette of Montenegro”.