

# MARKET PROFILE MONTENEGRO

---

2020

---

**CKB Banka**  
**Global Securities Services**



 **otpbank**

---

## CONTENTS

MONTENEGRO .....	3
MARKET INFORMATION.....	3
MARKET PARTICIPANTS.....	5
TRADING AND SETTLEMENT .....	8
MARKET INSTRUMENTS.....	13
ANTI-MONEY LAUNDERING REQUIREMENTS .....	14
PROXY VOTING .....	15
TAXATION.....	16
DISCLAIMER.....	17

# MONTENEGRO



## MARKET INFORMATION

### Key figures

Local currency		Euro (EUR)
Nominal GDP (2019)		EUR 4.82 bn
	growth in %	3.3%
Real GDP Growth		3.1%
Inflation		0.4%
GDP per Capita		7,740
EU membership		No
Euro zone		Yes

Sources: The Ministry of Finance (official website) and Monstat (official website)

### Local Time

In wintertime		GMT+1
In summertime		GMT+2
Daylight Saving Time		same time as in EU countries

The West Balkans is a rapidly developing region in Europe, offering growth potential, including quick development opportunities in the banking sector.

Montenegro is a politically and economically stable country, NATO member, and candidate for EU accession; the development capacity shown by the country and its adequate infrastructure make it suitable for becoming a regional center, as well.

- According to MONSTAT data, in new ERP document for 2020 – 2022, the real growth of GDP for 2019 is expected to be at least 3.1%. According to the base scenario from Economic Reform Program 2020-2022, average real growth rate for the period 2020 – 2022 is estimated to be in average 3.1% (3.4% in 2020, 2.8% in 2021 and 3.2% in 2022).
- Investment activity will remain the main driver of economy growth, stable growth in tourism sector, growth of private consumption and increase in export of goods and services, as well as continued fiscal consolidation of public finances in 2020. Important infrastructure projects planned in the

---

future period remain: Bar - Boljare highway, the Adriatic-Ionian corridor with interconnection with Serbia etc.

- In December 2019, average gross salary amounted to EUR 781 which is an increase of 1.3% compared to December 2018. Net salary followed similar trend as in 2018 and it amounted to EUR 520 in December 2019.
- MONSTAT records show that there were 198,566 employed persons in December 2019, which is an increase of 2.3% y-o-y.

\*The above was announcing the favorable environment for growth acceleration. However, these were the presumptions before the unexpected situation with COVID-19 pandemic which will affect the countries' activities.

- Montenegrin banking market is characterized by very dynamic changes: modern regulations, increased competitiveness and continuous growth trend. The banking system is stable and records growth trends in key balance sheet positions and the improvement of asset quality parameters, as well as a decline in interest rates. The strengthening of credit activity has largely influenced macroeconomic stability by encouraging growth and economic recovery, which in turn influenced the expanding of the tax base and the reduction of fiscal pressures.
- Banking as the most significant industry of Montenegrin economy (together with tourism) could be a key leverage for further development of the economy as confirmed by trends in 2019 and it has also shown that activities in this market may and must be kept only on sound grounds.

---

## MARKET PARTICIPANTS

The financial system of Montenegro consists of financial institutions, financial market, and financial infrastructure. The regulatory framework of the financial market in Montenegro is segmented and divided among three regulators:

- the Central Bank of Montenegro supervises banks, MFIs, and institutions dealing with leasing, factoring, purchase of receivables, and credit-guarantee operations.
- the Insurance Supervision Agency carries out the supervision of insurance companies,
- the Capital Market Authority (CMA) supervises investment and pension funds.

Additionally, the CMA supervises the capital market itself, that is, the work of the stock exchange and authorized dealers on the market. The Capital Market Authority also oversees the securities settlement system through supervision of the CSD&CC.

Finally, the oversight of Payment System is organized within the CBCG through a separate organizational unit.

### **Central bank of Montenegro (CBCG)**

According to the Constitution of Montenegro, the Central Bank of Montenegro (CBCG) is a key regulatory institution of the financial system responsible for monetary and financial stability. The instruments of the monetary policy of the CBCG are very limited because it does not have an issuance function, so its action in practice is more focused on encouragement and preservation of financial stability.

Key functions of the CBCG include the following:

- Oversees the preservation of financial stability of the system through adopting regulations and measures in this area and controls their implementation and application;
- Regulates the operations of credit institutions, financial and payment services providers and electronic money issuers, issues licenses for their work and supervises their operations;
- Regulates and carries out payment system operations in accordance with the Law;
- Manages international reserves;

- 
- Performs macroeconomic analyses, including monetary, fiscal, financial and balance of payments analyzes, and may make recommendations to the Government in the field of economic policy;
  - Performs other functions in accordance with the Law.

Website: [www.cbcg.me](http://www.cbcg.me)

### **Capital Market Authority (CMA)**

The Capital Market Authority is an independent regulatory body established by law to regulate and supervise the issuance of securities and their trade in accordance with the international rules and principles of the International Organization of Securities Commissions (IOSCO), the European Union legal framework in this area (EU Acquis) and the rules of the European Securities and Markets Authority (ESMA). The CMA performs continuous supervision over the operations of persons and companies that professionally trade in securities, with the aim of promoting and encouraging high standards of investor protection and market integrity.

The CMA is a full member of IOSCO and also a signatory to the Multilateral Memorandum of Cooperation and Mutual Understanding, which recognizes the capacity of the CMA for equal cooperation and exchange of information among IOSCO members. In addition, the CMA is a signatory to the Memorandum of Understanding and Exchange of Information with regulators from the region and is a signatory to the Memorandum of Cooperation and Exchange of Information in the Field of Prevention of Money Laundering and Terrorist Financing.

Website: [www.scmn.me](http://www.scmn.me)

### **Stock Exchange**

The Montenegro Stock Exchange is the only stock exchange on the Montenegrin market established in 1993. The majority owners of the Montenegro Stock Exchange are OIF ALTLAS MONT in the process of transformation (33.55%) and BORSA INSTANBUL (24.43%). The ownership structure of the Montenegro Stock Exchange also includes Crnogorska Komercijalna Banka with 4.88% ownership.

Trading on the Montenegro Stock Exchange takes place through stockbrokers, members of the stock exchange using the electronic trading system BTS, which has been built on the Windows platform. Stock Exchange members may be investment companies or authorized credit institutions from Montenegro or from

---

another country, provided that the conditions prescribed by the Law on Capital Market and the Rules of the Montenegro Stock Exchange AD Podgorica are met. The Montenegro Stock Exchange has been a member of the Federation of Eurasian Stock Exchanges since 2005 and the Federation of World Stock Exchanges since 2008.

The key indices on the Montenegro Stock Exchange are MONEX and MNSE10.

Website: [www.montenegroberza.com](http://www.montenegroberza.com)

### **Central Securities Depositories and Clearing company (CKDD)**

CKDD was founded as a joint stock company in 2000 by the Ministry of Finance, the CBCG, seven commercial banks and financial companies. The two majority owners of the CKDD are CBCG (34.99%) and Bull and Bear Broker (dealer, investment advisor) (19.00%). The ownership structure of CKDD also includes Crnogorska Komercijalna Banka with 15% ownership.

The key functions of the CKDD include providing support to the capital market as a technical provider of securities account management services, registration of issuers, issues and securities owners, processing of non-market transactions, as well as clearing and settlement of market transactions concluded on the stock exchange.

CKDD consists of two parts: the Central Registry and the Depository for Clearing and Settlement.

The Central Registry provides services to securities issuers and securities owners, while the Depository for Clearing and Settlement provides clearing and settlement services for stock exchange transactions following the principle of:

- “Delivery vs. Payment” settlement (DVP/RVP), i.e. delivery versus payment, (money to the seller and the securities to the buyer are transferred at the same time, thus eliminating the main risk of settlement);
- “Trade for trade” settlement (TFT), i.e. trade for trade - each trade is settled individually on a gross basis (BIS Model 1) and
- “Continuous trade settlement” settlement (CNS), i.e. settlement using the Guarantee Fund - netting of monetary liabilities is performed while securities are delivered on a gross basis (BIS Model 2);
- T+2 Settlement Cycle (settlement in cycles on the second working day after the trading day).

Website: [www.cda.me](http://www.cda.me)



---

## TRADING AND SETTLEMENT

### Trading system

Trading on the Montenegro Stock Exchange takes place through stockbrokers, members of the Montenegro Stock Exchange. The electronic trading system BTS developed on the Ljubljana Stock Exchange in cooperation with the IT company Novita from Ljubljana is used.

Since 2011, the version 2.6 of BTS software has been in use on the Montenegro Stock Exchange. The software is built on the Windows platform and has proven to be affordable and user friendly. It is designed to enable high performance of computer hardware.

The request processing speed is 400 requests per second on standard Intel hardware.

The BTS system supports the FIX 4.4 standard. The SSL standard is used for secure communication.

### Trading Hours

The working hours of the Montenegro Stock Exchange are from 9.30 am to 2 pm on working days.

Regular non-working days of the Montenegro Stock Exchange are Saturdays and Sundays, as well as days from the calendar of non-working days, compiled in accordance with the Law on State and Other Holidays and the Law on Celebration of Religious Holidays.

### Montenegro Stock Exchange markets

---

#### 1. Regulated market

- Stock market

a) Prime market

b) Standard market

- Free market

---

#### 2. Multilateral trading platform (MTP ME market)

---

#### 3. Multilateral trading platform for issuers in development (MTP GROW market)

---

The stock market is the most demanding market segment, in terms of the conditions that the issuer must meet, which are defined by the Rules of the Montenegro Stock Exchange AD Podgorica.

In case the financial instrument does not meet the conditions for inclusion in any of the segments of the regulated market, it is included in the MTP ME market.



---

MTP GROW market is a development market of the Montenegro Stock Exchange intended for newly established joint stock companies that do not meet two or more conditions for inclusion in the Free Market.

### **Trading methods**

In BTS, securities are traded by the continuous and auction method of trading in accordance with the Rules and the Rulebook on Quotation of the Montenegro Stock Exchange.

The continuous trading method starts with an auction and after that enables continuous conclusion of transactions by entering orders in the BTS, depending on their conditions.

Continuous conclusion of deals takes place in the open market phase.

An auction for a package of shares can be organized in two ways:

- 1: 1 sale of the entire number of shares to one buyer and
- 1: N sale of shares to more buyers.

The settlement cycle is two days (T+2) for all securities.

In the stock exchange operations, the price of a financial instrument is expressed at a rate higher than zero (0).

The share price is expressed in euro, for each lot.

The Board of Directors decides on the schedule of trading on individual stock exchange markets.

### **Payment System**

The Payment System in Montenegro consists of:

- RTGS system in which individual payment transactions are performed between participants on a gross basis in real time - Real Time Gross Settlement, and
- DNS system in which interbank payment transactions are performed on a net basis in deferred time - Deferred Net Settlement.

The Payment System, owned and operated by the CBCG, is the backbone of the payment system in Montenegro, with which all other payment infrastructures are connected. Payments through the Payment System are made on transaction accounts opened and maintained by the Central Bank. Only direct participation is allowed in the Payment System, whereby the payment agent is not a participant in the Payment System. The participants must comply with the regulatory

---

framework governing the operation of the Payment System, which relates to personnel, organizational and technical criteria defined by the Central Bank. Participation in the Payment System is based on contractual basis.

Some of the most important technical standards used in the Payment System:

- Domestic validation module used in the payment of public revenues;
- SWIFT format of payment and non-payment messages;
- SWIFT identification codes of banks, so-called BIC codes;
- IBAN standard in account construction;
- IP / MPLS VPN Extranet communication network of the Central Bank

## **Settlement**

Settlement is performed in the CKDD system for all transactions concluded on the regulated market, MTP and OTP or outside the regulated market of MTP and OTP.

Contractual Settlement (CNS) means the procedure of settling transactions with the netting of monetary obligations per participating member and in which the CKDD becomes the other party to those transactions that are accepted for contractual settlement.

Individual settlement (TFT) means the procedure of settling transactions, in accordance with the individually performed obligations pertaining to the participating members.

Settlement of transactions is the final and irrevocable transfer of ownership positions of securities in accordance with the details from the accepted transaction, with the simultaneous transfer of funds from the cash account of CKDD to the cash account of the participating member - seller.

The CKDD includes accepted transactions in the clearing and settlement process, which means technically correct secondary transactions with an eligible financial instrument. CKDD treats technically incorrect transactions as unaccepted transactions and does not include them in the clearing and settlement process.

CKDD carries out the settlement by starting several settlement cycles between 11:00 and 12:00 on day T+2 and by that time the participating members must settle their obligations to the accepted transactions to the CKDD related.

---

Notwithstanding the preceding paragraph, the CKDD initiates settlement before or after the day T+2 in cases of individual settlement:

- when both parties agree that the settlement can be made on a certain date from the moment of receipt of the transaction until the day T+2. The initiation of the change of the settlement date is done through the system and with the verification by the CKDD;
- when there is a delay in fulfillment of obligations or if the payment is made by delivery of bonds issued by Montenegro.

### **Guarantee Fund**

The Guarantee Fund was established by the CKDD with the aim of ensuring necessary funds for the fulfillment of unfulfilled financial obligations arising from contractual settlement, no matter whether it is a temporary or permanent non-fulfillment. The Guarantee Fund's assets are the assets of the participating members. With the funds of the Guarantee Fund, the participating members jointly and severally guarantee the effecting of net monetary obligations arising from the calculation for contractual settlement of transactions with financial instruments, up to the amount of their funds paid into the Guarantee Fund. The Guarantee Fund is managed by the CKDD.

Mandatory payments to the Guarantee Fund are main and supplementary/additional payment of the participating member. Main payment to the Guarantee Fund is the amount that the participating member pays to the Guarantee Fund upon admission to the membership of the CKDD and during the period of membership. The amount of the main payment is determined annually, no later than 30 days after the end of the calendar year.

Supplementary payment to the Guarantee Fund is the amount that the participating member is obliged to pay to the Guarantee Fund in order to adjust and amortize the risk arising from the increase in the volume of transactions in clearing and settlement for that participating member in the previous month. CKDD calculates the amount of additional payment per month, for the period from the first to the last day of the month.

CKDD keeps the funds of the main and additional payment deposited in a special sub-account of the account with the CBCG which is used for settlement of transactions - cash pool account.

---

CKDD uses the funds of the Guarantee Fund for joint and settlement of the net monetary debts of the participating member arising from the contractual settlement, if it has not been settled within the deadline. Exceptionally, at the request of a participating member, CKDD may use his/her funds from the Guarantee Fund by rebooking them for temporary covering of his/her obligations in cases of temporary delay in payment of financial obligations of the member caused by the CBCG payment system functioning, until the inflow of funds.

### **Suspensions - Buy-Ins**

If a participating member, in accordance with these Rules and Instructions, does not settle their obligations for a transaction from an individual settlement, such a transaction is classified as an "unsettled" transaction. CKDD will impose a suspension for clearing and settlement to the participating member that caused non-settlement of the transaction, except for the payment of the missing funds.

For all accepted transactions from the individual settlement regime that were received as "unconfirmed", and the party that is obliged to confirm the acceptance of obligations did not do so in the manner and within the deadline set by the CKDD Rules, the CKDD will initiate the procedure of forced confirmation (T + 1 after 10 a.m.). As part of the forced confirmation procedure, the CKDD will request a written explanation from the participating member that, according to the account number in the transaction, has been marked as a settlement participant, as to why he/she did not confirm the obligations.

The CKDD will promptly notify the Capital Market Authority of all activities and measures taken under the default procedures.

---

## MARKET INSTRUMENTS

The Montenegrin market is open to both domestic and foreign investors. All securities on the market are dematerialized and as such are listed in the Central Registry of CKDD under the unique identification code assigned to them. ISIN is a standard code for the identification of securities on the Montenegrin market.

### **Type of financial instruments on the Montenegrin market:**

- Government bonds,
- Corporate bonds,
- Treasury bills,
- Shares
- Investment units,
- Money market instruments.

General and special conditions for the inclusion of financial instruments on a regulated market are defined by the Law on Capital Market and the Rules of the Montenegro Stock Exchange AD Podgorica.

---

## ANTI-MONEY LAUNDERING REQUIREMENTS

Montenegro has implemented the EU AML directives and is fully compliant when it comes to prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

The Law on the Prevention of Money Laundering and Terrorist Financing contains the detailed rules related to the “Know Your Customer” procedures. Prior to establishing a business relationship, service providers shall apply due diligence measures for identifying the customer, the customer’s agent, proxy or other authorized representative and verify their identity.

### **Counter - Terrorism Financing Measures**

In line with the provisions of the Law on International Restrictive Measures, as well as the requirements of the EU, UN and OFAC, all clients, transactions and SWIFT messages are subject to embargo screening against the applicable lists.

## DISCLOSURE REQUIREMENTS FOR INVESTORS

Foreign investors are free to invest in the Montenegrin market and are treated in the same way as local investors and are subject to the same market entry and investment regulations.

Public notification of the acquisition or disposal of majority stakes and related activities are the responsibility of all investors in the Montenegrin market.

A shareholder who acquires or disposes of the issuer's shares that are included in trading on a regulated market, is obliged to inform the issuer of his/her voting right when he/she:

- 1) reaches, exceeds or falls below the threshold of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% as a result of the acquisition or disposal of the issuer's shares;
- 2) reaches, exceeds, or falls below the specified threshold, as a result of a change in the number of voting shares into which the issuer's share capital is divided or a change in the number of voting rights arising from those shares.

The above-mentioned disclosure obligations do not apply to:

- 1) voting shares acquired only for the purpose of clearing and settlement during the normal clearing and settlement cycle;

---

2) shares held by the custody service provider, provided that that person can exclusively exercise the voting rights arising from those shares according to the instructions of the shareholder given in writing or electronically;

3) shares held by a market maker acting within their powers, if the percentage of these shares does not reach or exceeds the threshold of 5% and if the market maker meets the following criteria:

a) has an authorization from the home country;

b) does not affect the issuer's management; and

c) does not influence the issuer to buy those shares or to support the share price;

4) shares obtained or acquired by a member of the European System of Central Banks in the exercise of its function, including shares obtained or acquired as collateral, or on the basis of repurchase agreements or similar legal transactions, for liquidity purposes in accordance with monetary policy or payment operations, whereby this exemption applies for a shorter period of time, if the voting right arising from these shares is not exercised;

5) voting rights arising from shares in positions in the trading book of an authorized credit institution or investment company, if:

a) voting rights in the trading book do not exceed 5%; and

b) the authorized credit institution or investment company do not exercise the voting right and do not use it to manage the issuer.

The cases referred to in paragraphs 1 to 4, do not apply to voting rights arising from shares the acquisition of which was made in accordance with the program of redemption and stabilization of financial instruments, provided that the voting rights arising from these shares are not exercised or otherwise used to influence issuer management.

## PROXY VOTING

In accordance with the Law on Business Organizations of Montenegro, the General Shareholders Meeting of must be held at least annually. Notice of convening the General Shareholders Meeting shall be sent no later than 30 days before the day of the General Meeting. The notice is delivered by mail, and for companies with 100 or more shareholders, the Board of Directors is obliged to publish the notice of convening the GSM twice in at least one daily print media issued in Montenegro and on its website.



---

The General Shareholders Meeting makes decisions by a majority vote of the present or represented shareholders or by voting ballots, except in cases defined by law when another majority is required for decision-making. Voting by ballot is mandatory when electing members of the Board of Directors and if required by shareholders or their proxies who hold at least 5% of the voting rights at the General Meeting.

The quorum of the General Shareholders Meeting consists of shareholders who own at least half of the total number of voting shares, and who are present or represented by proxies or have voted by ballot. If there is no quorum at the GSM, the GSM may be reconvened with the same agenda, provided that the notice of convening a repeated GSM must be published at least twice in at least one daily print media issued in Montenegro, at least seven days before holding a repeated General Meeting, at which a quorum consists of shareholders holding at least 33% of the total number of voting shares. The repeated GSM may be held no later than 30 days from the day of holding the GSM at which there was no quorum.

The peak season for General Meetings (GM) is during springtime (from March till June). Extraordinary meetings can be held any time during the year.

## TAXATION

In accordance with the Law on Corporate Income Tax of Montenegro, income from dividends paid to resident and non-resident individuals and legal entities is taxed by applying a proportional tax rate of 9%.

When calculating income tax paid to a non-resident legal entity, the income payer shall apply the provisions of the Agreement on avoidance of double taxation, provided that the non-resident proves the status of a resident in the state with which Montenegro concluded the Agreement on avoidance of double taxation and the non-resident is the beneficial owner of the income. The certificate of residence is issued by the Tax Authority.

For all further information and procedures, it is necessary to contact the competent Tax Authority.

---

## DISCLAIMER

This Market Profile is provided by CKB, a member of OTP Group, as a service to its customers only. The information and opinions provided therein has been prepared in good faith on the basis of information which is either publicly available or obtained from sources which CKB and its affiliates reasonably believes reliable, and CKB does not represent or warrant their veracity, accuracy, relevance or completeness. Such publicly available information may be incomplete or condensed and no responsibility or liability (express or implied) is accepted for any errors, omissions or misstatement by CKB Information herein reflects the market situation at the time of writing and may change as market or regulatory conditions and circumstances develop. Figures relate to the past and indicate historic data. Past performance is not a reliable indicator of future results. No representation, warranty or undertaking, express or implied is made and no responsibility is taken or accepted by CKB as to or in relation to the accuracy or completeness or otherwise of the material in this Market Profile or as to the reasonableness of any assumption contained herein. The estimates and opinions included in this Market Profile are subject to change without notice and solely reflect the viewpoint of the authors thereof and are not intended, and shall not be interpreted, as an offer by CKB or any of its officers, directors, employees or agents to buy, sell, hold, hedge or otherwise deal with any currency, security, commodity or any kind of swap, forward rate, futures, options, derivatives or other contract or product whatsoever or an investment advice. It does not constitute legal, tax and accounting advice. Any person acting or behaving, or refraining from acting or behaving, in reliance on, or under the guidance of, the information provided or opinions expressed or recommendations made herein shall do so exclusively at its own risk based on independent assessment and without any liability for the result of its actions on the part of CKB or any of its officers, directors, employees or agents. Any such assessment should involve the complex consideration of the legal, tax, accounting, regulatory, financial, credit and other related aspects of any decision in respect of the information contained in this Market Profile in order to be capable of making a well advised decision based on opinions from competent and independent advisors or other experts. CKB or any of its officers, directors, employees or agents shall not be liable for any failure to obtain such advice.

CKB assumes no responsibility or liability for information contained in this Market Profile and is not holding out any information as a recommendation to take (or refrain from taking) any action in respect of any financial instruments.

---

CKB does not assume or accept any liability whatsoever for any direct, indirect, financial, economic or consequential loss or damage arising from any use of material contained herein, caused by the negligent act or omission of CKB, provided that such limitation of liability shall not apply to any liability which cannot be excluded or limited under applicable law.