

17 Annex - Economic and monetary policy

142. VOLUNTARY PENSION FUNDS LAW

DECREE

PROMULGATING THE VOLUNTARY PENSION FUNDS LAW

(Official Gazette of the Republic of Montenegro 78/06 of 22 December 2006, 14/07 of 12 March 2007)

I hereby promulgate Voluntary Pension Funds Law adopted by the Constituent Parliament of the Republic of Montenegro at its fifth sitting of the second regular session in 2006, on 12 December 2006.

No: 01-1538/2

Podgorica

15 December 2006

President of the Republic of Montenegro

Filip Vujanovic, m.p.

Voluntary Pension Funds Law

Basic Provisions

Scope of the Law

Article 1

This Law regulates the conditions for establishing companies for managing the pension funds (hereinafter referred to as the management company), and organising voluntary pension funds based on individual capitalised savings (hereinafter referred to as the pension funds), as well as their operations.

Principles of Voluntary Pension Funds

Article 2

Principles that voluntary pension funds are based on shall be the following:

- voluntary membership;
- diversification of investment risk;
- equality of members;
- transparency of operations;
- accumulation of funds.

Definitions

Article 3

Under this Law, certain terms shall have the following meaning:

- 1) Voluntary pension fund is the fund founded for the purpose of raising monetary funds through payment of contributions of the fund members and investing those funds with the goal to increase the asset value of the fund;
- 2) Management company of the pension fund is a joint stock company managing a voluntary pension fund;
- 3) Informative prospectus is the statement of the management company of the pension fund, which contains the complete, accurate and objective information on the pension fund and the company managing that fund based on which a potential member of the fund may bring a decision on membership in a pension fund;
- 4) Resignation from the pension fund is the withdrawal of funds from the personal account of the member reduced for the fee amount;
- 5) Custody is a business organisation that the management company of the pension fund delegated to, on the basis of the contract, the performance of activities regarding oversee of managing the pension fund assets;
- 6) Related parties are the parties mutually related by:
 - Blood relationship in the lineal line regardless of the degree and collateral line up to the second degree, in-laws up to the first degree as well as adopter and adoptee;
 - Wedlock and out-of wedlock;
 - Management or capital so that one person or several persons together have interests, shares or other rights, based on which they participate in management of other party with at least 40% of voting rights;
 - Management or capital so that one person has interests, shares or other rights in one or several parties, based on which he participates in management of each of them with at least 40% of voting rights;
 - Concluding a contract to mutually act towards the issuer.
- 7) Transfer of account shall mean transfer of assets from the personal account of a fund member from one fund to the other;
- 8) A fund member shall mean the person who signed the contract of membership with the management company and paid the first contribution.

Management of the Pension Fund

Article 4

The management company shall manage the pension fund on the basis of the principles of safety, risk reduction and diversification and professional management, in accordance with this Law.

Use of the Name

Article 5

The name of the management company must include the words “management company of the pension fund”.

The name of the voluntary fund must include the words “voluntary pension fund”.

Legal entities, containing the words “management company of the pension fund”, “pension fund” in their names or other words with similar meaning, can neither be registered with the court registry nor use these terms in their legal transactions or name, if they are not established in accordance with this Law.

Supervision

Article 6

The Securities and Exchange Commission (hereinafter referred to as the Commission) shall supervise the establishment and operations of the management company and pension fund, in accordance with this Law and the law regulating securities.

The Commission shall be obliged to make a decision, at the request of the party, within 30 days from the day of properly submitted request.

The decision referred to in paragraph 2 of this Article shall be final.

A party may conduct administrative dispute before the competent court against the decision of the Commission.

Application of Laws

Article 7

The provisions of the law governing the legal status of business organisations shall apply to the management company and pension fund, unless otherwise regulated by this Law.

The provisions of the law regulating securities shall apply to transactions with securities envisaged by this Law, unless otherwise regulated by this Law.

Head Office

Article 8

Head office of the management company that is established and operates in accordance with this Law must be on the territory of the Republic of Montenegro (hereinafter referred to as the Republic).

II. Management Company of the Pension Fund

Management Company

Article 9

The management company shall be a joint stock company established to organise and manage the pension fund and cannot perform any other activity.

The management company may manage one or more pension funds.

Establishment

Article 10

Management company shall be established and operates as joint stock company in accordance with the law regulating the legal status of business organisations, unless otherwise prescribed by this Law.

Management company cannot issue preferred shares.

Capital and Shares

Article 11

Monetary part of the initial capital of the management company cannot be less than EUR 250 000.

The initial capital referred to in paragraph 1 of this Article shall be paid in fully before registration of the management company with the Central Registry of the Commercial Court.

The management company shall be obliged to maintain during its operations the initial capital in the amount referred to in paragraph 1 of this Article.

The management company shall inform, with no delay, the Commission on any reduction of the initial capital below the threshold determined in paragraph 1 of this Article.

If the initial capital is not increased to the required threshold within the deadline determined by the Commission that cannot be longer than 6 months, the Commission shall revoke the license of the management company.

General Acts

Article 12

General acts of the management company shall be the articles of association, rules on management and other general acts.

Bodies

Article 13

The bodies of the management company shall be the general shareholders' meeting, board of directors and executive director.

Executive Director

Article 14

The following person may be appointed as the executive director of the management company:

- 1) Holding a university degree;
- 2) Having at least five years of working experience in jobs related to management and disposition of financial funds;
- 3) Not convicted of criminal offences against payment operations and economic operations and official duty.

Executive director shall be liable for operations of the management company and operations of the pension fund, in accordance with the law regulating the legal status of business organizations and this Law.

In performing the activities regarding the management of the pension fund, executive director of the management company shall be obliged to act with a diligence of a conscientious custodian.

Limitations for Preventing Conflict of Interest

Article 15

A member of the Board of Directors or Executive Director of the management company cannot be a person who is a member of the Board of Directors or Executive Director:

1. of another management company;
2. custody;
3. any party related to the parties referred to in items 1 and 2 of this paragraph.

Investment Managers of the Management Company

Article 16

The management company must have minimum two persons employed for open-end period of time trained to perform the activities of the investment manager of the pension fund (hereinafter referred to as the investment manager), in accordance with the rules of the Commission

The investment manager may only be a person:

- 1) Holding a university degree;
- 2) Who has passed the professional examination for investment manager, whose programme and manner of conduct are determined by the Commission;
- 3) Not convicted of criminal offences against payment operations and economic operations and official duty.

Liability

Article 17

The management company shall be liable to members of the pension fund for damage incurred due to the failure to meet its obligations or failure to meet its obligations in a proper manner regarding the management of the fund, unless the failure to meet its obligations or to meet them in a proper manner is a result of circumstances the company is not responsible for, and if it managed the fund with a diligence of a conscientious custodian.

Damage incurred due to the failure to meet or failure to meet the obligations in a proper manner by the management company referred to in paragraph 1 of this Article cannot be compensated from the assets of the pension fund.

The management company may delegate performance of some activities not directly related to management of the pension fund to third parties.

In the case referred to in paragraph 3 of this Article, the management company shall be liable for execution of these obligations as if they were performed by the management company itself.

Request of the Management Company for Obtaining the License

Article 18

The management company must obtain the license from the Commission for performing the activity regarding management of the pension fund (hereinafter referred to as the license).

The management company shall submit the request for obtaining the license to the Commission after holding the statutory general meeting of shareholders.

Attached to the request referred to in paragraph 2 of this Article, founders of the management company shall submit to the Commission:

1. Articles of Incorporation of the management company;
2. Articles of Association of the management company;
3. Proposal of rules on management of the pension fund;
4. Evidence that the founders have paid the amount of monetary part of the initial capital prescribed by this Law;
5. Evidence of staff, technical and organizational capacity of the management company;
6. Proposal for appointment of the members of the board of director and executive director with the statement that they accept to perform these functions;
7. Evidence of intention to employ two investment managers;
8. Other data and evidence.

The Commission shall determine by its rules the contents of the request and documentation, as well as evidence that are attached to the request for obtaining the license.

License

Article 19

The Commission shall issue the license if it establishes that the management company meets the prescribed requirements.

The Commission shall give the consent to the Articles of Incorporation, Articles of Association of the management company and their amendments.

The Commission shall issue the license and the consents referred to in paragraph 2 of this Article in the form of a decision.

In the decision making process, the Commission shall act in accordance with the law governing general administrative procedure, unless otherwise determined by this Law.

The license of the management company shall be revoked, if it does not start to perform its business activity within 12 months from the day of obtaining the license.

The Commission shall maintain the registry of issued licenses for operations of management companies.

The registry of issued licenses shall especially contain:

- 1) name of the management company;
- 2) date of the license issuance;
- 3) other data related to the license;
- 4) name and address of the executive director of the management company;
- 5) place where registries and other records, related to the activities that the license is issued for, are kept;
- 6) data on suspension or revocation of the license;
- 7) names of majority shareholders; and

- 8) other data prescribed by the Commission.

Separate Keeping of Assets

Article 20

The management company shall manage the pension fund on the basis of this Law and Rules on Fund Management.

Assets, liabilities, claims, revenues and expenditures and other rights of the management company shall be kept separately from assets, liabilities, claims, revenues and expenditures and other rights of the pension fund.

The management company that manages several funds shall keep assets, liabilities, claims, revenues and expenditures and other rights separately for each fund.

Rules on Management

Article 21

The management company shall adopt the Rules on Management for each pension fund it organises and manages, which shall especially regulate the following:

- 1) name of the pension fund,
- 2) basic principles and investment limitations,
- 3) basic principles for acquiring and terminating the membership in the pension fund;
- 4) reporting on operations and the pension fund portfolio as well as the place and the manner of disclosing the information;
- 5) rights and obligations of a pension fund member and the management company in case of termination of the contract of membership;
- 6) amount and manner of compensation of costs associated with the pension fund management;
- 7) other issues of importance for the pension fund.

The Commission shall give consent to the Rules on Management in the form of a decision.

Operating Principles

Article 22

The management company shall independently manage the pension fund assets in accordance with this Law.

The management company shall manage the pension fund assets with the diligence of a conscientious custodian on the basis of the principles of liquidity, safety and risk diversification.

The management company, when managing the assets of the pension fund, shall be obliged to operate in the interest of investors into securities of the pension fund and give priority to their interests over its own interests.

The management company shall prepare periodical reports and annual report on operations, and it shall submit them to the Commission.

The contents and deadlines for submission of the reports referred to in paragraph 4 of this Article shall be determined by the Commission.

Representation in Legal Transactions

Article 23

The management company shall act, in transactions performed for the pension fund, in the name and for the account of the pension fund in accordance with law and the Rules on Management.

Management Company's Assets

Article 24

The management company and related parties cannot sell their assets to the pension fund or purchase the assets of the pension fund.

Legal transactions concluded contrary to paragraph 1 of this Article shall be considered null and void.

Contract with the Central Depository Agency

Article 25

The management company shall conclude the contract with the Central Depository Agency in accordance with the law regulating securities and rules of the Central Depository Agency.

The management company shall be obliged to ensure that the Central Depository Agency opens a separate account for each pension fund managed by the management company where the balance of securities is separately kept for that pension fund.

The management company shall be entitled to have a direct access into the balance of securities in accounts of pension funds it manages, free of charge.

The Central Depository Agency shall be obliged to submit to the Commission, at its request, the data on the balance of securities it keeps for the account of the pension funds and enable review of those balances.

III. Pension Fund

Article 26

The pension fund shall not have the status of a legal entity.

Only the management company can organise the pension fund.

The pension fund shall be organised for the purpose of collecting monetary funds by paying contributions of the fund members and investing these funds for the purpose of increasing the asset value of the fund in accordance with this Law.

The pension fund may be open pension fund and closed pension fund.

Open pension fund shall mean a pension fund that all natural persons can have access to.

Closed pension fund shall mean a pension fund organized for the needs of certain employers, trade unions and other organizations.

License to Form a Pension Fund

Article 27

The management company shall submit to the Commission a request for obtaining the license to form a pension fund.

The following shall be attached to the request referred to in paragraph 1 of this Article:

- 1) Rules on management of the pension fund;
- 2) Proposal of the contract of membership in the pension fund;
- 3) Proposal of the informative prospectus;
- 4) Evaluation of registration dynamics regarding a number of pension fund members who might join that pension fund in the following two years;
- 5) Proof of payment of the prescribed fee to the Commission.

The contents of the request and documentation attached to the request for obtaining the license for formation of the pension fund shall be determined by the Commission.

Upon having determined that all requirements for issuing the license to form a pension fund are met, the Commission shall adopt a decision on issuing the license to form a pension fund.

The Commission shall keep the registry of issued licenses for the work of the pension funds.

Contents and more detailed manner of keeping the registry of issued licenses shall be regulated by the Commission.

Revocation of the License to Organize a Pension Fund

Article 28

The Commission shall adopt a decision on revocation of the license for organising a pension fund, if the number of pension fund members falls below the minimum established in Article 30 of this Law for the period exceeding 12 months.

Provisions of this Law on revocation of the license of the management company shall apply to revocation of the license for organizing a pension fund.

Certificate of the Interest

Article 29

The pension fund shall be owned by its members whose individual ownership rights shall be determined on the basis of the amount of funds on their account.

Certificate of interest shall be the evidence of the ownership in the pension fund.

Certificate of interest shall be issued by the management company managing the pension fund on the basis of the payment made by a member of the fund.

More detailed contents of the certificate of interest shall be determined by the Commission in its rules.

Minimum Number of the Pension Fund Members

Article 30

Open pension fund must have minimum 200 members.

If, in the course of operations of the open pension fund, the total number of members falls below the minimum prescribed number of members, the open pension fund shall be obliged to achieve the minimum prescribed number of members no later than within 12 months from the day when the total number of open pension fund members fell below that number.

Provisions of paragraphs 1 and 2 of this Article shall not apply during the first two years upon the establishment of the pension fund.

Fund Membership

Article 31

A natural person may be a member in one or more pension funds.

A fund member may at the same time have only one personal account in one pension fund.

A natural person shall become a member of the fund by signing the contract of membership with the management company and payment of first contribution (hereinafter referred to as the contract of membership).

The management company managing open pension fund cannot reject the application for membership of any person.

The management company managing closed pension fund may accept the application for membership only from persons employed with the employer, members of the trade union or members of other organizations for whose needs a closed pension fund is organised.

Rules on management shall be the integral part of the contract of membership. The Commission shall determine more detailed contents of the contract of membership.

Transfer to Other Pension Fund

Article 32

A member of the open pension fund may resign from one pension fund and join another pension fund, in the manner and under the conditions determined by the Rules on Management and the contract of membership.

A clause in the contract of membership by which a pension fund member fully waives his rights to join another pension fund shall be null and void.

Upon meeting the requirements for joining another pension fund determined by the Rules on Management and the contract of membership, the management company managing the pension fund that a member is resigning from shall be obliged to transfer funds from the personal account of the fund member, reduced for the amount of fee under Article 36 of this law, to the account of the new pension fund of that member within ten days from the day of submitting the request for joining another pension fund.

Resignation from the Pension Fund

Article 33

A pension fund member may resign from the fund by withdrawing the funds from the personal account reduced for the amount of fee referred to in Article 36 of this Law when he turns 50 years of age.

The funds referred to in paragraph 1 of this Article may be withdrawn in the manner:

- 1) to pay out at the most 30% in cash on the day of meeting the requirements determined by the Rules on Management and the contract of membership, and the residual part in monthly or periodical annuities within the deadline not longer than 3 years from the day of resigning from the pension fund, or
- 2) to transfer the total amount of funds at the order of the member to the company dealing with pension payments, in accordance with regulations.

Keeping Personal Accounts and Asset Valuation

Article 34

Contributions paid into the pension fund and transferred accounts shall be registered for the benefit of personal accounts in the name of the member. The amount that is in the account of the fund member shall be the property of that person.

The right to payment of any amount of funds from the account can be exercised after meeting the requirements prescribed by the Rules on Management and the contract of membership, but not prior to meeting the requirements referred to in Article 33, paragraph 1 of this Law.

Accounting Points

Article 35

Contributions paid in the pension fund, as well as accounts transferred to the fund, shall be converted into the accounting points.

Contributions paid and accounts transferred may be converted into parts of the accounting points.

For the valuation purposes, every accounting point shall represent a proportional share in the total net assets of the pension fund.

The total value of all accounting points of the pension fund shall equal the total net value of the fund.

The Commission shall regulate:

1. The manner for calculating net asset value and liabilities of the pension fund;
2. The manner for calculating the accounting point value;
3. Initial value of the accounting point;
4. Manner of conversion of paid contributions in accounting points and manner for determining the date when such a conversion is done;
5. Computing return of the pension fund, including principles for rounding off those values and evaluation days;
6. Time and manner for submitting the reports on net asset value of the fund, value of accounting point and return of the fund, by the management company, and the number of pension fund members.

Compensation of Expenses for Managing the Fund

Article 36

The management company shall be entitled to compensation of expenses incurred by managing the pension fund in a certain amount of:

- 1) the paid contributions;
- 2) the total assets of the pension fund;
- 3) compensation for resigning from the pension fund.

The amount of total compensations that the management company can collect shall be determined by the Rules on Management and it must be presented in a consolidated manner in every contract of membership.

Article 37

The management company shall bear all costs associated with management of the pension fund, except for a fee for performing activities of the custody.

Permitted Investments

Article 38

Funds of the pension fund may be invested in the following types of assets:

1. treasury bills and other short term securities issued by the Republic and local self-government units and short term bank deposits in the manner determined by the Commission;
2. long-term bonds and other long-term securities issued by:
 - the Republic and local self-government units,
 - Joint-stock companies registered with the Commission whose shares are traded with on stock exchanges in the Republic,
 - Other states traded with on organized capital markets in OECD countries and members of the European Union,
 - Foreign non-state entities, that are traded with on organised capital markets in OECD countries and members of the European Union,
3. shares:
 - issued by joint stock companies registered with the Commission, which are traded with on stock exchanges in the Republic,
 - issued by foreign joint-stock companies and closed-end investment funds that are traded with on organised capital markets in OECD countries and members of the European Union,
4. interests of domestic and foreign open-end investment funds if those investment funds invest into securities of issuers registered in the Republic or one of the OECD countries and members of the European Union,
5. any other form of investments determined by the Commission regulations, except investments referred to in Article 39 of this Law;
6. immovable property at the territory of the Republic.

The pension fund may acquire at the most 10% of the issue of certain security.

The pension fund may invest at the most 10% of its funds in securities issued by a single issuer.

Notwithstanding paragraphs 2 and 3 of this Article, the funds of the pension fund may be invested in the assets referred to in paragraph 1, item 1, and item 2 indent 1 of this Article with no limitations.

Prohibited Investments of the Pension Fund Assets

Article 39

Pension fund assets cannot be invested in:

1. shares, bonds and other securities not traded on the Stock Exchange or organised markets, except interests in the open-end investment funds;
2. assets that, under law, cannot be divested of;
3. material property not traded on organised markets, whose value cannot be determined with certainty (antiquities, art works and motor vehicles);
4. shares, bonds and other securities issued by:

- shareholders of the management company;
 - custody of the pension fund;
 - person who is related party with the persons referred to in indents 1 and 2 of this point;
 - management company;
 - brokerage and dealer firm, or authorised bank that performs for the management company the activities regarding intermediation in trading in securities;
5. other property determined by the Commission.

Prohibited Legal Transactions of the Management Company

Article 40

The management company shall be prohibited to do the following for the account of the pension fund:

1. Sell the property of the pension fund to:
 - members of bodies and shareholders or owners of interests of the management company;
 - custody holding the assets of the pension fund;
 - other person that is related party with the aforementioned legal or natural persons.
2. Buy assets from the legal or natural person referred to in point 1 of this paragraph;
3. Give loans or guarantees to the legal or natural person referred to in point 1 of this paragraph;
4. Acquire, transfer and sell property through related parties.

The management company must not pledge or encumber in another manner assets of the pension fund.

IV. Custody

Article 41

The management company must conclude a contract with a business organization that meets the requirements for carrying out custody activities (hereinafter referred to as custody) determined by the Commission, by which it shall authorise the custody to carry out activities related to supervision of management of the assets of the pension fund.

Custody cannot own shares of the management company that it has concluded the contract with.

The pension fund cannot acquire securities of the custody.

The management company may authorise, by the contract referred to in paragraph 1 of this Article, the custody to perform some other technical and administrative activities related to management of the pension fund.

The contract concluded between the management company and the custody, as well as amendments to that contract, shall become effective upon obtaining the consent of the Commission.

The management company must submit to the custody, every document and order for transfer of funds from the account of the pension fund at the same time when submitting it to the bank.

The custody shall be obliged to inform the Commission on the issued order of the management company for which it considers not to be in accordance with law, rules of the Commission and the Rules on Management of the pension fund.

142. VOLUNTARY PENSION FUNDS LAW

The Commission shall adopt the rules regarding the performance of custody activities regarding the assets of the pension fund.

Contract with the Custody

Article 42

The contract referred to in Article 41 of this Law shall regulate the rights and obligations of the custody and the management company.

The Commission shall determine more detailed contents of the contract by its rules.

Cancellation of the Contract

Article 43

The management company and the custody may cancel the contract referred to in Article 41 of this Law by mutual agreement or unilaterally.

A party requiring the unilateral cancellation of the contract shall be obliged to inform in writing the other party and the Commission on its intention to cancel the contract.

The cancellation of the contract shall become effective from the day the Commission gives the consent to the management company to the concluded contract with another custody.

The management company shall submit to the Commission the agreement on cancellation or notice on cancellation of the contract with the custody along with the request for obtaining the consent to the concluded contract with another custody.

In the case of contract cancellation, a former custody shall transfer the entire documentation regarding the operations of the pension fund to the new custody within 15 days as of the day of issuance of the Commission's consent to the management company to the concluded contract with another custody.

Cancellation of the Contract by Operation of Law

Article 44

In the case of initiation of bankruptcy or liquidation of the custody, the contract shall be cancelled by operation of law.

The management company shall be obliged to choose a new custody and submit the request for obtaining the consent from the Commission to conclude the contract with the new custody within 15 days from the day of initiation of bankruptcy procedure.

If the management company fails to initiate the procedure for obtaining the consent within the deadline referred to in paragraph 2 of this Article, the Commission shall suspend the license of the management company until conclusion of the contract with the new custody.

Cancellation of the Contract at the Commission's Order

Article 45

The Commission may order the management company to replace the custody, if:

- 1) it determines that financial or organizational structure of the custody is significantly weakened, so that there is a danger for safety of the pension fund assets;

- 2) it considers that the existing custody does not meet the requirements for carrying out the activities in accordance with this Law.

Keeping of Pension Fund Assets

Article 46

Custody may perform the activities for several pension funds and several management companies. The assets of the pension fund shall neither be included in liquidation or bankruptcy estate of the custody, nor be subject to execution procedure in order to satisfy claims against the custody.

Procedural Standards

Article 47

In conducting the activities for the management company in accordance with this Law, the custody shall be obliged to act with the diligence of a conscientious custodian.

In conducting the activities within their scope of work, the custody and the management company shall act independently and in the manner providing safety and maximum benefit to members of the pension fund.

Liability of the Custody

Article 48

Custody shall be liable to the management company and members of the pension fund for damage incurred by the failure to meet its contractual obligations or failure to meet them in a proper manner, in accordance with this Law.

The contract may not limit or exempt the liability of the custody.

The management company shall be authorized to submit a complaint against the custody for damage compensation in its own name and for its own account, as well as in the name and for the account of members of the pension fund.

If the management company, in accordance with paragraph 3 of this Article, within 30 days from the day of receiving a written request from a pension fund member, does not submit the complaint against the custody, a complaint for damage compensation may be submitted by the pension fund members themselves.

V. Reporting and Public Promotion

Article 49

The management company shall prepare periodical reports and annual report on operations, as well as monthly report on keeping monetary funds of the pension fund, and submit them to the Commission and publish the extracts from those reports.

The management company shall submit to the Commission, together with the annual report on operations of the pension fund, financial reports and report of independent auditor prepared in accordance with the law regulating accounting and auditing.

The contents of the reports referred to in paragraph 1 of this Article and deadlines for their submission shall be determined by the Commission.

Prohibited Information

Article 50

In the public promotion the following must not be disclosed:

- 1) incomplete and inaccurate information on the management company and the pension fund, securities offered for purchase and sale and conditions of sale and purchase;
- 2) assessment and guarantees for value increase of the pension fund and return on investments or increase in value of funds in the personal account of the pension fund member;
- 3) public guarantee on gain based on investments of the pension fund or information based on comparison with other pension funds;
- 4) data on deficiencies in operations of other management companies or pension funds

A person that acts contrary to paragraph 1 of this Article shall be obliged to compensate the damage to third parties incurred by such acting.

Informative Prospectus

Article 51

The management company shall be obliged to publish informative prospectus for each pension fund managed by that company.

Informative prospectus shall be the statement of the management company of the pension fund consisting of full, accurate and objective information on the pension fund and the company managing that fund based on which a potential member of the fund may adopt a decision on membership in pension fund.

The management company must not publish the informative prospectus until it is approved by the Commission.

The management company shall be obliged to:

- 1) publish the informative prospectus of the pension fund at least once a year;
- 2) provide every person asking for the membership in the pension fund managed by that company with the access to the prospectus, before acquiring the membership in that fund,
- 3) submit the informative prospectus to every member of the pension fund at his request.

Contents, more detailed requirements, manner and dates for publishing the informative prospectus of the pension fund shall be determined by the Commission in its act.

Information on the Amount of Funds on the Personal Account

Article 52

The management company shall once a year, free of charge, inform in writing a fund member on the amount of assets in his personal account, dates of payments and amounts of payments of a pension fund member in a relevant period.

At the request of the pension fund member, the management company shall submit to the member the information on the amount of assets in his personal account.

The management company may charge a fee for submission of information in cases under paragraph 2 of this Article the amount of which cannot exceed the costs of preparation and submission of such a notice.

Special Provisions

Article 53

Publishing the information on the management company and the pension fund, which must be submitted to the Commission, shall not be considered as public promotion.

Keeping a Business Secret

Article 54

All persons performing a function or employed in the management company, pension fund, the Central Depository Agency, custody, broker or dealer, must keep as business secret all information on intentions and activities of the management company or the pension fund, except those that are considered public according to provisions of this Law.

VI. Supervision

Authorizations of the Commission

Article 55

The Commission shall supervise the management company and the pension fund by issuing the consent to their acts and controlling their operations, in accordance with this Law.

The Commission may also perform control over custody within the activities it performs in accordance with this Law.

The Commission may examine, with no limitations, acts, business books, papers and other documentation of the management company regarding the operations of that company and the pension fund.

Article 56

In conducting its supervisory activities, the Commission may request:

- 1) Reports and information on operations of the management company or the pension fund;
- 2) Reports and additional information on performed audit of the management company or the pension fund;
- 3) Extraordinary audit of operations of the management company or the pension fund;
- 4) Changes or amendments to the contract with the custody;
- 5) Other data and information determined by its act.

The Commission shall determine by its act the manner and deadlines for reporting referred to in paragraph 1 of this Article.

Giving Consent

Article 57

The Commission shall give the consent to:

1. Foundation act and charter of the management company and their amendments;
2. Rules on management of the pension fund and their amendments;
3. Proposal of the contract of membership in the pension fund;
4. Proposal of the informative prospectus;
5. Other acts determined by this Law.

Removing Illegalities and Irregularities

Article 58

If the Commission, in performing supervision, determines illegalities or irregularities in operations of the management company and pension funds, it shall order in the form of a decision removal of the established illegalities and/or irregularities within a specified deadline.

The management company shall be obliged to remove, within the specified deadline, the established illegalities and/or irregularities and inform the Commission thereon in writing.

Measures

Article 59

If the management company fails to remove the established illegalities and/or irregularities within the specified deadline and inform the Commission thereon, with the submission of adequate evidence, the Commission may undertake the following measures:

1. Pronounce a public warning;
2. Issue the order for revocation of members of the Board of Director or the Executive Director of the management company;
3. Warn in writing, temporarily suspend or revoke the license of investment manager;
4. Temporarily prohibit the disposition of the assets of the management company or the pension fund;
5. Suspend or revoke the license of the management company;
6. Revoke the license for organising the pension fund;
7. Other measures necessary for removing illegalities and irregularities in operations of the management company and the pension fund.

The Commission may impose one or more measures referred to in paragraph 1 of this Article, depending on the nature and seriousness of the established irregularities.

The Commission shall determine more detailed requirements, manner and procedure for conducting supervision.

Revocation of the Management Company License

Article 60

The Commission may revoke a license of the management company if it:

- 1) Acquires the license by stating the false data;
- 2) Invests assets of the pension fund or acts in another manner contrary to this Law and Rules on Management;
- 3) Fails to submit to the Commission, during its supervision, the required documentation, or in another manner disturbs supervision over its operations;
- 4) Management company adopts a decision on liquidation;
- 5) Fails to reach the prescribed level of capital within the prescribed deadline;
- 6) Does not meet any longer the requirements prescribed for obtaining the license;
- 7) In other cases when it finds that the management company by illegal management of the pension fund jeopardizes the interests of the pension fund owners.

Effect of the License Revocation

Article 61

The Commission shall order by its decision on license revocation of the management company the following:

- 1) The payment system institution to cease executing the orders of the authorised persons of the management company for transfer of monetary funds from the account of the pension fund managed by the management company as well as from the account of the management company;
- 2) the Central Depository Agency to cease executing the orders of the authorised persons of the management company for transfer of securities from the pension fund portfolio managed by the management company, and from the account of the management company to other persons.

The decision referred to in paragraph 1 of this Article shall be final and administrative dispute before a competent court can be initiated against it.

Public Invitation

Article 62

The Commission shall be obliged to publish, within three days from the day of adopting the decision, the public invitation to all management companies headquartered in the Republic to submit the offer for managing the pension fund whose license has been revoked.

The public invitation referred to in paragraph 1 of this Article may last at the most 15 days.

The Commission shall issue the license to the selected management company within 7 days from the day of expiration of the deadline referred to in paragraph 2 of this Article.

On the day of issuing the license to the selected management company, the assets from the personal account of the member shall be transferred to the account of the new pension fund of the member, and the Commission shall close down the fund and delete it from the registry.

Rights of Members in Case of License Revocation of the Management Company

Article 63

A member of the pension fund shall be entitled to join another pension fund, within a year from the day of issuing the license to the selected management company, without paying a fee for resigning from the pension fund.

If no management company submits the offer for managing the pension fund based on the public invitation referred to in Article 62, paragraph 1 of this Law, the Commission shall, by a special instruction, inform the members of the pension fund on the need to select another pension fund, and it shall determine the deadline for joining the new pension fund.

The Commission shall assign to another fund the members of the pension fund who did not make selection within the established deadline

The assignment of members to pension funds according to paragraph 2 of this Article shall be carried out in the manner that every pension fund is awarded the proportional number of members according to the number of the pension fund members.

If the members cannot be assigned to another pension fund headquartered in the Republic, the Commission shall initiate the procedure for the pension fund liquidation in accordance with the law regulating insolvency of business organizations.

Submission of Decisions

Article 64

The Commission shall submit the decision on revocation of the management company license to the: competent court, the management company, the Central Depository Agency, and custody.

The decision referred to in paragraph 1 of this Article shall be published in the "Official Gazette of the Republic of Montenegro".

VII. PENALTY PROVISIONS

Article 65

A pecuniary fine from 10 fold to 300 fold of the minimum wage in the Republic shall be imposed on a legal entity if it:

- 1) starts to perform the activity of managing the pension fund before obtaining the license from the Commission (Article 18, paragraph 1);
- 2) fails to separately keep assets, liabilities, claims, revenues and expenditures and other rights of the management company from the assets, liabilities, claims, revenues and expenditures and other rights of the pension fund (Article 20, paragraph 2);
- 3) acts contrary to Article 22, paragraph 4 of this Law;
- 4) acts contrary to Article 24 of this Law;
- 5) invests assets of the pension fund contrary to Article 39 of this Law;
- 6) acts contrary to Article 40 of this Law;
- 7) fails to select a new custody and fails to submit the application for obtaining the consent from the Commission for concluding the contract with the new custody within 15 days from the day of initiating the bankruptcy procedure (Article 44, paragraph 2);
- 8) acts contrary to Article 49 of this Law;
- 9) performs public promotion in the manner contrary to Article 50 of this Law;
- 10) fails to publish informative prospectus for each pension fund it manages (Article 51, paragraph 2);
- 11) publishes informative prospectus prior to its approval by the Commission (Article 51, paragraph 3);
- 12) acts contrary to Article 51, paragraph 4 of this Law;
- 13) fails to inform in writing, at least once a year, the fund member on the amount of assets in his personal account, dates of payments and amounts of paid contributions by the member within the relevant period (Article 52, paragraph 1);
- 14) fails to submit to the member, at the request of the pension fund member, the information on the amount of assets in his personal account (Article 52, paragraph 2);

A pecuniary fine in the amount from one half to twenty fold of the minimum wage in the Republic shall be imposed on the responsible person in the legal entity for the offense referred to in paragraph 1 of this Article.

Article 66

A pecuniary fine from fifty fold to three hundred fold of the minimum wage amount in the Republic shall be imposed on the custody, if it:

- 1) fails to inform the Commission on issued order of the management company for which it considers to be incompliant with law, rules of the Commission and Rules on Management of the Pension Fund (Article 41, paragraph 7);
- 2) acts contrary to Article 43, paragraph 5 of this Law.

A pecuniary fine in the amount from one half to twenty fold of the minimum wage in the Republic shall be imposed on the responsible person in the legal entity for the offense referred to in paragraph 1 of this Article.

Article 67

Persons convicted by a final decision of the offence referred to in Articles 65 and 66 of this Law cannot be responsible persons of the management company of the pension funds until the expiration of the one-year deadline from the day of finality of the decision.

VIII. TRANSITIONAL AND FINAL PROVISION

Article 68

Regulations for implementation of this Law shall be adopted within six months from the effective date of this Law.

Article 69

This Law shall come into force on the eighth day from the day of its publication in the Official Gazette of the Republic of Montenegro and it shall be applied after adoption of the regulations referred to in Article 68 of this Law.

SU-SK Number 01-620/9-05

Podgorica

12 December 2006

Constituent Parliament of the Republic of Montenegro

Ranko Krivokapic, m.p