

New Law on Payment Transactions in Montenegro

APRIL 2014

The Montenegrin Parliament has adopted the Law on Payment Transactions, which is due to become applicable on 8 January 2015. By that time, the Central Bank of Montenegro is expected to enact implementing regulations.

The new law implements the EU Payment Services Directive 2007/64 EC, Electronic Money Directive 2009/110 EC, Settlement Finality Directive 98/26 EC and Directive 2009/44 EC amending Settlement Finality Directive. It represents a radical change to the existing regulatory framework governing payment transactions. Payment institutions and electronic money institutions are added to the circle of authorized providers of payment services.

Payment service providers in Montenegro

Currently, payment services can be provided in Montenegro only by the Central Bank, licensed commercial banks and Montenegrin branches of foreign banks. Once the new law becomes applicable, the list of authorized payment services providers will also encompass other Montenegrin credit institutions, such as micro-financial institutions and credit unions (although this will require amendments to the existing Banking Act), payment institutions and e-money institutions, which are new types of entities regulated by the law. The law also authorizes the state and local self-government authorities to engage in payment services on a commercial basis.

Payment institutions

The new law defines payment institution as a legal entity holding a special license for payment services issued by the Central Bank. Minimum pecuniary share capital of these institutions is EUR 20,000, EUR 50,000 or, as the case may be, EUR 125,000, depending on the type of the payment transfer services the entity engages. The law foresees the following types of payment transfer services: services enabling cash to be placed on a payment account, as well as operations required for operating a payment account; services enabling cash withdrawals from a payment account, as well as operations required for operating a payment account; execution of payment transactions, including

transfers of funds on a payment account with the user's payment service provider or with another payment service provider; issuing or acquiring payment instruments; money remittance; execution of payment transactions where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device.

Payment institution is obliged to provide security for the money of its clients via insurance policy or bank guarantee.

Payment institution will be also authorized to provide ancillary services, such as foreign exchange services, safekeeping activities, storage and processing of data, operation of payment. Payment institutions will be allowed to grant short-term credits from own funds to the clients using payment services. Payment institutions cannot take deposits - this remains a reserved banking activity.

Electronic money and electronic money institutions

The Law on Payment Transactions regulates the concept of electronic money, defining it as a deposited monetary value which is issued upon receipt of funds for the purpose of making payment transactions, and representing a claim on the issuer and which is accepted by a natural or legal person other than the electronic money issuer. The following entities may be issuers of electronic money in Montenegro: banks and other credit institutions licensed in Montenegro, special electronic money institutions licensed in Montenegro, Montenegrin branches of foreign credit institutions, the Central Bank, as well as the state and local self-government if acting on a commercial basis. The issuance of e-money is regulated by an agreement concluded between the issuer and the holder of e-money. No interest can be said on e-money.

Electronic money institution, within the meaning of the new law, is a legal entity with its seat in Montenegro and holding a license for issuance of electronic money granted by the Central Bank. Minimal pecuniary share capital of e-money institution is EUR 350,000. In addition to issuing e-money, an e-money institution may also engage in provision of payment services, grant credits related to payment services (see above) and provide operational services and related ancillary services in respect of issuance of electronic money. Electronic money institutions are not allowed to take deposits.

EU-based providers

The law contains a set of provisions which allow EU-based providers of payment services and issuers of e-money to operate in Montenegro once Montenegro becomes a member state.

BDK Serbia



Majke Jevrosime 23
11000 Belgrade

Tel: +381 11 3284 212
Fax: +381 11 3284 213

office@bdkadvokati.com

BDK Montenegro

Cetinjska 11, The Capital Plaza
81000 Podgorica

Tel: +382 20 230 396
Fax: +382 20 230 396

office.cg@bdkadvokati.com

BDK Bosnia and Herzegovina

(Advokat Dijana Pejić u
saradnji sa BDK Advokati AOD)

Gundulićeva 6
78000 Banja Luka

Tel: +387 51 250 641
Fax: +387 51 250 642

office.banjaluka@bdkadvokati.com



© Copyright BDK Advokati