

**Government of Montenegro**

**Ministry of Finance**

## **Questionnaire**

Information requested by the European Commission to the Government of Montenegro for the preparation of the Opinion on the application of Montenegro for membership of the European Union

– ADDITIONAL QUESTIONS –

### **04 Free movement of capital**

Minister:

**Igor Luksic**

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- Additional Questions -

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**CHAPTERS OF THE ACQUIS – ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP**

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## **4: Free movement of capital**

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## **I. CAPITAL MOVEMENTS AND PAYMENTS**

**1. (Ref to Q. 1, Table section X): Please provide the Commission with an English version of the Rulebook on limitations on depositing and investing funds of technical and guarantee reserves of insurance companies (Official Gazette of Montenegro 38/09 of 12 June 2009, 43/09 of 3 July 2009).**

Version in English language has been submitted.

**2. (Ref to Q. 7): Please provide further data on economic development as a result of FDI. Please provide comparative green-field/brown field investment data.**

Since the mid 90's, large number of structural and institutional reforms in Montenegro took place simultaneously. With the process of liberalisation of trade, the opening of Montenegrin economy began. Liberalisation, followed by privatisation, in largest part contributed movement of the inflow of foreign direct investments (FDI). In the period from 2000 to 2009, cumulative amount of foreign direct investments in Montenegro amounted 4.3 billion euro. Net inflow in this period amounted over 3 billion euro. Of this amount, over half of it is related to the last three years (2007-09). In the group of European economies in transition Montenegro is leader by the participation of the inflow of FDI to GDP in the last four years, and it is leader by FDI *per capita* in the last three years.

Inflow of the FDI in Montenegro enabled opening of over 9,000 work positions (not including seasonal work positions in tourism, construction, etc.), it has been register over 5,000 new foreign companies and this created an image of Montenegro as good destination for investments, which set foundations for further inflow of the FDI.

What distinguishes FDI from other forms of international flows of capital is their long-term character. In Montenegro, FDI strengthened private sector, market economy, and it contributed increase of competitiveness and elimination of macro-economic imbalance inherited from the central-planned systems. On the other hand, so far FDI did not more significantly contributed to the transfer of technology, growth of export and inclusion of Montenegrin economy to the global markets. Process of restructuring companies in which greater inflow of FDI has been achieved are still in progress.

Inflow of FDI is factor that largely influenced economic development. Montenegro does not have sufficient sources of its own accumulation therefore it is largely directed towards inflow of the foreign accumulation. Positive effects of the inflow of foreign direct investments are reflected through increased competition, better quality of services, increase in number of products, new technologies, reduction of prices and transparency of costs, and positive effects are especially shown in the sectors such as banking, telecommunications, tourism, trade and construction.

Entry of the foreign capital to the banking system significantly contributed improvement of competitiveness and efficiency of the banks as well as the quality of banking products and services. Arrival of the foreign banks was the basis for restructuring of the banking systems. In addition, high inflow of FDI had significant effects on the growth of deposits. Effect on the growth of deposits had two sides. On one hand, part of the money obtained through the sale of properties and real estates was deposited in the banking system as deposits. On the other hand, through the process of foreign investments to the Montenegrin market came credible foreign companies that became important clients of the banking system as deponents as well as users of the credits.

In telecommunications sector, in the fixed telephony there are two operators and in the area of mobile telephony there are three mobile operators which increased the level of competitiveness, and thereby the quality and volume of services. All mentioned operators came to the Montenegrin

market as the result of the foreign investments. Entry of the large foreign retail chains to the domestic market significantly increased competitiveness and quality of services in the retail sector.

In the last years, Montenegro had extremely dynamic development in the area of tourism. This dynamic development in greater part is the result of modernisation of the hotel capacities, mostly built through the foreign investment. Development of tourism is really important for Montenegrin economy, because it influences development of the large number of other connected industries, such as agriculture, food industry, traffic, trade, telecommunications, etc. It is certain that without foreign investments into the tourist industry, development of these connected industries would be significantly slower.

Then, significant investments in the real estates led to an extremely high growth rate in the area of construction. During 2005, conducted construction works were estimated to 80 million of euro, which was 40% larger than in 2004. Value of the construction works done in 2008, according to the official data of the Monstat, is 45.7% bigger in relation to 2007, and the physical volume of works, measured by the conducted efficient hours, 20.7% greater, which completely indicates the high intensity of the activities in the area of construction influenced by the strong investment demand. Value of the conducted construction works in 2009, according to the official data by the Monstat, is smaller by 21.5% in relation to 2008, and the physical volume of works, measured by the conducted efficient hours, smaller by 19.2% which is the result of the economic crisis.

Foreign direct investments have been modeled in Montenegro on the basic model following relation of FDI and basic macro-economic variables. FDI are seen in the model as exogenous variable or autonomous capital flow. From the point of view of the stated presumption, FDI is impossible to explain by variables inside of the system, because they may not be quantified. Therefore, modeling of FDI represented compromise between the fact that the level of FDI is determined by the external factors (interest rates, business cycles of the countries of the investors) and the internal factors (intensifying privatisation process, implementation of structural and other reforms).

Economic relations in the model are described in the equation of the multiple linear regression in the form:  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_{k-1} X_{k-1} + \varepsilon$ , where Y represents basic macro-economic aggregates,  $X_1, X_2, X_3, \dots, X_{k-1}$  are explanatory variables,  $\varepsilon$  is random error and  $\beta_0, \beta_1, \beta_2, \dots, \beta_{k-1}$  are parameters or quantified interdependence between FDI and basic macro-economic aggregates. Assessment of ratios, that is interdependence between FDI and basic macro-economic aggregates is done by the standard econometric programs **EViews** and **SPSS**.

**Gross Domestic Product** – Increase of foreign direct investments by 1 percentage point, leads to increase of GDP by approximately 0.33 percentage points. This influence is reflected after expiration of time period of one quarter.

**Employment** – Growth of FDI of 1 percentage point leads to the growth of total employment by 0.05 percentage points. This effect occurs upon expiration of period of two quarters.

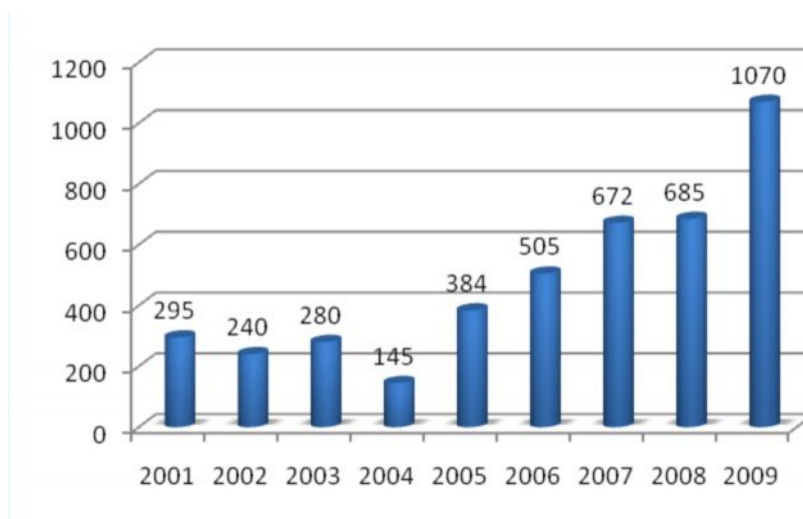
**Deviations in the fourth quarter of 2008** – Analysis of the time series of FDI quarterly indicates statistically significant deviations of the value of FDI in the fourth quarter of 2008. In 2008, FDI records growth of 1.03% on an annual level, but value of FDI in the fourth quarter of 2008 in relation to the same period in 2007 is smaller by 23.0%. Therefore, due to the obvious changes in the last quarter and multiplicative effects of the financial crisis in the world, it was necessary to adjust linear approach.



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#### FDI in the period from 2001 to 2009



Source: MIPA

#### FDI by quarters in the period from 2005 to 2009

	2005	2006	2007	2008	2009
I quarter	n.a.	91	177	185	104
II quarter	n.a.	139	182	199	197
III quarter	n.a.	127	136	157	342
IV quarter	n.a.	148	183	144	427
<b>Total</b>	<b>384</b>	<b>505</b>	<b>678</b>	<b>685</b>	<b>1,070</b>

Source: MIPA

Estimate of MIPA shows that in the period from 2005 to 2009 greenfield investments amounted 932 million euro or 28.05% of total FDI in the same period (3.322 billion euro).

#### FDI by regions in the period from 2005 to 2009

	2005	2006	2007	2008	2009
North	n.a.	8.1%	7.6%	7.2%	5.8%
Center	n.a.	59.0%	43.6%	43.7%	64.7%
South	n.a.	32.9%	48.8%	49.1%	29.5%
<b>Total</b>	<b>384</b>	<b>505</b>	<b>678</b>	<b>685</b>	<b>1,070</b>

Source: MIPA

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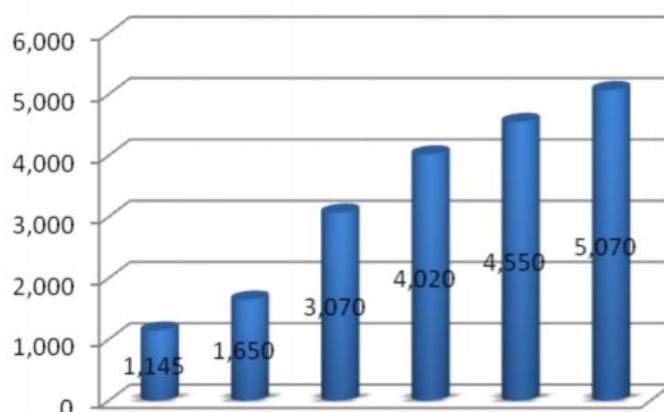
### - Additional Questions -

#### FDI by sectors in the period from 2005 to 2009

	2005	2006	2007	2008	2009
Finances	n.a.	33%	30%	28%	11%
Tourism	n.a.	25%	23%	22%	17%
Construction	n.a.	10%	12%	14%	7%
Industry	n.a.	10%	12%	10%	49%
Services	n.a.	8%	9%	11%	7%
Transport and logistics	n.a.	4%	5%	5%	3%
Agriculture	n.a.	2%	2%	2%	1%
Other	n.a.	8%	7%	8%	5%
Total	384	505	678	685	1,070

Source: MIPA

#### Number of foreign companies in the period from 2004 to 2009



Source: MIPA

### 3. (Ref to Q. 8): Please provide further details of privatisations of state-owned enterprises in the past and those envisaged in the future.

Further details and realised sales of shares and property within the privatisation process in the period from 2000 are provided as the answer to the question 16 (Ref to Q 17) within the chapter referred to as ECONOMIC CRITERIA.

Privatisation process is conducted in compliance with the annual plans on privatisation adopted by the Government, at the proposal of the Privatisation Council.

Privatisation plan for 2010 provides continuation that is launch of the procedures for privatisation of the following companies: "Montepranzo-Bokaprodukt" AD Tivat, AD "Montecargo" Podgorica, AD "Kontejnerski terminal i generalni tereti Bar", "Montenegro airlines" AD Podgorica, Željeznički prevoz Crne Gore AD Podgorica, Željeznička infrastruktura Crne Gore AD Podgorica, "Jadransko brodogradilište" AD Bijela, "Luka Bar" AD Bar, N.I.G. "Pobjeda" AD Podgorica, Institute "Dr Simo Milošević" AD Igalo, "Zora" AD Berane, "Duvanski kombinat" AD Podgorica, HTP "Budvanska

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rivijera“ AD Budva, HTP “Ulcinjaska rivijera“ AD Ulcinj, “Institut crne metalurgije“ AD Nikšić, “Barska plovdba“ Bar, DOO "Montenegro bonus" Cetinje, “Pošta Crne Gore“ DOO Podgorica.

These companies will be privatised by the public tender.

## **II. PAYMENT SYSTEMS**

### **4. (Ref to Q. 15): Please clarify the following points:**

### **5. Are financial institutions required to inform their customers on the conditions for cross-border credit transfers?**

Conducting foreign payment operations has been regulated by the Law on Foreign Current and Capital Operations (Official Gazette of the Republic of Montenegro 45/05 and 62/08). This Law provides framework for the matter of manner and periods for conduct foreign payment operations. This Law does not prescribe obligation of the banks and other providers of payment services to inform clients on the conditions for the use of foreign payment services, nor does it define matters of transparency of conditions and information regarding payment services in a manner prescribed by the Directive 2007/64/EC.

However, it should be noted that pursuant to Article 88 of the Law on Banks (Official Gazette of the Republic of Montenegro 17/08), the bank is obliged to post in a prominent place in its business premises general conditions for conduct of business operations, as well as their amendments. General conditions for conduct of business operations, in terms of this Law, include all documents containing standards conditions for conduct of business operations that may be applied to all the clients of the bank, general conditions referring to establishment of relations between clients and the bank, communication procedure between clients and the bank, as well as general conditions for conduct of transactions between clients and the bank. The client may require additional explanations and instructions from the bank referring to the application of these general conditions for conduct of business operations.

New Law on Central Bank of Montenegro, that is currently being drafted, provides the possibility of adoption of regulations that would in more detail regulate manner and conditions for conduct of foreign payment operations. This regulation would be completely harmonised with the provisions from the directives adopted by the European Parliament and other competent authorities of the European Union (Directive 2007/64/EC etc.).

### **6. What will be the impact of the new Law on Central Bank of Montenegro that is currently being drafted, and when does Montenegro expect to be able to adopt this law?**

Regarding payment systems, draft Law on Central Bank of Montenegro, prescribes:

- that the Central Bank is the owner and the operator of the payment system of inter-bank transfers on the real time gross settlement basis (RTGS payment system) and that it may be owner and/or operator of the system for settlement of securities and other payment system and it may be participant in the payment system.;
- that the Central Bank issues the licenses for work of the payment systems which it does not operate, conducts supervision of the work of the payment system, adopts regulations regulating payment systems, determines rules for the work of payments systems it is operator of and conducts other activities, in compliance with the Law.

The new Law on Central Bank of Montenegro, that is currently being drafted, will provide the possibility of adoption of regulations that would regulate the manner and conditions of conducting foreign payment operations. This regulation will be completely harmonised with the provisions from the directives adopted by the European Parliament and other competent authorities of the European Union (Directive 2007/64/EC etc.).

Work Program of the Government of Montenegro for 2010 determines that the Government will determine proposal of this Law by the end of the first quarter of 2010. After establishing the proposal of this Law, the Government will submit it to the Parliament of Montenegro for adoption. At the moment, there is certain possibility that there will be smaller delay of the plan.

**7. (Ref to Q. 16): The reply to the question is not clear: No reply to the question: Are financial institutions required to supply their customers with information subsequent to a cross-border transfer?**

The Law on Foreign Current and Capital Operations (Official Gazette of the Republic of Montenegro 45/05 and 62/08) does not prescribe obligation of the banks and other providers of payment operations services to inform their clients upon conducted transaction, nor it defines submission of information regarding payment services in a manner it is done by the Directive 2007/64/EC.

However, it should be noted that pursuant to Article 87 of the Law on Banks (Official Gazette of the Republic of Montenegro 17/08), the bank is obliged to inform the client, at his/her request, on the balance of credit or deposit account of the client, as well as to provide the access to other data that may be available to the client in compliance with this Law.

**8. (Ref to Q. 19): Please confirm if the institution of banking ombudsman is still not established in the country.**

Provisions of the Article 92 of the Law on Banks, that entered into force in March 2008, created legal presumptions for establishment of the institution of banking ombudsman. Since the existing Law on Banks does not regulate the financing of banking ombudsman, this matter will be further regulated by the new Law on Banks. Drafting of this law is in its final phase, and the Working Program of the Government of Montenegro for 2010 determines that the Government will determine proposal of this Law by the end of the second quarter of 2010. Upon determination of the proposal of this Law, the Government will submit it to the Parliament of Montenegro for its adoption.

**9. (Ref to Q. 3 of the Additional questions set no 1 /ELARG C4/es D (2009) 108320, 23.12.2009): Please specify which “other legal persons” are authorised to perform payment transactions. Please explain in more details the process and requirements to be fulfilled to grant an authorisation to a non-bank institution, if applicable.**

Pursuant to the Article 4 of the Law on National Payments Operations (Official Gazette of the Republic of Montenegro 61/08), institutes that may provide services of national payment operations are: Central Bank, bank, branch of the foreign bank and other legal person that obtain permit or approval for conduct of transfer from the Central Bank.

However, no further conditions for issuance of permits or approvals to other legal persons for provision of national payment operations services will be proscribed or the permission will be issued to these legal persons.

National payment operations services and foreign payment operations services may be provided only by the persons in compliance with the Law on Banks and these are banks and branches of foreign banks. Further development of the regulatory framework and their harmonisation with the

Directive 2006/48/EC, 2007/64/EC and 2009/110/EC will define conditions for other persons that would provide payment operations service.

Except to the banks, the Central Bank still has not issued permit or approval for provision of national and foreign payment operations services to other legal persons.

**10. (Ref to Economic Criteria, Q. 34): With reference to this question, and in particular to its last part "Are there changes envisaged in the payment system?": Montenegro lists in a very general way the envisaged changes. The Commission would like to receive a more precise timetable and Montenegro's priorities for adopting new payment systems-related legislation.**

Planned changes will take two directions:

*1. Harmonisation with the regulation of the European Union as well as the European System of Central Banks (ESCB)*

Immediately upon adoption of the Law on Central Bank, which is expected in 2010, the analysis will be conducted and the proposal will be given regarding necessary changes in the existing regulatory framework regulating national payment operations, with the aim of its harmonisation with the new Law.

The Payment Services Directive 2007/64/EC and Directive 2009/110/EC (which has replaced the old Directive 2000/46/EC on electronic money institutions), were already subject of the feasibility analysis, that should provide proposal of activities and time framework within which it will be possible to incorporate these two Directives into the national regulatory framework.

Within abovementioned activities, the possibility for incorporation of the Directive 98/26/EC on settlement finality in payment and securities settlement system as well as the Regulation 924/2009 will be analysed.

*2. Harmonisation with the best principles, standards and practice*

Program of work of the Central Bank of Montenegro for 2010 provides two activities that would enable full compliance of the Core Principle VII within Principles of Systematically Important Payment Systems (SIPS) of the Committee on Payment and Settlement Systems of the Bank for International Settlements. These activities refer to realisation of the distant backup location for RTGS and DNS payment system owned and operated by the Central Bank of Montenegro, as well as to drafting of the improved plan of business continuity of the Payment Operations Department.

The decision was adopted for the function of supervision of payment systems to be organised within the Department for Research, Statistics and IT of the Central Bank. Regulatory act defining activity of supervision of payment systems was adopted in April 2009. Preparations are under their way and the implementation of this activity is expected during 2010.

Regarding realisation of the SEPA rulebook, preliminary determination of the Central Bank is to primarily establish adequate regulatory framework, and parallel with this, or immediately upon adoption of it, to draft the strategy with the aim in implementation of the SEPA project. This project would require consensus on the national level and in compliance with it adequate employment of national resources. At the moment, it is not possible to define more precise time framework for implementation of this project.

Implementation of ECB/2007/2TARGET 2 of the guidelines has smaller priority in the following mid-term period.

### ***III. FIGHT AGAINST MONEY LAUNDERING***

**11. (Ref to Q. 19): Please provide more information (preferably in table form) related to the effectiveness of the AML system, particularly:**

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2005																	
Statistical Information on reports received by the FIU								Judicial proceedings									
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments				convictions					
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT			
								ca se s	pe rs on s	ca se s	pe rs on s	ca se s	pe rs on s	ca se s	pe rs on s		
Commercial Banks	Cash transactions 20.755 +78.934*	500															
Insurance Companies	4																
Notaries																	
Currency Exchange																	
Broker Companies	3.275																
Securities' Registrars																	
Lawyers																	
Accountants/Auditors																	



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Company Service Providers															
CDA	663*														
Car dealers	393														
Real estate agents	349														
Organizers of games of chance	1														
Customs	161	7													
Post office	4														
Stock exchange markets	110.042*														
Total		507		158	27										

**\*Reported cashless transactions**

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2006															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments				convictions			
		ML	FT	ML	FT	ML	FT	ML		FT		ML		FT	
		cases	persons	cases	persons	cases	persons	cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	Cash transactions 41.140 +8.399*	183													
Insurance Companies	1														
Notaries															
Currency Exchange															
Broker Companies	3	1													
Securities' Registrars															
Lawyers															

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Accountants/ Auditors															
Company Service Providers															
CDA	1.085														
Car dealers	234														
Real estate dealers	96														
<b>Courts(contracts)</b>	3.429**														
<b>Customs</b>	<b>218</b>	<b>2</b>													
<b>Post office</b>	<b>31</b>														
<b>Stock exchange market</b>	111.809														
<b>Total</b>		<b>186</b>		<b>286</b>	<b>29</b>										

\*Reported cashless transactions

\*\*APMLTF posses data base with verified copies of real estate sales contracts that are provided by courts

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2007														
Statistical Information on reports received by the FIU								Judicial proceedings						
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments		convictions				
		ML	FT	ML	FT	ML	FT	ML		FT				
		cases	persons	cases	persons	cases	persons	cases	persons	cases	persons			
Commercial Banks	Cash transactions 87.026 +646*	104												
Insurance Companies														
Notaries														
Currency Exchange														
Broker Companies														
Securities' Registrars														
Lawyers														
Accountants/Auditors														
Company Service Providers														

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<b>CDA</b>	161.432														
<b>Car dealers</b>	<b>211</b>														
<b>Real estate agents</b>	512														
<b>Courts(contracts)</b>	14.457**														
<b>Customs</b>	333	<b>12</b>													
<b>Post office</b>	42														
<b>Stock exchange market</b>	215.403														
<b>Total</b>		<b>116</b>		<b>220</b>	<b>43</b>										

\*Reported cashless transactions

\*\*APMLTF poses data base with verified copies of real estate sales contracts that are provided by courts

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2008														
Statistical Information on reports received by the FIU								Judicial proceedings						
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments		convictions				
		ML	FT	ML	FT	ML	FT	ML		FT				
		cases	persons	cases	persons	cases	persons	cases	persons	cases	persons			
Commercial Banks	Cash transactions 57.675 +339*	41												
Insurance Companies														
Notaries														
Currency Exchange														
Broker Companies	3	3												
Securities' Registrars														
Lawyers														
Accountants/Auditors														
Company Service Providers														

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CDA	79.859														
Car dealers	199														
Regal estate agents	338														
Courts (contracts)	8.887**														
Organizers of games of chance	5														
Customs	387	13													
Post office	26														
Stock exchange markets	62.672														
		57		148	38										

\*Reported cashless transactions

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x.x.2009													
Statistical Information on reports received by the FIU								Judicial proceedings					
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/prosecutors		indictments		convictions			
		ML	FT	ML	FT	ML	FT	ML		FT			
		cases	persons	cases	persons	cases	persons	cases	persons	cases	persons		
Commercial Banks	Cash transactions 34.702 +41*	48											
Insurance Companies													
Notaries													
Currency Exchange													
Broker Companies	7												
Securities' Registrars		2											
Lawyers		1											
Accountants/Auditors													
Company Service Providers													



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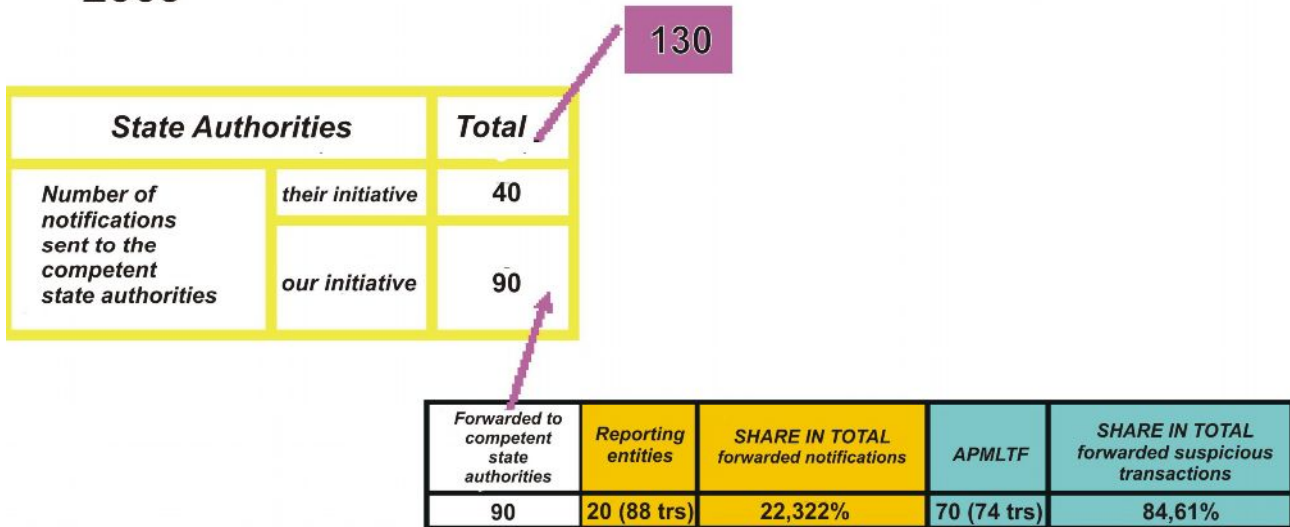
CDA	53.663														
Car dealers	196														
Real-estate agents	356	1													
Courts (contracts)	3.888**														
Organizers of games of chance	192														
Customs	344	38													
Post office	5														
Stock exchange markets	33,262														
Department of Public Revenues		1													
Capital City Podgorica		1													
Analytics Department		91													
Anonymous tips		1													
<b>Total</b>		<b>184</b>		<b>269</b>		<b>130</b>									

\*Reported cashless transactions

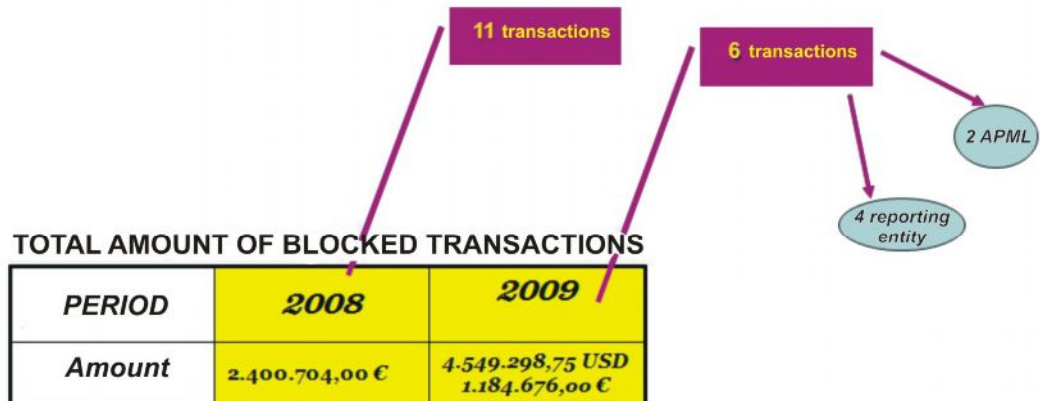
\*\*APMLTF posses data base with verified copies of real estate sales contracts that are provided by courts

## Processed suspicious transactions

2009



Statistic of FIU for 2009



**During 2009 Department for Reception, Processing and Analysis issued 10 orders for continuous monitoring of operations of clients. Of 10 orders, 2 resulted in blockade of monetary funds (in total amount of 799.750 EUR) and cooperation with the FOS.**

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Statistics of FIU for the period from September 2009 to February 2010

Period	Processed transactions	Sent notifications to the Police Administration	Number of subjects the Police Administration Processed Further
September 2009-February 2010	46	32	26

**12. Number of suspicious transaction reports (STRs) received in the past years, including a breakdown from which reporting entity and also information on the outcome of these reports.**

Please refer to the answer under the serial number 11 of this Chapter.

**i. A detailed overview of freezing orders, confiscations, investigations, prosecutions, indictments and convictions (persons/cases/amounts/underlying predicate offences). Montenegro could use for this purpose e.g. the tables which are used by the MONEYVAL Committee for its progress reports. Such tables should be filled in for the past years to see trends and progress.**

Please refer to the answer under the serial number 11 of this Chapter.

**13. The Commission would like to receive more information on the transposition of Regulation (EC) No 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds (OJ L 345/1 of 8.12.2006) which translates Special Recommendation VII of the Financial Action Task Force (FATF) into EU legislation. Montenegro was rated as non compliant (NC) in this regard in MONEYVAL's 3rd round mutual evaluation report. Has this shortcoming since then be remedied?**

Pursuant to the Articles 7 and 21 of the Law on Prevention of Money Laundering and Terrorist Financing, banks in Montenegro, as carriers of the domestic as well as of the foreign payment operations, are obliged to, before they conduct transactions, conduct identification of clients (legal and natural persons) and obtain all prescribed data, that is the following data and information:

- company, address, seat and identification number of the legal persons establishing business relation or conducting transaction, that is legal person for which business relation is established or transaction conducted;
- personal name, address of permanent, that is temporary residence, date and place of birth and tax number of representative or authorised person, concluding business relations or conducting transaction for legal person or other person with civil rights, number, type and the name of the authority that issued personal identification document;

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- personal name, address of permanent, that is temporary residence, date and place of birth and tax number of representative or authorised person, requesting or conducting transaction, number, type and the name of the authority that issued personal identification document;
- personal name, address of permanent, that is temporary residence, date and place of birth and tax number of natural person, that is his/her representative, entrepreneur or natural person conducting activity, that establishes business relation or conducts transaction, that is natural person for which business relation is established or transaction conducted, and number, type and name of the authority that issued personal identification document;
- date and time of the conducted transaction;
- amount of transaction and currency in which transaction was conducted;
- purpose of transaction and personal name and permanent, that is temporary residence, that is company and seat of the persons transaction was intended for;
- manner of conduction of transaction;
- data on the source of the property and funds that are or will be the subject of business relation or transaction.

Pursuant to the Article 86, referring to the Article 4 items 1, 2, 3, 10 and 13 of the Law on Prevention of Money Laundering and Terrorist Financing, the Central Bank conducts supervision over implementation of this Law and all the regulations adopted pursuant to this Law, and it also implements measures in relation to the banks conducting contrary from the Law on Prevention of Money Laundering and Terrorist Financing.

Decision on structure of the accounts for transfer of funds and further requirements and manner of opening and closing of the accounts (Official Gazette of Montenegro 24/09) regulates, inter alia, opening and closing of the accounts for conduct of domestic transfers.

The client who wants to open an account must in its request, inter alia, state the following data:

- Name of the legal or natural person conducting registered business activity, that is first name and the last name of natural person who does not conduct registered activity,
- Place – seat, that is permanent residence, address and telephone number;
- Identification number of legal person or natural person conducting registered activity, that is unique identification number for natural person who does not conduct registered activity, etc.

In this way, required information on instructing party of the electronic transfer in any amount of the transfer are provided.

Previously mentioned is valid in the cases when the transfer was preceded by the payment of cash by natural person (for example, cash payment on different account or any other basis) as well.

As an account of the initiator (instructing party) of such transfer occurs the account of the financial institution (bank) processing such transfer at the same time.

Decision on minimal element of credit and debit order (Official Gazette of Montenegro 24/09 and 41/09) prescribes obligational elements that must be contained by these payment instrument initiating electronic transfers. Minimum of prescribed elements relates also to the payment orders submitted in electronic form.

In compliance with the Articles 7 and 8 of this Decision, inter alia, for a transfer to be completed, it is necessary for it to contain the following:

- name of the initiator as instructing party, that is the name and the seat of the legal person or natural person conducting registered activity, that is the first name, last name and address of permanent residence of the natural person conducting registered activity, and
- account that is debited, that is account is paid. In the case that the transferred was preceded by the cash payment made by the natural person of such transfer occurs as financial institution (bank) at the same time processing such transfer, therefore the account that is debited is the account of the institution.

## 04 Free movement of capital

### - Additional Questions -

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Pursuant to the Article 16 of the Law on National Payment Operations (Official Gazette of Montenegro 61/08), the institution is obliged to archive and keep documents on transactions conducted for five years, and electronic data on conducted transfers for ten years from the day of transfer.

Banks, that is financial institutions will in their internal acts, pursuant to the Guidelines on the analysis of the risk due to the prevention of money laundering and terrorism financing for the banks, in drafting risk analysis regarding money transfers define criteria that will have high risk, regarding electronic transfers that do not contain complete information on the instructing party.

Transfer that do not contain complete information on the instructing party as well as transactions related to such transfers will be considered as suspicious and they will be further processed in a prescribed manner, in some cases there will occur cancellation and termination of the business relation with the financial institutions that did not comply to the standards referred to in the Recommendation VII.

## Annex

### 1. Rulebook On Restrictions Related To Depositing And Investing Technical Reserve Funds And Guarantee Funds Of Insurance Companies

Official Gazette of Montenegro 38/09, 43/09
<p>Pursuant to Article 90 paragraph 2, 91 and 94 of the Law on Insurance (Official Gazette of the Republic of Montenegro 70/03), the Ministry of Finance hereby adopts the</p> <p><b>RULEBOOK ON RESTRICTIONS RELATED TO DEPOSITING AND INVESTING TECHNICAL RESERVE FUNDS AND GUARANTEE FUNDS OF INSURANCE COMPANIES</b></p> <p>(Official Gazette of Montenegro 38/05 of 12 June 2009, 43/09 of 3 July 2009)</p> <p><b>Article 1</b></p> <p>The Rulebook governs other types of depositing and investing of technical reserves of insurance companies, as well as restrictions of depositing and investing technical reserves and guarantee funds of insurance companies.</p> <p><b>Article 2</b></p> <p>In addition to the forms referred to in Article 90 paragraph 1 of the Law on Insurance (Official Gazette of Montenegro 70/03), technical reserve funds shall be deposited and invested in:</p> <ul style="list-style-type: none"> <li>- renewable properties registered with the immovable property cadastre in Montenegro, if their purchase price is determined based on the appraisal of an authorized appraiser and if general revenue or if revenue may be expected;</li> <li>- debt securities issued by another country, central bank of another country or international financial organization, or securities guaranteed by another country or central bank of another country, if their credit rating awarded by the rating agencies Standard&amp;Poor's or Fitch - IBCA is not less than "BBB" or "Baa3" if awarded by Moody's;</li> <li>- debt securities of foreign legal persons traded on the stock exchange market in the countries where they are registered, provided that their credit rating awarded by the rating agencies Standard&amp;Poor's or Fitch - IBCA is not less than "BBB" or "Baa3" if awarded by Moody's;</li> <li>- shares of foreign legal persons provided that they have been listed on the stock exchange for at least two years and if their credit rating awarded by the rating agencies Standard&amp;Poor's or Fitch - IBCA is not less than "BBB" or "Baa3" if awarded by Moody's.</li> </ul> <p><b>Article 3</b></p> <p>Life insurance technical reserve funds referred to in Article 90 of the Law on Insurance and Article 2 of the Rulebook shall also be deposited and invested in:</p> <ol style="list-style-type: none"> <li>1) for fund investments and deposits: <ul style="list-style-type: none"> <li>- up to 25% in bonds, or other debt securities traded in an organized securities market in Montenegro;</li> <li>- up to 25% in shares traded in an organized securities market in Montenegro;</li> <li>- up to 2% in bonds, or other debt securities and in shares not traded in the organized securities market in Montenegro, whose issuer is a legal person having its registered office in Montenegro;</li> <li>- up to 100% in deposits with banks having their registered offices in Montenegro;</li> <li>- up to 40% in immovable properties registered with the immovable property cadastre in Montenegro, if their purchase price is determined based on the appraisal of an authorized appraiser and if general revenue or if revenue may be expected;</li> <li>- up to 10% in debt securities issued by another country, central bank of another country or international financial organization, or securities guaranteed by another country or central bank of another country, if their credit rating awarded by the rating agencies Standard&amp;Poor's or Fitch - IBCA is not less than "BBB" or "Baa3" if awarded by Moody's, debt securities of foreign legal persons traded on the stock</li> </ul> </li> </ol> <p>Rulebook on Restrictions related to Depositing and Investing Technical Reserve Funds and Guarantee Funds of Insurance Companies</p>

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