Montenegro

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Montenegro	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering Assessment Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

tobacco, potatoes, citrus fruits, olives, grapes; sheep

Industries:

steelmaking, aluminum, agricultural processing, consumer goods, tourism

Exports - partners:

Croatia 22.7%, Serbia 22.7%, Slovenia 7.8% (2012 est.)

Imports - partners:

Serbia 29.3%, Greece 8.7%, China 7.1% (2012 est.)

Investment Restrictions:

Montenegro is still in the process of establishing a liberal investment regime. Although the continuing transition has not yet eliminated all structural barriers, the Government recognizes the need to remove impediments, reform the business environment and open the economy to foreign investors.

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA) intended to eliminate all custom restrictions for industrial and agricultural products in member states by 2010. The Parliament ratified CEFTA on March 21, 2007, and it took effect in Montenegro (and simultaneously in Albania, Macedonia, Moldova, and Kosovo) on July 26, 2007. Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the Agreement. Montenegro held the rotating CEFTA Presidency during 2009.

On November 14, 2011 Montenegro signed a Free Trade Agreement with the European Free Trade Association (EFTA)

In Montenegro, a foreign investor, foreign company, or foreign individual may acquire property.

Contents

Section 1 - Background

The use of the name Crna Gora (Montenegro) began in the 13th century in reference to a highland region in the Serbian province of Zeta. The later medieval state of Zeta maintained its existence until 1496 when Montenegro finally fell under Ottoman rule. Over subsequent centuries, Montenegro, while a part of the Ottoman Empire, was able to maintain a level of autonomy. From the 16th to 19th centuries, Montenegro was a theocracy ruled by a series of bishop princes; in 1852, it was transformed into a secular principality. Montenegro was recognized as an independent sovereign principality at the Congress of Berlin in 1878. After World War I, during which Montenegro fought on the side of the Allies, Montenegro was absorbed by the Kingdom of Serbs, Croats, and Slovenes, which became the Kingdom of Yugoslavia in 1929; at the conclusion of World War II, it became a constituent republic of the Socialist Federal Republic of Yugoslavia. When the latter dissolved in 1992, Montenegro federated with Serbia, first as the Federal Republic of Yugoslavia and, after 2003, in a looser State Union of Serbia and Montenegro. In May 2006, Montenegro invoked its right under the Constitutional Charter of Serbia and Montenegro to hold a referendum on independence from the state union. The vote for severing ties with Serbia barely exceeded 55% - the threshold set by the EU - allowing Montenegro to formally restore its independence on 3 June 2006.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Montenegro is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Progress report Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Montenegro was undertaken by the Financial Action Task Force (FATF) in 2015. According to that Evaluation, Montenegro was deemed Compliant for 7 and Largely Compliant for 12 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Key Findings from Mutual Evaluation Progress Report (2015):

The money laundering offence is now broadly in line with the Vienna and Palermo Convention and provisions dealing with liability of legal persons are in place. The authorities have not been very effective in securing ML convictions.

The financing of terrorism offence now also applies to the financing of terrorist organisations and individual terrorists without any link to the commission of a specific terrorist act. Technical deficiencies remain, especially in relation to the acts which constitute an offence within the scope of, and as defined in, the treaties listed in the annex to the Terrorist Financing Convention.

The legal framework governing confiscation and provisional measures is still not comprehensive enough. There were very few instances were property was seized and confiscated in ML cases and none for proceeds-generating offences and FT.

There are no specific laws and procedures for the freezing of terrorist funds or other assets of designated persons listed under UNSCR 1267 and 1373. No terrorist assets have been frozen in Montenegro.

The Administration for the Prevention of Money Laundering and Terrorist Financing (APMLTF) is an administrative-type financial intelligence unit (FIU) with a sound legal basis for receiving, analysing and disseminating of disclosures of suspicious transaction reports (STRs) and other information. The APMLTF has sufficient operational independence and autonomy. The staff of the APMLTF perform their functions professionally. Some effectiveness issues were identified regarding the APMLTF's analysis and dissemination process.

Law enforcement authorities have all the necessary powers to conduct ML/FT investigations. Nevertheless, there is no concrete law enforcement policy to proactively investigate ML/FT. The number of ML investigations is very low. There were no investigations of FT.

There are no powers to stop or restrain currency or bearer negotiable instruments in order to ascertain whether evidence of ML/FT may be found. The Customs Administration periodically submits information to the APMLTF on cash declarations and suspicions of ML/FT. However, false and non-declarations are rarely identified.

The Montenegrin authorities have taken some measures to revise the preventive requirements since the last evaluation. However, significant deficiencies remain with respect to requirements for customer due diligence (CDD) and politically-exposed persons (PEPs). The financial sector was found to have adequate knowledge of preventive measures. However, issues were identified with respect to the identification of beneficial owners. Awareness of preventive measures within the DNFBP sector is very low.

The reporting of ML/FT suspicions is not entirely in line with the Standards. Financial institutions over-rely on indicators established by the APMLTF and do not submit STRs unless the suspicion is linked to a transaction. Reporting by DNFBPs is not effective.

To a large extent, most financial supervisory authorities have adequate powers to monitor and ensure compliance by financial institutions with preventive requirements. However, the AML/CFT supervision of some financial institutions was not found to be comprehensive. A number of issues have a negative impact on the sanctioning regime available for financial institutions.

The supervisory framework for DNFBPs needs to be significantly enhanced. Supervisors for lawyers, notaries, accountants and auditors have no powers to conduct AML/CFT supervision. The APMLTF, which is responsible for a number of categories of DNFBPs, is not sufficiently staffed.

There are legal provisions in place which provide for cooperation between competent authorities domestically. However, in practice, operational coordination remains an issue and affects the timely flow of information amongst competent authorities.

Mutual legal assistance is provided in a timely, constructive and effective manner. Information exchange by the APMLTF and law enforcements authorities with their foreign counterparts is conducted effectively. Some issues were identified with respect to exchange of information by supervisory authorities.

US Department of State Money Laundering assessment (INCSR)

Montenegro was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Montenegro's geographic location and use of the euro make it an attractive target for money laundering. Public perception of corruption in Montenegro remains widespread. Factors that facilitate Montenegro's vulnerability to money laundering are the use of cash for many large commercial transactions, weak financial crimes enforcement, and a lack of monetary controls over currency use, as Montenegro uses the euro but is not a Eurozone member country.

Additional factors that inhibit the fight against money laundering include corruption, insufficient capacity to conduct financial investigations, weak collaboration among government agencies, and a judicial system susceptible to political influence. Organized crime remains a serious concern in Montenegro and is linked to corruption. Criminal organizations, including sophisticated international narcotics trafficking enterprises, have a presence in Montenegro.

Montenegro is a transit country for illegal goods. The country's ports have been used by criminals as a staging area to unload illicit cargo and reload it onto other vessels with onward shipping to Central and Western Europe. Organized criminal groups in Montenegro traffic in stolen cars, narcotics, cigarettes, and counterfeit products. Proceeds of narcotics trafficking, tax evasion, internet fraud, games of chance, and other illegal activities are often laundered through Montenegro's construction and real estate industries, and investments in the stock market.

Organized criminal groups, primarily from Russia and Western European countries, invest significant amounts of money to purchase and construct real estate in Montenegro. The properties are often not registered to the true owner. The Montenegrin financial intelligence unit (FIU) has noted cases of local companies receiving significant loans from their parent companies or offshore companies. In most cases, the loans are never repaid to the offshore lender but are used for the purchase or construction of real estate in Montenegro instead. Loan contract signing follows the same pattern; after a loan contract or other business deal is signed, it is not certified by the Notary Public to ensure legal validity. As such, many court cases are disputed. The FIU has also noted frequent electronic payments between the same accounts slightly below the 15,000 euros (approximately $16,150) reporting limit.

Criminals often use phantom companies to present fictitious transfers of goods and services in order to legalize or re-direct invested money. Criminals also have deposited the proceeds of illicit transactions into offshore accounts and taken back the funds in the form of loans, which they never repay. According to Montenegrin authorities, most illegal proceeds come from Russia, Italy, Switzerland, Serbia, Croatia, and Panama. In a form of service-based laundering, offshore companies send fictitious bills to a Montenegrin company (for market research, consulting, software, leasing, etc.) for the purpose of extracting money from the company's account in Montenegro so funds can be sent abroad. The emergence of terrorist financing is also of concern to the government. Information technology, electronic transfers, credit cards, internet payments, cyber-currencies, and other new payment methods make these threats more difficult to detect.

According to authorities, money laundering takes place in the banking sector and, to a lesser extent, through Western Union. There are no cases of money laundering reported in informal remittance systems such as hawala or hundi. Authorities note that criminals prefer using electronic transfers based on fictitious accounts mostly opened by foreign nationals instead of using bank notes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, savings banks, savings and loan institutions, and loan brokers and intermediaries; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers, securities depositories, and investment and pension fund managers; insurance brokers, intermediaries, and companies dealing with life insurance; company formation, marketing, consulting, fiduciary, and management service providers; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors, accountants, and tax advice services; humanitarian, nongovernmental, religious, and other non-profit organizations; sellers and purchasers of claims; financial proxies; safekeeping, custodial, and guaranty firms; property managers; factoring, forfeiture, and financial leasing companies; sports organizations; catering and tourism service providers; real estate agents, investors, and intermediaries; construction companies; motor vehicle, vessel, and aircraft dealers; credit agencies; auctioneers and traders of works of secondary raw materials, art, high-value goods, and precious metals and stones

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 142: January 1 - November 1, 2015
Number of CTRs received and time frame: 38,321: January 1 - November 1, 2015
STR covered entities: Banks, savings banks, savings and loan institutions, and loan brokers and intermediaries; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers, securities depositories, and investment and pension fund managers; insurance brokers, intermediaries, and companies dealing with life insurance; company formation, marketing, consulting, fiduciary, and management service providers; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors, accountants, and tax advice services; humanitarian, nongovernmental, religious, and other non-profit organizations; sellers and purchasers of claims; financial proxies; safekeeping, custodial, and guaranty firms; property managers; factoring, forfeiture, and financial leasing companies; sports organizations; catering and tourism service providers; real estate agents, investors, and intermediaries; construction companies; motor vehicle, vessel, and aircraft dealers; credit agencies; auctioneers and traders of works of secondary raw materials, art, high-value goods, and precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 2 in 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Montenegro is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF- style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Montenegro has continued to strengthen its legal and institutional framework for the prevention of money laundering and terrorism financing; however, implementation continues to be lacking. Despite criminal justice reform and police reorganization, the results in the fight against money laundering are still limited, particularly as measured by successful investigations, prosecutions, and convictions. The country's capacity to detect actions related to terrorism financing also remains limited, although the FIU did examine several possible cases of terrorism financing during 2015.

Since 2013, when Montenegro established a nationwide risk assessment body, it has continued activities aimed at addressing vulnerabilities. In May 2015, Montenegro adopted a 2015-2018 action plan for the implementation of the Strategy for the Prevention and Suppression of Terrorism, Money Laundering, and Terrorism Financing. The national risk assessment project is complete and was adopted in December 2015, with its own, separate action plan. In 2014, the Government of Montenegro adopted the Law on the Prevention of Money Laundering and Terrorism Financing. The law reinforces the legal framework and the sanctioning system. However, shortcomings remain and effective implementation is still needed. The existing memoranda of understanding between the FIU, Central Bank, State Prosecutor's Office, and Ministry of Internal Affairs are not always implemented effectively.

Montenegro's cash-based society makes for an unusually large number of currency transaction reports (CTRs) for the size of the population, while the number of reported suspicious transactions continues to be low. Montenegro needs a better system to identify questionable currency transactions, which are often hidden in the sheer volume of CTRs. For many years, recommendations have been made for additional guidelines and training for relevant organizations to raise awareness of their reporting obligations. In March, 2015, Montenegro adopted a new rulebook on the list of indicators for identifying suspicious customers and transactions. However, the number of suspicious transaction reports (STRs) filed by non-bank sectors remains low. In 2015, the Administration for the Prevention of Money Laundering, the FIU, charged six banks with misdemeanors for failing to file STRs.

The FIU is not completely independent from the Ministry of Finance, impeding its ability to examine all claims of money laundering. The FIU has no enforcement authority. In suspected cases of money laundering/terrorist financing, the FIU has to turn to the Central Bank, which conducts bank inspections. In the first 10 months of 2015, the FIU forwarded information to competent authorities in 19 cases (involving eight Montenegrin citizens, five legal entities, 25 foreign nationals and 25 companies). During 2015, the FIU was understaffed. With the assistance of donors, the FIU's information technology system was upgraded.

Although legal and institutional mechanisms to fight corruption and organized crime have been strengthened, the public perception is that corruption and impunity remain pervasive, due to a lack of effective investigation and prosecution and the low number of final convictions regarding high profile cases. The fact that all high-level corruption cases have been uncovered by third parties continues to be a matter of concern. Once again in 2015, authorities pressed no charges against politicians or senior state officials for money laundering. Prosecutors handling financial crimes have limited resources to investigate and prosecute, while judges remain susceptible to political influence. A law establishing the Special Prosecutor's Office (with a mandate on organized crime, corruption, and war crimes) was adopted in February 2015. A new Special Prosecutor's Office became operational in July but the recruitment of special prosecutors and specialized experts has not been completed. The new special police unit supporting the Special Prosecutor's Office is not yet operational. As of yearend 2015, authorities have not yet appointed the leader of the team, composed of 10 inspectors. Following the reorganization of the police, a new expanded economic crime unit to fight money laundering was established.

A criminal conviction is required in order to freeze assets. While the law allows for the temporary seizure of criminally-obtained money and/or property, the capacity of the Public Property Administration, which is responsible for management of seized assets, remains low. On October 23, 2015, Parliament adopted the Law on Seizure and Confiscation of Proceeds from Criminal Activities, which provides for expanded procedures for the freezing, seizure, and confiscation of illicit proceeds. It also authorizes the creation of multi-disciplinary Financial Investigation Teams. Montenegrin authorities have a low capacity to conduct financial investigations and to conduct the confiscation of illegally-obtained property and assets.

Montenegro has amended its Criminal Code. Criminalizing foreign terrorist fighters is in line with relevant UN Security Council Resolutions. An inter-ministerial group has been established to monitor the situation and implement actions to prevent possible terrorist threats.

The Government of Montenegro must take steps to fully harmonize its laws with international standards and to implement them. The government should review its action plans for its AML/CFT strategy and its adopted AML/CFT risk assessment to ensure they do not conflict. Further efforts are needed to step up intelligence-led investigations of and to improve information exchange among government stakeholders to ensure adequate implementation of AML/CFT rules and investigation of cases. Furthermore, Montenegro must develop stronger, proactive cooperation among the FIU, the supervisory bodies, and the sectors charged with enforcing legislation. The government should take steps to improve financial crimes investigations and enhance the supervisory system for banks and all other designated entities, in particular gaming houses, lottery houses, and casinos. The government should further increase the capacity of the police and the State Prosecutor's Office to carry out complex financial, money laundering, and terrorism financing investigations.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Montenegro does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

Montenegro is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Montenegro is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2016

Montenegro is a transit country for illegal drugs entering Western Europe along traditional Balkan smuggling routes. The most prevalent drugs trafficked through Montenegro are marijuana (produced in Albania), heroin (from Afghanistan transiting through Kosovo and Albania), and cocaine from Latin America. There is growing law enforcement evidence that Montenegrin traffickers are directly involved in smuggling cocaine from South America to Europe. Authorities estimate that approximately 15 percent of the drugs trafficked through Montenegro are consumed locally. During 2015, synthetic drug use grew significantly, and overall illegal drug demand is increasing. The United States and Montenegro continue to increase counter narcotics cooperation, in information sharing and joint investigations.

In 2015, Montenegro took steps to broaden law enforcement efforts, upgrade capacities in policing and criminal investigations, interdict smuggling chains, reduce distribution, offer prevention programs, and exchange intelligence with foreign law enforcement partners. The Police Anti-Narcotics Department has 50 law enforcement officers in five regional offices and has received upgraded equipment including eight new vehicles. During the first 10 months of 2015, criminal charges were brought against 120 individuals connected to the seizure of 162.5 kilograms (kg) of marijuana, 4.1 kg of heroin, 0.3 kg of cocaine and 1.2 kg of synthetic drugs.

Montenegro continued its 2013 – 2020 national narcotics control strategy with assistance from the United Nations Office of Drugs and Crime and the European Union (EU), and established a national data base on drugs. Authorities estimate that the number of people with substance use disorders seeking medical help is increasing, and the Public Health Institute stated that during 2014, 677 patients were treated. Mitigation efforts include treatment and rehabilitation programs, awareness campaigns, strengthening of municipal offices, and engagement of non-governmental organizations (NGOs) with prisons in post-release rehabilitation and re-socialization projects. Authorities assess that Montenegro has between 2,500 to 5,000 people with substance use disorders, but NGOs estimate that the actual number may range from 10,000 to 15,000.

In June 2015, two senior National Police Directorate officials attended the International Drug Enforcement Conference in Colombia sponsored by the U.S. Drug Enforcement Administration (DEA). Montenegrin authorities conducted several major joint investigations with DEA, EU countries, and coordination bodies such as EUROPOL, leading to arrests and seizures of narcotics in 2015. In one significant operation conducted jointly with Spanish authorities, 69 suspects were arrested, including two Montenegrin citizens, and over 3.5 metric tons of cocaine and 9.4 million euros of criminal assets were seized. The United States will continue to support and assist Montenegro's efforts to fulfill its drug control commitments.

US State Dept Trafficking in Persons Report 2016 (introduction):

Montenegro is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards

Montenegro is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. Victims of sex trafficking identified in Montenegro are primarily women and girls from Montenegro, neighboring Balkan countries, and, to a lesser extent, other countries in Eastern Europe. Sex trafficking victims are exploited in hospitality facilities, bars, restaurants, night clubs, and cafes. Children, particularly Roma, are subjected to forced begging. Romani girls from Montenegro reportedly have been sold into marriages in Romani communities in Montenegro and, to a lesser extent, in Kosovo, and forced into domestic servitude. International organized criminal groups occasionally subject Montenegrin women and girls to sex trafficking in other Balkan countries.

The Government of Montenegro does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government maintained strong prevention efforts, enacting a 2015 action plan for the implementation of its 2012-2018 anti-trafficking strategy. Law enforcement efforts were limited; the government initiated four new investigations, and continued to prosecute and convict traffickers for the lesser crime of brokering in prostitution. The government provided victim services and identified an increased number of victims. The 2014 Foreigners Act went into effect in April 2015, allowing foreign trafficking victims to obtain three- to 12-month residence permits, and requiring police to work with NGOs and social workers to determine if a minor is a trafficking victim and eligible to receive healthcare, education, and social services.

Latest US State Dept Terrorism Report 2009

The Ministry of Interior, through the Police Directorate and the Agency for National Security, is primarily responsible for counterterrorism operations. In 2009, the Ministry of Interior continued work on a National Counterterrorism Strategy to foster better counterterrorism cooperation among its different institutions.

Seventeen individuals, including four Americans, were convicted and sentenced to prison in 2008 for an intended terrorist act referred to as the "Eagles Flight" case.[4] The individuals had appealed their conviction, and, in 2009, the appellate court dismissed their appeals, indicating that each was to serve the original sentence. During 2009, five of the individuals, including two U.S. citizens, completed their sentences, and were released from prison.

Montenegrin legislation on terrorism has been harmonized with EU standards and UN conventions.[5] In 2007, Parliament passed the Law on the Prevention of Money Laundering and Terrorist Financing. The FIU also publishes an international list of terrorists and terrorist organizations established pursuant to UN resolution 1267. In 2009, the FIU produced instructions for risk analysis for the Prevention of Money Laundering and Terrorist Financing. These instructions set out risk factors which determine the level of risk of individual clients, groups, and business relations.

Montenegro contributed to international efforts supporting the government of Afghanistan, and prepared to deploy a military unit to Afghanistan. In July, the Parliament of Montenegro approved a plan to send 31 military personnel to join the NATO-led International Security Assistance Force mission in Afghanistan. This deployment is Montenegro's first participation in a NATO-led peacekeeping mission. Montenegrin troops operated within ISAF's Regional Command North.

Montenegrin police forces, including the "Special Anti-Terrorism Unit," (SAJ), have received international and U.S. training and equipment. Besides the SAJ, the Special Police Unit is also training and equipping a high-threat arrest team that can be used to augment the SAJ during larger counterterrorism operations. For example, the George Marshall European Centre for Security Studies trained government officials, police, and military officers through two programs in 2009: the Combating Terrorism Language Program and the Terrorism and Security Studies Program. Also, the Department of Justice ICITAP program provided training for the police organized crime unit, which is also responsible for conducting terrorism investigations. Despite significant training and equipment from outside donors, implementation of the laws is weak, corruption and porous borders remain issues, and Montenegrin law enforcement and security agencies will require additional assistance to attain international standards.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	46
World Governance Indicator – Control of Corruption	54

Corruption is a problem for investors in Montenegro. The regulatory environment can be complex and time-consuming, and business regulations are inconsistently applied. Corruption is particularly pervasive at the municipal level in the areas of land zoning, public procurement, privatisation, education and healthcare. The Montenegrin Criminal Code applies to all individuals in public and private sectors, and it criminalises active and passive bribery, abuse of office, trading in influence and fraud. A bribe does not need to be of monetary value, but can also constitute gifts and other types of benefits. Companies are held liable for criminal offences committed by their representatives under the Law on Criminal Liability of Legal Entities. Integrity mechanisms have limited effectiveness, and enforcement of anti-corruption legislation is hindered by inadequate institutional coordination, implementation and monitoring. Bribery is widespread in Montenegro, and gifts are expected in certain sectors. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

Corruption and the perception of corruption are significant issues in Montenegro. Corruption routinely places high on the list of citizen concerns in opinion polls.

Montenegro placed 67th in the Transparency International (TI) 2013 Corruption Perception Index list, seven places better than the previous year. Regionally, Croatia was ranked 57, Bosnia and Herzegovina 72, while Macedonia was ranked 67, Serbia 72, Kosovo 111, and Albania 116.

A legal framework to help combat corruption and organized crime has been in force since the August 2006 adoption of the Law on Witness Protection. Montenegro has been a full member of the International Criminal Police Organization-Interpol since September 2006. In the past two years, the government has achieved some progress on combating official corruption through adoption of important legislation on public procurement, the treasury and budget system, and the courts. Nevertheless, there have been few high-profile corruption prosecutions including at the levels of local and national government.

On June 29th, 2012 Montenegro officially started negotiations on the EU *acquis communautaire* process, beginning with the most challenging chapters related to the area of rule of law.

Section 3 - Economy

Montenegro's economy is transitioning to a market system. From the beginning of the privatization process in 1999 through 2015, around 85% of Montenegrin state-owned companies have been privatized, including 100% of banking, telecommunications, and oil distribution. Tourism brings in twice as many visitors as Montenegro's total population every year. Several new luxury tourism complexes are in various stages of development along the coast, and a number are being offered in connection with nearby boating and yachting facilities.

Montenegro uses the euro as its domestic currency, though it is not an official member of the euro zone. In January 2007, Montenegro joined the World Bank and IMF, and in December 2011, the WTO. Montenegro began negotiations to join the EC in June, 2012, having met the conditions set down by the European Council, which called on Montenegro to take steps to fight corruption and organized crime.

The government recognizes the need to remove impediments in order to remain competitive and open the economy to foreign investors. The biggest foreign investors in Montenegro are Italy, Norway, Austria, Russia, Hungary and the UK. Net foreign direct investment in 2014 reached $483 million and investment per capita is one of the highest in Europe.

Montenegro is currently planning major overhauls of its road and rail networks, and possible expansions of its air transportation system. In 2014, the Government of Montenegro selected two Chinese companies to construct a 41 km-long section of the country's highway system. Construction will cost around $1.1 billion. Montenegro first instituted a value-added tax (VAT) in April 2003, and introduced differentiated VAT rates of 17% and 7% (for tourism) in January 2006. In May 2013, the Montenegrin Government raised the higher level VAT rate to 19%.

Agriculture - products:

tobacco, potatoes, citrus fruits, olives, grapes; sheep

Industries:

steelmaking, aluminium, agricultural processing, consumer goods, tourism

Exports - partners:

Croatia 22.7%, Serbia 22.7%, Slovenia 7.8% (2012 est.)

Imports - partners:

Serbia 29.3%, Greece 8.7%, China 7.1% (2012 est.)

Banking

Montenegro is one of a few (together with the Andorra and Kosovo) countries that do not belong to the Euro zone but use Euro as its official currency, but without any formal agreements. (The Euro has been officially in use in Montenegro since March 31, 2002).Use of the Euro defines the role of the Central Bank; since its authority is limited, it has focused on control of the banking system, and maintenance of the payment system. It acts as the state fiscal agent and monitors monetary policy. The main advantages of such a system are that there is: (i) no possibility of deficit coverage by printing money; (ii) market regulation of prices; (iii) market regulation of interest rates; (iv) market regulation of exchange rates; (v) use of sophisticated measures of monetary policy such as a required reserve; and (vi) better focus on banking sector control.

The Central Bank of Montenegro, established in 2001, is the monetary authority. The banking sector functions under the new Law on Banks adopted in March 2008. The new Law contains significant innovations which envision bringing all standards of banking in line with the framework set by the Basel Committee on Banking Supervision and with the principals of corporate banking. The law defines the regulatory system and the conditions under which financial institutions should operate. The Banking Law aims at securing legal prerequisites for the expansion of the banking market, allowing foreign banks to open branches in Montenegro. The Law on Banks also defines norms to protect clients. Part of the legal banking framework includes the Law on Bank Bankruptcy and Liquidation, which made the process of banking liquidation more efficient. During 2002 and 2003, the Central Bank adopted a set of regulations related to banking supervision and banking operations in line with EU standards, including the Decision on Credit Unions and the Decision on Micro-Credit financial institutions. The Deposit Protection Law, adopted in 2003, established the Deposit Protection Agency at the beginning of 2006.

Stock Exchange

The capital market comprises two stock markets: The Montenegro Stock Exchange and the Nex Stock Exchange.

Section 4 - Investment Climate

Executive Summary

Since regaining its independence in 2006, Montenegro has adopted a legal framework that encourages privatization, employment, and exports. Implementation, however, lags well behind the legal structure, and the Montenegrin economy continues to flounder on a very narrow tax base and a band of three developing sectors: tourism, energy, and to a lesser extent agriculture. Montenegro has one of the highest public debt to GDP ratios in the region, currently at 60%, with forecast of growing indebtedness to cope with the repayment of €800 million debt to China's Ex/Im Bank for financing Montenegro's first modern highway. Despite legal improvements, corruption is a major concern. Montenegro ranks 61 in Transparency International's (TI) 2015 "Corruption Perception Index" survey of 167 countries. In 2015, the economy grew by 3.5% while unemployment is stuck at nearly 20%.

As a candidate country on its path to join the European Union (EU), Montenegro is making good progress in opening and negotiating chapters with the EU. To date it has opened 22 out of 35 chapters and has provisionally closed two. Montenegro received an invitation to join NATO in December 2015, which is historic and perhaps the most important event since its independence in 2006.

Tourism

Montenegro's 300 km- long coastline and the spectacular mountainous north drives the tourism sector, which accounts for up to 20 percent of GDP. Government sales of formerly state-owned land have spurred a wave of foreign investment in large-scale tourism and hospitality centers; however, bureaucratic gridlock has left many of these projects on hold. No one country dominates the FDI field, with Russia, Azerbaijan, China, Swiss (Egypt), Arabian Gulf, U.S., U.K., and Canadian projects taking root.

Energy

The GoM is building an underwater electric transmission cable to Italy which will export renewable energy to the continent starting in 2017. Additionally, there are several ongoing conventional energy projects around the country, including a second block of the thermal plant in Pljevlja (which has drawn Czech interest and the Government is in final phase of negotiation with Skoda Praha) and a number of small-scale hydro projects. In late 2013, Montenegro invited international oil and gas companies to bid on licenses to explore its offshore coast, based on seismic data showing favorable condition for hydrocarbon deposits off Montenegro's deep-water coast. The Government has adopted a concession agreement with the Italian-Russian consortium Eni/Novatek for four blocks. Next year, they will most likely sign one more agreement with a Greek – British consortium Energean oil/Mediterranean oil & gas for just one block. It is expected that the exploration will start in 2016 and several more licensing rounds are foreseen in by 2020 for additional exploration blocks.

Agriculture

Montenegro's temperate climate supports a nascent agro-production industry; however, the country continues to be dependent on imports of food products from neighboring countries owing to the economies of scale. The exception is the local wine industry, with government-owned “Plantaze” being a leading regional producer and exporter to Europe and the U.S.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	61 of 167	transparency.org/cpi2015/results
World Bank’s Doing Business Report “Ease of Doing Business”	2015	46 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	42 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2015	N/A	BEA/Host government
World Bank GNI per capita	2014	7,320	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Montenegro regained its independence in 2006 and since then, country has adopted an investment framework that in principle encourages growth, employment, and exports. Montenegro, however, is still in the process of establishing a liberal business climate that fosters foreign investment and local production, and the country is dependent on imports from neighboring countries though it has significant potential in some areas of agriculture and food production. Although the continuing transition has not yet eliminated all structural barriers, the government generally recognizes the need to remove impediments in order to remain competitive, reform the business environment, and open the economy to foreign investors.

In general, there are no distinctions made between domestic and foreign-owned companies. Foreign companies can own 100 percent of a domestic company, and profits and dividends can be repatriated without limitations or restrictions.

Foreign investors can participate in local privatization processes and can own land in Montenegro generally on the same terms as locals. Expropriation of property can only occur for a "compelling public purpose” and compensation must be made at fair market value. There has been no known expropriation of foreign property. International arbitration is allowed in commercial disputes involving foreign investors.

Laws/Regulations on Foreign Direct Investment

Registration procedures have been simplified to such an extent that it is possible to register a company electronically in Montenegro. Bankruptcy laws have been streamlined to make it easier to liquidate a company; accounting standards have been brought up to international norms; and custom regulations have been simplified. There are no mandated performance requirements.
Montenegro has enacted specific legislation outlining guarantees and safeguards for foreign investors. Montenegro's Foreign Investment Law establishes the framework for investment in Montenegro. The law eliminates previous investment restrictions, extends national treatment to foreign investors, allows for the transfer/repatriation of profits and dividends, provides guarantees against expropriation, and allows for customs duty waivers for equipment imported as capital-in-kind.

Montenegro also has adopted more than 20 other business-related laws, all in accordance with EU standards. The main laws that regulate foreign investment in Montenegro are: the Foreign Investment Law; the Enterprise Law; the Insolvency Law; the Law on Fiduciary Transfer of Property Rights; the Accounting Law; the Law on Capital and Current Transactions; the Foreign Trade Law; the Customs Law; the Law on Free Zones; the Labor Law (which is currently undergoing amendment to make personnel decisions more efficient); the Securities Law; the Concession Law, and the set of laws regulating tax policy. Montenegro has taken significant steps in both amending investment-related legislation in accordance with global standards and creating necessary institutions for attracting investments. However, as is the case with other countries in transition, implementation and enforcement of existing legislation remains weak and inconsistent.

While Montenegro has taken steps to make the country more open for foreign investment, some deficiencies still exist. The absence of fully developed legal institutions has fostered corruption and weak controls over conflicts of interest. The judiciary is still slow to adjudicate cases, and court decisions are not always consistently reasoned or enforced. Montenegro’s significant grey economy impacts its open market, negatively affecting businesses operating in accordance with the law. Favorable tax policies established at the national level are often ignored at the municipal level.

Business Registration

The Central Register of the Commercial Court is in charge of business registration (www.crps.me). It has an electronic database of registered business entities, contracts on financial leasing and pledges. To register a business in Montenegro takes an average of 4 to 5 working days. Minimum financial requirement for a Limited Liability Company (LLC) is just 1€ and three documents are required: founding decision, bylaws and a copy of the passport (if individual is founding a company) or registration form for the specific type of company. Samples of all documents are available for download at the CRPS website.

Montenegrin law permits the establishment of six types of companies: Entrepreneur, Limited Liability Company, Joint Stock Company, General partnership, Limited Partnership and Part of a foreign company.

If Entrepreneur wants to conduct business under a different name it is necessary to register company in Commercial Court, and he/she needs to present:

- Personal identification card
- No minimum capital requirement
- Completed registration form
- Registration fee of €10
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

Limited Liability Company

- One to thirty persons
- Founding act (The Foundation Agreement)
- Contract of decision of company's foundation (The Charter)
- Minimum capital requirement of €1
- Registration fee of €10
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

Joint Stock Company

- Founding act (The Foundation Agreement)
- Contract of decision of company's foundation (The Charter)
- List of names of all members of boards and managers
- Decision of the Securities Commission approving the prospectus for the public offering of shares
- Decision of the Securities Commission determining the successfulness of the issue
- Minimum capital requirement of €25,000
- Completed registration form
- Registration fee of €50
- Administrative fee of €12 for placing an advertisement in the Official Gazette of Montenegro

General partnership

- Two or more persons

- No minimum equity requirement
- Completed registration form
- Registration fee of €10

Limited partnership

- Two or more individuals
- No minimum equity requirement
- Completed registration form
- Registration fee of €10

Part of a foreign company (Foreign Company Branch)

- An authenticated copy of the charter of the foreign company and a translation of the charter in the Montenegrin language duly certified as a true and correct translation
- Registration certificate from the home country
- Financial reports
- No minimum equity requirement
- Completed registration form
- Registration fee of €10

After fulfilling all these requirements, it is necessary to open a bank account. After that, the company reports to Tax Authority in order to receive a PIB (taxation identification number) and VAT number (Value Added Tax).

To better promote investment and foster economic development, the Government of Montenegro established the Montenegrin Investment Promotion Agency (MIPA) in mid-2005. It seeks to promote Montenegro as a competitive investment destination by actively facilitating investment projects in the country.

Inquiries on investment opportunities in Montenegro can be directed to:

Milos Jovanovic, Acting Director
Montenegrin Investment Promotion Agency (MIPA)
Jovana Tomasevica 2
81000 Podgorica, Montenegro
Tel/fax: (+382 20) 203 140, 203 141, 202 910
Website: http://www.mipa.co.me
E-mail: info@mipa.co.me

The classification of enterprises by size, based on number of employees is following: (i) small enterprises (from 1 to 49 employees), (ii) medium-sized enterprises (from 50 to 249) and (iii) large enterprises (more than 250 employees).

Industrial Promotion

The Government of Montenegro has created Montenegrin Investment Promotion Agency (MIPA), the Privatization and Capital Project Council and Secretariat for Development Projects with the aim to promote investment opportunities in the different sectors of the Montenegrin economy, primarily in the tourism, energy and agriculture sectors.

Limits on Foreign Control and Right to Private Ownership and Establishment

There are no limits on foreign control and right to private ownership and establishment in Montenegro.

Privatization Program

The Government of Montenegro is the main institution responsible for the privatization process. The Privatization and Capital Projects Council has been formed to manage, control and supply implementation of the privatization process as well as to propose and coordinate all activities necessary for capital projects application in Montenegro. The Prime Minister of Montenegro is the president of the Privatization and Capital Projects Council.

The responsibility of this council is defined by the Law on Economic Privatization. The Privatization Council announces each year the plan for privatization which defines which companies will be privatized and the methods of their privatization and foreign investors can participate in the privatization process.

The privatization process in Montenegro is in its final phases. The majority of companies that have not yet been privatized are of strategic importance to the Montenegrin economy in such fields as energy, transport and tourism. Further privatization of state-owned companies should contribute to better economic performance, increase the competitiveness of the country and enable the Government of Montenegro to generate higher revenues which will enhance capital investments and reduce debts.

More information about the Council and the actual privatization plan is available on the Council's website: www.savjetzaprivatizaciju.me/en

Screening of FDI

There are no institutional barriers against foreign investors including U.S. businesses, and there is no screening mechanism specifically oriented to them.

Competition Law

The Agency for Protection of Competition has been established as functionally independent entity with the entry into force of the new *Law on Protection of Competition* and following registration with the Central Register of Economic Entities in February 2013. The area of free market competition, regulated by Law, represents the area that has direct and significant impact on the overall economic development, the state and possibilities of investment activity, raising the level of quality of goods and services, thus creating the conditions for lower prices and creation of modern, open market economy, providing Montenegro with possibility to participate in the single market of the European Union and in other international market trends.

2. Conversion and Transfer Policies

Foreign Exchange

The Foreign Investment Law guarantees the right to transfer and repatriate profits in Montenegro. Montenegro uses the Euro as its domestic currency.

Remittance Policies

There are no difficulties in the free transfer of funds exercised on the basis of profit, repayment of resources, or residual assets.

3. Expropriation and Compensation

Montenegro provides legal safeguards against expropriation. Protections are codified in several laws adopted by the government. There have been no cases of expropriation of foreign investments in Montenegro. However, Montenegro has outstanding claims related to property nationalized under the Socialist Federal Republic of Yugoslavia, including the number of cases, which involve U.S. citizens.

At the end of August 2007, Parliament passed a new Law on Restitution, which supersedes the 2004 Act. In line with the law, three review commissions have been formed: one in Bar (covering the coastal region); one in Podgorica (for the central region of Montenegro); and one in Bijelo Polje (for the northern region of Montenegro.) The basic restitution policy in Montenegro is restitution in kind when possible, and cash compensation or substitution of other state land when physical return is not possible.

Montenegro provides safeguards from expropriation actions through its Foreign Investment Law. The law states that the government cannot expropriate property from a foreign investor unless there is a "compelling public purpose" established by law or on the basis of the law. If an expropriation is executed, compensation must be provided at fair market value plus one basis point above the LIBOR rate for the period between the expropriation and the date of payment of compensation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Montenegro’s legal system is of a civil, continental type based on Roman law. It includes legal heritage of former Yugoslavia and State Union of Serbia and Montenegro. As of 2006 when the country regained its independence Montenegrin codes and criminal justice institutions are applicable and operational. Montenegro's Law on Courts defines a judicial system consisting of three levels of courts: Basic, High, and the Supreme Court. Montenegro established the Appellate Court and the Administrative Court in 2005 for the appellate jurisdiction in criminal and commercial matters, and specialized jurisdiction in administrative matters. The specialized Commercial Courts have first instance jurisdiction in commercial matters. .

The Basic Courts have first instance jurisdiction in the civil cases and criminal cases where the prison sentence of up to 10 years is defined. There are 15 Basic courts for Montenegro's 23 municipalities. Two High Courts in Podgorica and Bijelo Polje have appellate review of municipal court decisions. The High Courts also decide on jurisdictional conflicts between the municipal courts. They are also first instance courts for crimes where prison sentence of more than 10 years is defined-serious crime. Podgorica High Court has specialized judges/department who deal with organized crime, corruption, war crimes, money laundering and terrorism cases.
According to the Law on Courts there is just one Commercial Court based in Podgorica. There are other specialized courts according to the new Law and those are Misdemeanor Courts (Basic Misdemeanor Courts and the Appellate Misdemeanor Court). Commercial court has jurisdiction in the following matters: all civil disputes between legal entities, shipping, navigation, aircraft (except passenger transport), intellectual property rights, bankruptcy, and unfair trade practices. The High Court hears the appeals of Basic Court decisions, and the High Courts' first instance decision may be appealed to the Appellate Court. The Supreme Court is third (and final) instance court for all decisions. The Supreme Court is the court of final judgment for all civil, criminal, commercial, and administrative cases and it acts only upon irregular i.e. extraordinary legal remedies. The Appellate Court is a second instance court for decisions of the Commercial Courts. There is also the Constitutional Court of Montenegro, which checks the constitutionality, and legality of legal acts, and acts upon constitutional complains in relation to human rights violations.

The commercial court system faces challenges, such as poor implementation of legislation and confusion over numerous changes to existing laws; developing a new system of operations, including electronic communication with claimants; and a lack of capacity and expertise among the judges, as well as case backlog in general.

Over the last several years, the adoption of 20 new business laws has significantly changed and clarified the legislative environment. Legislative reforms that have been taking place in the last few years are expected to improve efficiency and effectiveness of the court proceedings, which is already visible in the Basic Courts.

Bankruptcy

The Bankruptcy Law, adopted in January 2011, mandates that debtors are designated insolvent if they cannot meet financial obligations within 45 days from the date of maturity of any debt obligations. The Foreign Trade Law decreases barriers for doing business and executing foreign trade transactions and is in accordance with WTO standards. However, the law still provides a scope for restrictive measures and discretionary government interference.

Investment Disputes

Post is aware of one investment dispute, which involves American company in Montenegro. However, there are a number of individual American investors involved in public procurement and construction cases that are in various stages of dispute resolution with the government.

International Arbitration

Dispute resolution is under the authority of national courts, but it can also fall under the authority of international courts if the contract so designates. Accordingly, Montenegro allows for the possibility of international arbitration. Various foreign companies have other bilateral and multilateral organizations -- such as MIGA (World Bank), OPIC (U.S.), ECGD (UK), SID (Slovenia), SACE (Italy), COFACE (France), and OEKB (Austria) -- providing risk insurance against war, expropriation, nationalization, confiscation, inconvertibility of profit and dividends, and inability to transfer currency. In 2012, Montenegro became a Party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention).

ICSID Convention and New York Convention

Montenegro ratified its ICSID Convention membership on April 2013 and the country fully enforces the Convention.

Duration of Dispute Resolution – Local Courts

Montenegro has been doing a lot to deal with long and non-efficient trial proceedings. Procedural laws have been amended in the last few years in order to improve efficiency of the proceedings in line with the standards of the European Convention of Human Rights (Note: Most complaints that go to the European Court of Human Rights against Montenegro concern Article 6 of the Convention – right to a fair trial in a reasonable time). Civil appellate procedure has been simplified and remand procedures limited. In addition, Montenegro has the Law on Protection of the Right to a Fair Trial in Reasonable Time, which envisions compensation if a trial is delayed beyond a reasonable period, and introduces a series of controlling mechanisms during the trial itself to ensure it moves forward at a reasonable rate.

In 2011 Montenegro adopted the Law on Public Bailiffs. It improved the procedure of enforcement of civil judgments.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The GoM has not notified the World Trade Organization (WTO) of any measures that are inconsistent with the WTO's Trade Related Investment Measures (TRIMs), nor have there been any independent allegations that the GoM maintains any such measures.

Investment Incentives

Investors who realize their investment projects in Montenegro can receive financial incentives awarded by the Government. Both, Montenegrin and foreign legal entities can apply for investment incentives.

The Government of Montenegro adopted the Decree on Direct Investment incentives with an aim to further improve the business environment in Montenegro and stimulate economic growth through increased inflow of direct investments and job creation. For investments greater than €500,000 that create at least 20 new jobs within three years from the date of signing the incentive agreement, both domestic and foreign investors can apply for cash grants in amount of €3,000 to €10,000 per every new job created. For investments in the North and Central region (except for the capital Podgorica), minimum investment is €250,000 and 10 new jobs. For capital investments greater than €10 million that create at least 50 new jobs, incentives can be awarded in the amount of up to 17% of the investment value. The decree also provides for refunds of infrastructure development costs incurred in the process of realizing the investment project. The exact amount of the incentives is determined in accordance with the criteria defined in the decree. A decision on the incentives awarded is approved by the Government and the funds are payable in three equal installments, that must be backed by adequate bank guarantees.

The government is also offering, in partnership with local municipalities some incentives via special business zones, which have already been created in several cities outside the capital.

Research and Development

U.S. and other foreign firms are not restricted from participating in government/authority financed and/or subsidized research and development programs.

Performance Requirements

The government does not impose any performance requirements as a condition for establishing, maintaining, or expanding an investment. There is defined a package of incentives offered to foreign investors, including duty exemptions for imported equipment.

Beginning of March, AmCham Montenegro and the Foreign Investors' Council announced that Montenegro has improved and liberalized its business environment thanks to amendments to the Law on Foreigners. According to changes to the law, businesses no longer must provide official records containing proof that no other person from Montenegro, of the required vocational profile, is available for a particular job before hiring a foreigner which was the procedure in Montenegro for around eight mounts when the suggestions of the business community have been adopted.

Data Storage

The government does not use "forced localization," the policy in which foreign investors must use domestic content in goods or technology. The only exception is the Agreement with two Chinese companies, which will develop the country's first national highway. As it is the most important and the biggest infrastructure project that Montenegro will develop (worth close to one billion euros) it is required that 30% of the labor contract be engaged locally.

6. Protection of Property Rights

Real Property

In July 2002, Montenegro enacted the Law on Secured Transactions and established a collateral registry at the Commercial Court in May 2003. The registry's operational guidelines have been drafted and approved by the Commercial Court. The main goal of the Law on

Secured Transactions is to establish a clear and transparent framework. In August 2004, Montenegro adopted a new Law on Mortgages by which immovable property may be encumbered by a security interest (mortgage) to secure a claim for the benefit of a creditor who is authorized, in the manner prescribed by the law, to demand satisfaction of his claim by foreclosing the mortgaged property with priority over creditors who do not have a mortgage created on that particular property, as well as over any subsequently registered mortgage, regardless of a change in the owner of the encumbered immovable property. The Real Estate Administration is making an effort to improve cadaster records and has made progress in the last couple years, although more work needs to be done. The World Bank's Doing Business Report ranked Montenegro79 out of 189 positions when it comes to property registration.

Intellectual Property Rights

The acquisition and disposition of intellectual property rights are protected by the Law on the Enforcement of Intellectual Property Rights, which entered into force on January 1, 2006. The law provides for fines for legal entities of up to €30,000 for selling pirated and/or counterfeited goods. It also provides ex officio authority for market inspectors in the above mentioned areas. A new set of amendments to the existing Law on the Enforcement of Intellectual Property Rights were adopted in last several years in line with EU regulations to improve implementation of IPR protections. In April 2005, the Montenegrin Parliament adopted the Regulation on (TRIPs) Border Measures that provides powers to customs authorities to suspend customs procedures and seize pirated and counterfeit goods.

Montenegro's Penal Code penalizes intellectual property right violations, allows for ex officio prosecution, and provides for stricter criminal penalties; however, copyright violation is a significant problem in the outerwear and apparel market and unlicensed software can be easily found on the general market. The Law on Optical Disks was adopted in December 2006; it requires the registration of business activity when reproducing optical disks for commercial purposes and provides for surveillance of optical disk imports and exports, and imports and exports of polycarbonates.

The Montenegrin Intellectual Property Office is an authority within the state administration system of Montenegro which is competent for activities related to the industrial property rights. The Intellectual Property Office is established under the Regulation on organization and manner of work of the state administration, dated May 11, 2007 (''Official Gazette of the Republic of Montenegro,'' No. 25/07) and officially started working on May 28, 2008.

A regulation on the recognition of intellectual property rights was adopted in September 2007. Under this regulation, any rights registered with the Union Intellectual Property Office or with the Serbian Intellectual Property Office and any pending applications filed with these offices before May 28, 2008 are enforceable in Montenegro. Any IPR application submitted after that date in Serbia will have to be re-submitted in Montenegro within six months, to retain its acquired priority.

IPR market inspectors, police officers, customs officers, and employees of the Ministry of Economy attended a number of training seminars on intellectual property protection and counterfeiting, including an IPR enforcement workshop hosted by the American Chamber of Commerce and its members. At the end of 2007, the Customs Administration signed a Letter of Intent for Acceptance of SECURE Standards (standards to be employed by customs for uniform rights enforcement), adopted by the World Customs Organization (WCO) to promote the efficient protection of intellectual property rights by customs authorities.

Montenegro is not on the Special 301 Watch List. However, the sale of pirated optical media (DVDs, CDs, software) as well as counterfeit trademarked goods, particularly sneakers and clothing, is widespread. According to the latest survey of International Data Corporation (IDC) piracy rate in Montenegro is among the highest in Europe on the level of 76%. Enforcement is slowly improving as customs, police, and judicial authorities obtain the necessary tools, but institutional capacity and public awareness is still limited.

Resources for Rights Holders

Contact at the Mission in Montenegro:

Name: Vivek Joshi
Title: Pol/Econ Deputy Chief
Telephone number: +382 20 410 500
Email address: JoshiVV@State.gov

To further improve intellectual property protection, AmCham Montenegro established an IPR Committee in April 2009 and today it is operating under the Grey Economy Committee. The main goal of the Committee is to work closely with Montenegrin institutions which deal with IPR, to increase public awareness of the importance of intellectual property protection, and to help the GoM strengthen its administrative capacities in this field. More information about their activities could be found at www.amcham.me.

7. Transparency of the Regulatory System

The Montenegrin Law on Foreign Investment is based on the national treatment principle, and all proposed laws and regulations are published in draft form and open for public comment, generally for a 30-day period.

Regulations are often applied inconsistently, particularly at the municipal level. Many regulations are in conflict with other regulations, or are ambiguous, creating confusion for investors. As noted in the American Chamber of Commerce's 2014 Business Climate Survey, many municipalities lack adequate Detailed Urban Plans, making construction permit procedures lengthy and complex. Some municipalities are making efforts to speed up procedures in order to provide a more friendly business environment for investors while on the national level there are fewer obstacles for these kinds of activities; however, many larger-scale projects involve both local and national authorities. Often both administrations must be worked with in order to realize a project.

Foreign investors can establish a company and invest in it in the same manner and under the same conditions which apply to domestic persons. The same regulations are applied to both domestic and foreign investors, and there are no other regulations which might deprive a foreign investor of any rights or limit such rights. The Law of Foreign Investments is now fully harmonized with World Trade Organization rules.

On January 22, 2004, the Parliament of Montenegro established an Energy Regulatory Agency, which has authority over the electricity, gas, oil, and heating energy sectors. Its main tasks are the approval of pricing, development of a model for determining allowable business costs for energy sector entities, issuance of operating licenses for energy companies and for construction in the energy sector, and monitoring of public tenders. The energy law prescribes that energy sectors where prices are affected by monopoly positions of some participants, business costs will be set at levels approved by the Agency. In those areas deemed to function competitively, the market will determine prices. The price of gasoline is set nationally every two weeks and is uniform across all petrol stations.

The Agency for Electronic Communication and Postal Services was founded by the Montenegrin government in 2001. It is an independent regulatory body whose primary purpose is to design and implement a regulatory framework and encourage private investment in the sector.
Public procurement is conducted by the Public Procurement Directorate, Ministry of Finance as the main line ministry for the procurement area, and the State Commission for Control of Public Procurement Procedures in the protection of rights area. The Directorate started operations in June of 2007 while the State Commission for the Control of Public Procurement Procedures Control was established in 2011. The State Commission takes decisions in the form of written orders and conclusions made at its meetings. The decisions are made by a majority of present members. The method of work of the State Commission is specified in its Rules of Procedure. The Law of Public Procurement entered into force in 2011. The Administrative Court oversees cases involving public procurement procedures.

While there is a full legal and regulatory infrastructure in place to conduct public procurement, U.S. companies have complained in numerous cases about irregularities in the procurement process at the national level, and maintain there is an inability to meaningfully challenge decisions they believe were erroneously taken through the procurement apparatus. In other cases, the system delivers appropriate outcomes, though in a complex and time-consuming way.

8. Efficient Capital Markets and Portfolio Investment

The banking sector in Montenegro is completely privatized. There are fourteen banks operating in the country, and all of them are in private ownership; two are locally owned while the others are subsidiaries of international banks (including Austrian and Slovenian). It is expected that Azerbaijani Azmont Bank will start operations in Montenegro in 2016.

A new set of laws has been adopted and some of existing laws have been amended to improve regulation of the banking sector, provide a higher level of depositor safety and increase trust in the banking sector itself. The Law on the Protection of Deposits has been adopted to bring local legislation protecting deposits up to European standards. In accordance with the law, a fund for protecting deposits has been established. Deposits are guaranteed up to the amount of €50,000.

Beginning March 2016, Montenegro issued bonds worth €300 million in the international capital market in cooperation with Citibank, Deutsche Bank, Societe Generale and Erste Bank. The value of the issued bonds was €300 million, with an interest rate of 5.75 percent with the due in 2021. The issue has provided the funds necessary to repay liabilities related to bonds issued in 2011 with a 7.25 percent coupon that mature in 2016. In May 2014, Montenegro issued €280 million in bonds, paying 5.375% return. The bonds, which will mature in 2019, helped Montenegro raise the much-needed operating capital of nearly €200 million while extending and refinancing some of its older debt offerings. The Eurobond transactions achieved wider diversification among fund owners, including significant interest from US fund managers.

Money and Banking System, Hostile Takeovers

Banking operations in 2015 were marked with growth. The growth of deposits and capital continued, and there was a mild recovery of credit activity. The banking sector was solvent and liquid but with a still present high share of non-performing loans (12.4%). The balance sum (€3,477 million) recorded a growing trend and in December 2015 was 10.9% higher in comparison to the same period in 2014, while on an annual level it increased9.3%. A majority of bank assets are loans (65.2%), while the highest share of liabilities is deposits (75.5%). At the end of December, total bank loans to €2,386 million, which is 0.7% higher than at the end of the previous year. The growth of newly approved loans has contributed to intensifying the credit capability of banks, which in 2015 amounted to €962.7 million, an increase of 20.1% compared to the same period of the previous year. The implementation of the Law on Mutual Financial Restructuring of Debts should help decrease the volume of non-performing loans.

Assets deposited in banks in December 2015 amounted to €2,625 million or 13.7% more in comparison to the end of the previous year. The most significant amount of deposits come from individuals. Their deposits in December 2015 amounted to €1,439.8 million, making 54.9% of total deposits, which is8.1% higher compared to December 2014. On the other hand, the amount of corporate deposits in December 2015 amounted to €921.5 million or 35.1%.

Montenegro is one of a few countries that does not belong to the Euro zone but uses the Euro as its official currency, without any formal agreement. Since its authority is limited in monetary policies, the Central Bank has focused on control of the banking system, and maintenance of the payment system. It acts as the state fiscal agent and monitors monetary policy.

The Central Bank also regulates the process of bank establishment. A bank is founded as a joint-stock company and acquires the status of a legal entity by registering in the court register. An application for registration in the court register must be submitted within 60 days of the date of the bank being licensing.

9. Competition from State-Owned Enterprises

The privatization process in Montenegro is in its final phase. The majority of companies that have not yet been privatized are of strategic importance to the Montenegrin economy in such fields as energy, transport, and tourism.

Further privatization of state-owned companies should contribute to better economic performance, increase the competitiveness of the country and enable the Government of Montenegro to generate higher revenues (while lowering its outlays) which will enhance capital investments and reduce debts.

The Government of Montenegro is the main institution responsible for the privatization process. The Privatization and Capital Projects Council has been formed to manage, control and supply implementation of the privatization process as well as to propose and coordinate all activities necessary for capital projects application in Montenegro. The Prime Minister of Montenegro is the president of the Privatization and Capital Projects Council.

More information about the Council and the actual privatization plan is available on the Council's website: www.savjetzaprivatizaciju.me. Also, all state-owned enterprises have publicly available auditing accounts on the Montenegrin Securities Commission's website (www.scmn.me).

Montenegro is the country party to the Government Procurement Agreement (GPA) within the framework of the WTO.

OECD Guidelines on Corporate Governance of SOEs

From the beginning of the privatization process in 1999, nearly 90 percent of Montenegrin companies have been privatized. The most important state-owned companies still in existence include the Port of Bar, Montenegro Railways, Montenegro Airlines, Airports of Montenegro, Plantaze Vineyards, and some companies in the tourism industry. All of these companies are registered as joint-stock companies, with the Government of Montenegro appointing one or more representatives to each Board based on the ownership structure. All must provide an annual report to the government and are subject to independent audits.

The Government of Montenegro has treated SOEs as political prizes to be divvied up among political parties in the ruling coalition. SOE managers often are politicians or party activists appointed because of their political connections rather than their management skills or substantive expertise.

Sovereign Wealth Funds

There are no sovereign wealth funds in Montenegro.

10. Responsible Business Conduct

There are some good examples of the responsible business conduct (RBC) in Montenegro, but practices were still developing. The Government of Montenegro is, together with the different business organizations, NGOs and international community, organizing events in order to promote and encourage responsible business conduct. One of the main recommendations was that media in Montenegro should realize the pivotal role they can play in promoting initiatives related to RBC. In line with the European integration process, the government started to prepare a strategic document for the promotion of RBC and find ways to encourage the business sector to significantly help the community, including civil society organizations.

A recent survey showed that large private companies and associations are, indeed, more engaged in RBC activities, whereas small companies cited a lack of knowledge about RBC and the lack of support and interest from clients as the main reasons for not participating.

11. Political Violence

Montenegro is a mixed parliamentary and presidential country with a multiparty political system. The current government supports Montenegro's integration into the European Union and NATO. There is no sustained anti-American sentiment among the general public despite some residual resentment stemming from the 1999 NATO campaign against the regime in the former state union of Serbia and Montenegro. Montenegro and the United States share most policy goals and cooperate productively in many areas. There is broad support for the strengthening of ties with the United States, especially in the economic and commercial spheres.

12. Corruption

Corruption and the perception of corruption are significant problems in Montenegro. Corruption routinely places high on the list of citizen concerns in opinion polls. Montenegro placed 61st in the Transparency International (TI) 2015 Corruption Perception Index list.

A legal framework to help combat corruption and organized crime has been in force since the August 2006 adoption of the Law on Witness Protection. Montenegro has been a full member of the International Criminal Police Organization-Interpol since September 2006. In the past two years, the government has achieved some progress on combating official corruption through adoption of important legislation on public procurement, the treasury and budget system, and the courts. Recently the former President of Serbia and Montenegro, and third ranking ruling party official was arrested on corruption charges as have a number of lesser officials. Nevertheless, there have historically been few high-profile corruption prosecutions. According to recently adopted Law on Courts, there will be one centralized Superior Court, a Special Department for Organized Crime, Corruption, War Crimes, Terrorism and Money Laundering in the Podgorica Superior Court. This legislation placed money laundering under the jurisdiction of this Specialized Department. The Criminal Procedure Code and Criminal Code allow for confiscation of assets. The Law on Prevention of Corruption adopted in December 2014 and the recently amended Law on Prevention of Conflict of Interest impose on government officials the obligation to report on their property holding on a yearly basis.

The Government encourages state institutions and the private sector to establish internal codes of conduct. They are encouraged to have Ethical Codes, as well as obliged to have so called Integrity Plans.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Montenegro is a signatory to the UN Anti-Corruption Convention. To date, no foreign firms have lodged complaints against the GoM under any of these agreements. A number of U.S. firms have specifically noted corruption as an obstacle to direct investment in Montenegro, and corruption is seen as one of the typical hurdles to be overcome when doing business in the country. Corruption is most pervasive in Montenegro in the government procurement sector; the purchase and sale of government property takes place in a non-transparent environment with frequent allegations of bribery and cronyism.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

Name: Milivoje Katnic
Title: Special Prosecutor for Fighting Organized Crime, Corruption, War Crimes and Terrorism
Organization: Office of the Chief State Prosecutor
Address: Slobode 20, 81000 Podgorica, Montenegro
Telephone number: +382 20 230 624
Email Address: vdtcg@tuzilastvo.me

MANS (Network for Affirmation of NGO sector) is a non-governmental organization that fights against corruption and organized crime in Montenegro. They are engaged in investigating concrete cases of corruption and organized crime, monitoring the implementation of legislation and government policy, providing free legal aid to citizens, CSO-s, media and businesses, developing law and policy proposals and analysis and conducting advocacy campaigns.

Name: Vanja Calovic
Title: Executive director
Organization: MANS (Network for Affirmation of NGO sector)
Address: Dalmatinska 188, 81000 Podgorica
Telephone number: +382 20 266 326
Email Address: vanja.calovic@mans.co.me or mans@t-com.me
Website: www.mans.co.me

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

In December 2006, Montenegro signed the Central European Free Trade Agreement (CEFTA) intended to eliminate all custom restrictions for industrial and agricultural products in member states by 2010. The Parliament ratified CEFTA in 2007, and it took effect in Montenegro (and simultaneously in Albania, Macedonia, Moldova, and Kosovo). Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia were already parties to the Agreement. Montenegro holds CEFTA Presidency in 2016.

A Free Trade Agreement with the EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein) was signed on November 14, 2011. The EFTA states are the world's 11th largest merchandise trader, as well as significant actors in the areas of trade in services and foreign direct investment.

The United States does not have a Bilateral Investment Treaty (BIT) with Montenegro. It is possible that given the presence of U.S. investors, and Montenegro's interest, it could be a BIT candidate in the future.

The U.S. restored Normal Trade Relations (Most-Favored Nation status) to Montenegro in December 2003. This status provides improved access to U.S. markets for goods exported from Montenegro. The U.S. Government has approved Montenegro's request to be designated a beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program, which provides duty-free access to the U.S. market in various eligible categories (jewelry, ores, stones, many agricultural products etc.).

Other free trade agreements:

- Free Trade Agreement with Russia. A free trade agreement with Russia, concluded in August 2000, and provided for the elimination of barriers to Montenegrin exports to Russia. The agreement stipulated that the importing country regulate the rules of origin, in accordance with WTO principles. The list of products not covered by the duty free agreement is updated annually, and it currently includes poultry, sugar, chocolate, alcoholic beverages, soap, cotton, carpets, wooden furniture, household appliances, and motor vehicles. Also as a part of the negotiations with Russia there are negotiations on free trade agreements with Kazakhstan and Belarus, which formed a customs union together with Russia.

- Preferential Trade Agreement with the European Union. The EU has taken steps to stimulate the export of goods among countries in the region through the establishment of autonomous trade preferences (ATP), which provide duty-free entry for over 95 percent of goods. Exemptions include wine, meat, and steel. Products originating from Montenegro are generally admitted into the European Union without quantitative restrictions and are exempted from custom duties and charges. The products exempted from the free import regime are agricultural products, "baby beef" products, and textile products.

- Free Trade Agreement with Turkey. Montenegro and Turkey entered into force in 2010. The Turkey-Montenegro FTA eliminated tariff and non-tariff trade barriers between the countries. Also, the agreement regulates numerous other areas such as sanitary and phytosanitary measures, technical barriers to trade, intellectual property, rules of origin, internal taxation, anti-dumping and countervailing measures, safeguards, and balance of payments measures. While the list of industrial products covered is identical to that signed with the EU, the list of agricultural products is rather limited.

Bilateral Taxation Treaties

Montenegro signed forty two treaties with various countries on income and property, which regulate double taxing. At this moment, forty one treaties are in force, while one (with India) is pending. In force are treaties with Albania, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Korea, Kuwait, Latvia, Macedonia, Malaysia, Moldova, Malta, Holland, Norway, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Sri Lanka, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and United Arab Emirates. Montenegro does not have a double taxation treaty with the US.

In 2014, Montenegro and the U.S. Government concluded an agreement in substance on the Foreign Account Tax Compliance Act (FATCA), which will help the countries better track and report tax evasion and it is expected that formal signing will happen in next couple of months.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

In June 2004, Montenegro adopted the Law on Free zones, which offers businesses benefits and exemptions from custom duties, taxes and other duties. The Port of Bar is currently the only free trade zone in Montenegro. Free Zone users qualify for benefits provided by the Law and other regulations. Benefits include: free import without customs duties, customs fees or VA; storage incentives; a reduced corporate tax; and simplified processing procedures.

All regulations relating to free trade zones are in compliance with EU legal standards. Complete equality has been guaranteed to foreign investors in reference to ownership rights, economic activity in the zone, transfer of profits and deposits, and investment security.

Contact:

AD Luka Bar (Port of Bar Holding)
Obala 13. Jula bb
85000 Bar, Montenegro
Phone/Fax: +382 30 312 666
E - mail: lukabar@t-com.me
Web site: http://www.lukabar.me/

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	$4,416	2014	$4,588	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2013	$1 million	2014	$1 million	http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2013	n.a.	2014	n.a.	http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2013	n.a.	2014	n.a.	n.a.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	4,844	100%	Total Outward	NA	100%
Russian Federation	645	13			
Italy	604	12			
Cyprus	455	9			
Denmark	403	8			
Hungary	283	6			
"0" reflects amounts rounded to +/- USD 500,000.					

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Civil law

International organization participation:

CE, CEI, EAPC, EBRD, FAO, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFC, IFRCS, IHO (pending member), ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), MIGA, NAM (observer), OIF (observer), OPCW, OSCE, PCA, PFP, SELEC, UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNMIL, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Montenegro does not restrict the flow of currencies into and out of the country.

Treaty and non-treaty withholding tax rates

For further information - http://www.mipa.co.me/page.php?id=23

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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