



EMN

Legislative Mapping Report

MONTENEGRO



December 2019

This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

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- 2 Supervisory framework for non-bank lending
- 3 Products
- 4 Incentives and support
- 5 Development of existing framework for non-bank microcredit provision
- 6 Inclusive entrepreneurship and microenterprise development

1

Regulation of Lending Activity

Since 2017, microcredit provision in Montenegro is regulated by the Law on financial leasing, factoring, purchase of receivables, micro-lending and credit guarantee operations. In accordance with this law, the Montenegro Central Bank approves the licensing applications for NBFIs and credit unions and allows MFIs to be established as a joint stock company or a limited liability company. The minimum capital required to incorporate as an MFI is EUR 125.000.

According to the law, MFIs are allowed to:

1. Grant loans to legal entities, entrepreneurs and specific purpose loans to individuals from their own funds or funds borrowed from the money market; they are not authorized to take deposits from the public.
2. Invest in short-term securities issued by the government of Montenegro and other high quality short-term instruments in the financial market.
3. Offer financial leasing services.
4. Offer financial consulting services.

After the implementation of this new regulatory framework, NBFIs can now directly disburse microcredits without being forced to establish partnerships with banks. Credit unions are able to lend directly in accordance with the law on banks.

2

Supervisory Framework for Non-Bank Lending

The Central Bank of Montenegro is responsible for the supervision of the lending activities of MFIs. The Central Bank applies sound banking principles on MFIs such as: rules for secret banking, protection of clients and minimum standards for risk management in MFI operations. The latter includes credit risk, liquidity risk, market risk, operational risk, reporting, provision for loan losses and capital requirements. MFIs are required by the Law on Banks to share client data with the national credit bureau, which also applies to the State Development and Investment Fund.¹ These institutions can also access data from the national credit bureau.

1. A state agency providing microloans to microbusinesses, entrepreneurs, unemployed and start-ups from 10K-50K.

3

Products

In Montenegro, MFIs are allowed to provide personal and business microloans. MFIs can disburse up to EUR 30.000 for an entrepreneur and up to EUR 50.000 for micro, small or medium-sized enterprises with no interest rate cap. Although credit unions can also disburse business microloans, information is not available on the maximum loan size such institutions can disburse. In terms of personal microloans, MFIs have the legal mandate to disburse loans up to EUR 20.000 with no interest rate cap.

4

Incentives and Support

In Montenegro, there are no national or regional funds dedicated to support microcredit in the form of guarantees, equity or any form of business development services. There are also no tax incentives for organisations and individuals that offer financial support to support microcredit provision in the country.

5

Development of the Existing Framework for Non-Bank Microcredit Provision

Given the recent changes, there is currently no such development.

6

Inclusive Entrepreneurship and Microenterprise Development

Currently, one challenge the sector faces is the cumbersome administrative procedure to establish a business. Entrepreneurs have no welfare bridge to support them in the transition out of unemployment, education at the secondary school does not incorporate entrepreneurship nor is there any form of awareness from the State on inclusive entrepreneurship. However, a development fund for the micro and SME sector has been established and some other agencies are promoting entrepreneurship. However, these programmes do not have any significant effects to date.



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