Ref. Ares(2026)10120087 - 28/10/2026

ANNEX C1: Twinning Fiche[1]

Project title: Support to the regulation of the financial services

Beneficiary administration: Central Bank of Montenegro, Insurance Supervision Agency, Capital Market Authority, Ministry of Finance

Twinning Reference: ME 25 IPA FI 02 26

Publication notice reference: The publication notice reference will be completed by the European Commission

EU funded project

TWINNING TOOL

(It is recommended that the complete Twinning Fiche should not exceed 10 pages, excluding annexes)

[1] In case of different language versions of the Twinning Fiche it must be clearly indicated which language version prevails.

LIST OF ABBREVIATIONS

CBCG	Central Bank of Montenegro
CMA	Capital Market Authority of Montenegro
CMDI	Crisis management and deposit insurance acquis
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EIP	Economic and Investment Plan for the Western Balkans
ERP	Economic Reform Programme
ESCB	European System of Central Banks
ESMA	European Securities and Markets Authority
EU	European Union
ISA	Insurance Supervision Agency of Montenegro
IPA	Instrument for Pre-Accession Assistance
MS	Member State
MoF	Ministry of Finance
NPAA	National Programme for the Adoption of the Acquis
PSC	Project Steering Committee
RTA	Resident Twinning Advisor
SAA	Stabilization and Association Agreement
SBS statistics	Security-by-Security statistics
SDGs	Sustainable Development Goals

1. Basic Information

1.1 IPA III- DIRECT MANAGEMENT ACT-63249 - MNE2025-2027MAAP - EU Integration Facility for 2025, 2026 and 2027, AAP 2025.

1.2 Twinning Sector: Finance, Internal Market and Economic Criteria (FI)

1.3 EU funded budget: EUR 1.150.000

1.4 Sustainable Development Goals (SDGs): Proposed actions contribute to Montenegro's progress in the SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" and in the SDG 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels"

2. Objectives

2.1 Overall Objective:

The overall objective of this action is to support Montenegro's progress towards full integration into the European Union by enhancing the capacity of its financial sector regulatory and supervisory authorities to further align with the EU *acquis*, relevant EU standards, and applicable ESCB/Eurosystem standards and institutional requirements.

2.2 Specific objective:

The specific objective of this action is to strengthen the institutional, regulatory and supervisory capacities of Montenegro's three financial sector regulatory and supervisory authorities, the Central Bank of Montenegro, the Capital Market Authority and the Insurance Supervision Agency to ensure effective implementation and enforcement of the EU *acquis* in the areas of banking, insurance and capital markets as well as to design, adopt and implement reforms supporting further alignment with the evolving EU *acquis*, relevant EU standards and applicable ESCB/Eurosystem requirements.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans

The Project will contribute to the fulfilment of the obligations of Montenegro from the Stabilisation and Association Agreement (SAA) signed on 15 October 2007 and entered into force on 1 May 2010. The Stabilisation and Association Agreement (SAA), under Article 72, states that Montenegro shall ensure the compatibility of existing and future laws with the Community acquis as well as their proper implementation and enforcement. To this end, CBCG contributes to fulfilment of these obligations by aligning the CBCG's core functions with EU regulations and internationally accepted standards as well as aligning CBCG practices with best practices of the European System of Central Banks (ESCB). This Action will support alignment of regulations and procedures with EU law and standards as well as best ESCB practices in areas that are in jurisdiction of the CBCG. ISA contributes to the fulfilment of SSA obligation, by project activities aimed at alignment of regulatory framework, procedures and ISA practices with EU regulations, EIOPA guidelines, standards and EU supervisory practices, as well as strengthening supervisory capacities of ISA, necessary for proper implementation and enforcement EU acquis in insurance and reinsurance. CMA contributes to the fulfilment of the obligations arising from the SAA through activities aimed at aligning the regulatory and supervisory framework of the capital market with the EU acquis, as well as with the standards and practices of the European Securities and Markets Authority (ESMA). It also contributes through strengthening the institutional and administrative capacities necessary for the effective implementation and enforcement of EU legislation in the areas of capital markets, investment services, collective investment schemes, market infrastructure and investor protection.

The Twinning project is directly aligned with Montenegro's National Programme for the Adoption of the Acquis (NPAA), which defines priorities for legislative and institutional alignment with the EU

acquis within negotiation chapters 4 – Free movement of capital, 9 – Financial services, and 17 – Economic and monetary union. In particular, the project will contribute to the fulfilment of the relevant closing benchmarks by supporting the alignment of Montenegro's legislation with the EU acquis and strengthening its capacity to implement and enforce it effectively as of the date of accession. Under Chapter 9, the project will support Montenegro in achieving an advanced level of alignment with EU legislation in the areas of banking and financial conglomerates, while further strengthening the stability, independence and administrative capacity of the regulatory and supervisory institutions responsible for applying and enforcing the financial services acquis. Under Chapter 17, it will support the alignment of the legal and institutional framework necessary to ensure the full independence of the Central Bank of Montenegro and its full integration into the European System of Central Banks.

The project is also consistent with the Economic Reform Programme, which focuses on strengthening macroeconomic stability, improving financial sector resilience, and enhancing the effectiveness of supervisory and regulatory institutions. The planned activities directly support these objectives through improvements in supervisory reporting and crisis management frameworks.

Furthermore, the EU Reform Agenda 2024–2027 identifies priorities related to improving governance, strengthening the rule of law, advancing digital transformation, and enhancing institutional capacities. The Twinning project contributes to these priorities by supporting the modernisation of supervisory tools, development of risk-based approaches in financial supervision, and digitalisation of key central banking functions.

Finally, the project reflects and responds to the findings and recommendations of the European Commission's annual Country Reports for Montenegro, which consistently highlight the need for further progress in financial sector supervision, statistical alignment with EU standards, and preparedness for ESCB-related obligations. The project is therefore fully aligned with the EU's assessment of Montenegro's reform priorities and accession readiness.

3. Description

3.1 Background and justification:

Advancing financial services reform depends heavily on integrating the Montenegrin financial market with the European system. Accordingly, the Montenegrin financial sector requires the continued strengthening of its supervisory and regulatory capacities. Aligning the regulatory framework with international best practices and EU standards—specifically through the enactment of targeted bylaws and guidelines is a vital prerequisite for financial stability. To this end, substantial progress must be made to reinforce implementation mechanisms and advance institutional capacity building.

The action responds to the need to further strengthen the institutional, regulatory and supervisory capacities of Montenegro's financial sector regulatory and supervisory authorities — the Central Bank of Montenegro, the Capital Market Authority and the Insurance Supervision Agency — in view of the country's EU accession process and the increasing complexity of the EU financial sector acquis.

Proposals have to take into account absorption capacity of the beneficiary institutions in planning missions as laid out under expected results in this twinning fiche.

As a candidate country for EU membership, Montenegro is progressing towards the fulfilment of obligations arising from the EU accession process, including the alignment of its financial sector framework with the EU acquis and preparations for future participation in the European System of Central Banks (ESCB). The Central Bank of Montenegro has achieved significant progress in aligning its legal, regulatory and institutional framework with EU requirements through previous reform efforts and EU-funded projects. Nevertheless, further specialised support is required to ensure full preparedness for future membership obligations and effective implementation of the evolving EU regulatory framework. Recent developments at EU level have introduced additional requirements in the areas of financial sector supervision, bank resolution, consumer protection, statistical reporting, cash management and institutional governance, while ESCB-related preparations require the gradual adoption of relevant standards, methodologies and operational practices.

The development of Security-by-Security (SBS) statistics represents an important step towards improving the quality, consistency and granularity of financial statistics in preparation for Montenegro's future participation in the Economic and Monetary Union. SBS statistics enable the collection and compilation of data at the level of individual financial instruments, supporting more accurate statistical analysis, enhanced data quality, improved consistency across statistical domains and reduced reporting burden through the integration of data sources. The implementation of an SBS framework will support the compilation of balance of payments, international investment position, financial accounts, securities holdings statistics, external debt statistics and other macroeconomic statistics required under the EU statistical acquis, particularly under Chapter 18 – Statistics. The project will support the CBCG in developing the methodological, institutional and technical framework necessary for the sustainable production, management and dissemination of high-quality SBS statistics, including reporting arrangements, data quality management, metadata management, validation procedures and cooperation with reporting agents and relevant national institutions.

There is also a need to develop the conceptual and functional basis for a future centralised statistical Data Warehouse, in line with European and international best practices in data management and statistical modernisation. Currently, statistical data are collected, processed and stored through multiple systems and databases. A centralised Data Warehouse would enable the integration, storage and management of data in a single environment, improving consistency, quality and accessibility across different statistical domains. It would also support the implementation of the "one source only" principle, optimise compilation processes, reduce manual work and provide a stronger basis for business intelligence, advanced analytics and data-driven decision-making. The project would support the digital transformation of statistical production and strengthen the institutional capacity of the Central Bank of Montenegro to meet evolving national and European statistical requirements. Also, centralized and well-governed data warehouse would be a good basis for effective implementation of AI and ML solutions.

In preparation for future participation in the ESCB, the CBCG also seeks to further strengthen institutional and operational capacities in areas essential for the effective performance of central banking functions. One of the key priorities is the further development of a transparent and objective compensation and reward framework aligned with ESCB human resource management practices. The existing remuneration and reward arrangements require a comprehensive assessment against European central banking standards and good practices in order to identify possible gaps and areas for improvement.

Further support is needed to align the regulatory and institutional framework for cash management with relevant Eurosystem standards and operational requirements. This would include the assessment of existing arrangements, identification of gaps, and development or enhancement of internal acts, manuals and procedures, particularly in relation to the digitalisation of cash management processes and the monitoring of cash flows.

Additional efforts are required in the area of consumer protection to further align the regulatory and supervisory framework with EU standards, particularly in view of the increasing digitalisation of financial services, evolving market conduct risks and the need for more proactive and risk-based supervisory approaches. Strengthening consumer protection mechanisms and modernising supervisory tools will contribute to increased transparency, market integrity and confidence in the financial system. The project will support the assessment of compliance with relevant EU legislation and the enhancement of rules related to transparency of fees and charges, consumer lending, disclosure requirements and the protection of vulnerable consumers.

In view of EU accession, the CBCG will also need to further align its reporting framework with EU reporting requirements, including XBRL-based reporting standards. The current reporting system relies on Excel-based templates with embedded macros. Support is therefore needed to improve understanding of EU reporting templates, map the relevant data requirements and prepare the adjustment of reporting formats submitted by banks to the CBCG.

The evolving EU framework for crisis management and deposit insurance requires further alignment of the national bank resolution framework with the forthcoming Crisis Management and Deposit Insurance

package. Support is needed to assess the implications of the new framework and prepare the necessary legislative, institutional and operational adjustments required for its implementation.

The proposed action is fully consistent with Montenegro's EU accession priorities and supports the fulfilment of obligations arising under several negotiating chapters. In particular, it contributes to further alignment with the acquis under Chapter 4 – Free Movement of Capital, notably in the areas of financial sector stability; Chapter 9 – Financial Services, through the strengthening of supervisory, resolution and consumer protection frameworks; Chapter 17 – Economic and Monetary Policy, through the adoption of ESCB-related standards and preparations for future participation in the ESCB; and Chapter 18 – Statistics, through the enhancement of statistical capacities and alignment with EU statistical requirements.

The proposed Twinning project will support Montenegro's financial sector regulatory and supervisory authorities in addressing these challenges through the provision of expertise from EU Member State institutions, transfer of knowledge and best practices, development of methodologies and operational frameworks, and strengthening of administrative capacities.

The Insurance Supervision Agency (ISA) is an independent institution acting as responsible market regulator and supervisor for the insurance market in Montenegro, as well as responsible institution for enacting the by-laws and conducting the supervision in insurance market. Currently, ISA employs 32 people. ISA will be directly involved in the project activities and it will be the responsible institution for conducting the supervision on the insurance market in compliance with Solvency II legislation and EIOPA guidelines.

The project activities in insurance sector will be essential for fulfilment of the closing benchmarks from the negotiation Chapter 9-Financial Services, to demonstrate adequate administrative capacity for the implementation and enforcement of the acquis in the field of financial services.

In efforts to align regulatory framework to the Union Acquis and supervisory guidelines and standards, ISA has successfully completed new Law on Insurance (provisions transposing Solvency II directive), and Directive on Insurance Distribution (2016/97/EC)), that has been passed by the Parliament of Montenegrin in March 2025. with full implementation, as of date of accession of Montenegro to the European Union. Through regulatory activities, ISA has passed number of new bylaws, by which has introduced the new requirements for insurance undertakings in the domain of System of governance and pre-contractual information, ORSAs and SCR calculation that are based on Solvency II and IDD framework and EU standards as set out in the EU insurance directives, and made a significant forward in harmonization of domestic regulation with EU standards, before joining the EU.

From the aspect of accelerated digitalisation, proposed actions are fully in line with Digital Decade Policy Programme (DDPP) 2030, and EU4DIGITAL that sets priorities for the digital transformation of Europe by 2030, and The supervisory technology strategy of EIOPA, that has defined the use of technology by supervisors to deliver innovative and efficient supervisory solutions that will support a more effective, flexible and responsive supervisory system as main priority in "Supervisory Technology Strategy" (2020) and "Digital Strategy" (2023) . ISA has identified the development of regulatory framework and capacity building as preconditions for the advancing in availability of innovative technology solutions in insurance market in Montenegro. Accordantly, the proposed action includes further build administrative capacity in ISA and provide support in development of regulatory framework for the implementation of innovative technology solutions in insurance in Montenegro. These actions are aimed to fully and effectively align policies and practices to the European Union's standards and to take on the supervisory responsibilities, in line with Digital Finance Strategy for the EU, that defines that the development of digital finance should be based on European values and a sound regulation of risks. Accordantly, the aim of ISA is to develop efficient framework for introduction of new financial technologies in insurance, that can facilitate access to financial services and improve the efficiency of the financial system, while preserving financial stability, rules for consumer protection, digital resilience and sound regulation of risks.

Considering the significantly expanded scope and complexity of the regulatory framework in the insurance sector—Solvency II, which is continuously evolving—further capacity building in the Insurance Supervision Agency is a precondition for progress toward full and effective alignment with

EU regulations, EIOPA technical standards, guidelines, and rules, as well as with best practices in EU member states. The Action is aimed at strengthening the regulatory and supervisory capacities of ISA in order to obtain necessary skills for conducting the supervision on the insurance market in compliance with EU acquis and strategies, as well as on the conducting a regular supervisory review process, in line with Solvency II legislation). The key of activities in this field will be focused on:

1) regulatory and supervisory capacity building through development of methodology and framework and through trainings and study visits for ISA staff in the area of regular supervisory review process, including development of the macroprudential quantitative risk assessment framework, with general criteria and methodology, necessary quantitative tools, aimed to identify and assess and monitor current and future systemic risks relevant for the Montenegrin market, in line with EU acquis and standards, supervisory practice of EU member states and methodologies developed by EIOPA. Activities should include the establishment of analytical frameworks for identifying and assessment entity-based, activity-based and other relevant sources of systemic risk that are relevant for Montenegrin market, with relevant risk indicators and early-warning mechanisms; methodologies for assessing transmission channels and spillover effects, sector-wide stress-testing approaches and procedures for integrating macroprudential considerations into supervisory processes. The activities will contribute to strengthening the ISA capacity to detect emerging vulnerabilities and systemic risks, in order to take timely and appropriate measures aimed at preventing their materialization and any disruption or potential threats to financial stability, and implement a risk-based macroprudential supervisory framework aligned with EIOPA principles and evolving EU supervisory practices.

2) regulatory and supervisory capacity building through development of methodology and framework and through trainings and study visits for ISA staff in the area of fintech , aimed to a strategic and more intensive use of data and new technologies in insurance , and development of efficient framework and capacities building for implementation of digital and operational resilience framework (DORA) for insurance market in Montenegro, that can facilitate access to financial services and improve the efficiency of the financial system, while preserving financial stability, rules for consumer protection, based on the sound regulation of emerging risks and sustainable models used in EU jurisdictions.

Given the expanding scope and complexity of the insurance EU acquis, alongside continuously evolving regulatory requirements, capacity building within the ISA is an essential prerequisite for achieving full alignment with EU regulations, EIOPA standards, and European supervisory practices. The trainings and study visits to MS Twining partner tailor-made for ISA staff to efficiently and effectively implement Solvency II framework, EIOPA guidelines and EU best practice in the area defined above should be sequenced after development of the internal procedures/manuals. Furthermore, the project will provide ISA capacity building in the use of technology to deliver efficient solutions that will support a more effective, flexible and responsive supervisory system.

The Capital Market Authority of Montenegro (CMA) is an independent regulatory and supervisory authority responsible for the regulation, supervision, and development of the capital market in Montenegro, including the supervision of investment firms, regulated markets, market infrastructure, and other participants. CMA is also responsible for ensuring the implementation of capital market legislation and adopting secondary legislation within its competences.

The project activities in the capital market sector will be essential for the fulfilment of the closing benchmarks under Negotiation Chapter 9 – Financial Services, particularly in relation to ensuring adequate administrative, regulatory, and supervisory capacity for the implementation and enforcement of the EU acquis in the area of capital markets, investment services and collective investment schemes.

As part of Montenegro's EU accession process, a new Capital Market Law ("Official Gazette of Montenegro", No. 016/26), aligned with the relevant EU acquis, has been adopted and will become applicable upon Montenegro's accession to the European Union. While the legislative alignment process has largely been completed, significant efforts are still required to ensure its effective implementation and enforcement. In addition, Montenegro has established a legal framework governing undertakings for collective investment in transferable securities (UCITS) and alternative investment funds (AIFs), requiring further strengthening of supervisory and operational capacities.

The Action is aimed at strengthening the regulatory, supervisory, and operational capacities of CMA in order to ensure its readiness to operate within the European capital market regulatory and supervisory system. Particular attention will be devoted to strengthening CMA capacities in the areas of market and prudential supervision, supervision of investment firms, management companies, UCITS and alternative investment funds, market infrastructure, implementation of risk-based supervisory approaches, development of supervisory methodologies and procedures, and use of modern supervisory and analytical tools, as well as preparation for future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States.

The key activities under this Component will focus on assessing CMA's readiness for the implementation of the Capital Market Law and functioning within the EU regulatory framework; identifying key post-accession obligations and priorities; developing internal supervisory procedures, methodologies, and operational tools in line with the EU acquis and ESMA standards; and preparing the necessary mechanisms and procedures for future cooperation with ESMA and competent authorities of EU Member States.

The Action will further contribute to strengthening the administrative, professional, and technical capacities of CMA staff and enhancing the supervisory capacities necessary for the effective implementation and enforcement of the EU acquis in the areas of capital markets, investment services, and collective investment schemes.

Twinning assistance will support the further development of CMA's institutional, regulatory, and supervisory capacities in line with the objectives of this Action.

3.2 Ongoing reforms:

The Central Bank of Montenegro (CBCG) is continuously implementing reforms aimed at strengthening its institutional, regulatory, supervisory and operational capacities in line with Montenegro's EU accession process and preparations for future participation in the European System of Central Banks (ESCB).

In recent years, the CBCG has made substantial progress in aligning its legal, regulatory and supervisory framework with the EU acquis in key areas such as banking supervision, financial stability, payment systems, bank resolution, consumer protection and statistical reporting. These reforms have been supported through national initiatives, EU-funded technical assistance projects and cooperation with international and European partner institutions.

Ongoing reform efforts are focused on further alignment with the evolving EU acquis and relevant ESCB standards. Key priorities include strengthening the supervisory reporting framework in line with EU prudential reporting requirements, including FINREP, and further developing statistical systems in accordance with ESCB requirements, notably through the establishment of a security-by-security reporting framework.

The SBS statistical framework remains to be established, including the methodological, operational and institutional arrangements necessary for its sustainable production. Its development is recognised as an important step towards improving the quality, consistency and granularity of financial statistics, as well as preparing the CBCG for future participation in the ESCB statistical framework.

In addition, the CBCG collects a broad range of statistical and supervisory data through different systems and databases. Further harmonisation of data attributes, business definitions, metadata and data governance practices is needed to improve data consistency, interoperability and analytical use. The application of the single source of truth principle would support the integration, cleansing and standardisation of data across statistical and supervisory domains and provide a stronger basis for advanced analytics and evidence-based decision-making.

In parallel, the CBCG is working on strengthening its bank resolution and crisis management framework in line with developments under the EU Crisis Management and Deposit Insurance framework. Efforts are also underway to enhance consumer protection and market conduct supervision through more risk-based and proactive supervisory approaches, as well as to modernise cash management operations in line with relevant Eurosystem standards and operational requirements.

Institutional strengthening remains a cross-cutting priority, with ongoing initiatives aimed at improving internal governance, human resources management practices and the digitalisation of supervisory, statistical and reporting processes. Building on the needs assessment related to the CBCG's compensation and reward framework, further support is required to identify gaps and develop recommendations for strengthening transparency, objectivity and alignment with relevant ESCB human resource management practices.

ISA is currently implementing 2024 IPA Twinning project ME 24 IPA FI 01 24) "Support to regulation of the financial services in Montenegro", with focus on further strengthening institutional capacities, particularly through the exchange of supervisory methodologies in implementation of Solvency II supervisory review process and implementation of IFRS 9 and IFRS 17. The significant progress in legislation harmonisation with Union Acquis and capacity building in ISA was achieved through 2014 IPA Twinning project MN 14 IPA FI 02 17 R" Support to Regulation of Financial Services". As a result, ISA has progressed in capacity building in the field of: actuarial function of ISA (Solvency II framework), Solvency II reporting requirements, Solvency II methodology for calculation of technical reserves for insurance undertakings (standard model), anti-money laundry rules and practice, product oversight and consumer protection. ISA staff also has been introduced into the concept of risk-based supervision (Solvency II Supervisory Review Process, ORSA) and Solvency II first Quantitative impact study and stress test in Montenegrin insurance market has been successfully conducted. The direct result of this assistance and cooperation is an advancement in the harmonisation of the relevant Montenegrin legislation with the Union Acquis in the financial sector, preparing 8 new laws and more than 10 new regulations transposing 15 core EU directives.

The proposed action to further strengthen supervisory and regulatory capacity in ISA is aimed to fully and effectively align to the European Union's rules, standards, policies and practices and to ensure administrative capacity necessary to successfully participate in internal market and to fully take on obligations of membership, as well we to take on the supervisory responsibilities, that significantly grew in scope and complexity in insurance sector.

Furthermore, the proposed Actions, in the field of insurance will contribute to strengthen the administrative and institutional capacity of the Insurance Supervision Agency of Montenegro, aimed to effectively implement the acquis and EU best practice and to develop ability to take on the obligations for successful participation in the internal market, thereby directly contribute to fulfilment of the third EU accession criteria, to demonstrate "the ability to take on the obligations of membership, including the capacity to effectively implement the rules, standards and policies that make up the body of EU law". This is crucial for the EU accession and successful participation in the internal market. More specifically, the proposed Action is based on the specific objective to further align the legislation for financial services in insurance sector with EU acquis and to develop supervisory procedures, capacities and practice in the Insurance Supervision Agency, in accordance with EU best practice, directly implemented EU regulation and guidelines developed by EIOPA.

The Capital Market Authority of Montenegro (CMA) continuously carries out activities aimed at aligning the regulatory and supervisory framework of the capital market with the European Union acquis under Negotiation Chapter 9 – Financial Services.

During the previous period, the CMA achieved significant progress in aligning national legislation with the EU acquis through the preparation and adoption of nine laws in the area of capital markets and financial services. A particularly important step was the adoption of the new Capital Market Law ("Official Gazette of Montenegro", No. 016/26), which establishes a comprehensive regulatory framework aligned with the relevant European Union legislation and will become applicable upon Montenegro's accession to the European Union. In parallel, Montenegro has established a legal framework governing undertaking for collective investment in transferable securities (UCITS) and alternative investment funds (AIFs), further strengthening the alignment of the investment funds sector with the European Union acquis.

The proposed Action is aimed at supporting the effective implementation of the new legislative framework governing capital markets, investment services and collective investment scheme and further strengthening the regulatory, supervisory and administrative capacities of the CMA. Given the

scope and complexity of the new regulatory framework, additional efforts are required to strengthen implementation mechanisms and institutional capacities necessary for the effective application and enforcement of the EU acquis, particularly in the areas of capital market supervision, investment firms, management companies and investment funds.

Furthermore, the proposed Action will contribute to strengthening the administrative and institutional capacity of the CMA, necessary for the fulfilment of the closing benchmarks under Negotiation Chapter 9 – Financial Services and for the successful assumption of obligations arising from Montenegro's future membership in the European Union.

3.3 Linked activities:

Previous EU funded assistance included IPA 2008 Twinning project "Strengthening the Regulatory and Supervisory Capacity of the Financial Regulators", which was aimed at improving efficiency and effectiveness of the institutional and regulatory capacities of the financial sector regulators in Montenegro in order to supervise financial market and institutions in line with the Union Acquis. The direct result of this assistance and cooperation is a great advancement in the harmonisation of the relevant Montenegrin legislation with the Union Acquis in the financial sector, preparing 8 new laws and more than 10 new regulations transposing 15 core EU directives.

The twinning project "Support to Regulation of Financial Services" (2018–2020) was implemented in cooperation with a consortium consisting of the Deutsche Bundesbank, the Croatian National Bank, De Nederlandsche Bank, the German Federal Financial Supervisory Authority (BaFin) and the Croatian Financial Services Supervisory Agency (HANFA), and financed from the IPA 2014. The project included all supervisors of Montenegro's financial sector. Its main objective was to provide more stable, sustainable and efficient financial services aligned with the best EU practices to support developing the private sector and strengthening the economy's competitiveness. In the insurance area, the main output of the project was the draft of the new Law on Insurance (provisions transposing the Solvency II Directive) and the Insurance Distribution Directive (2016/97/EC). The first Solvency II Quantitative Impact Study and stress test in the Montenegrin insurance market were successfully conducted, and ISA staff were trained in the fields of: the actuarial function of ISA, Solvency II capital requirements, ORSA and AML rules and practice..

The Central Bank of Montenegro participated successfully in the IPA-funded regional programme "Strengthening Macro and Micro-Prudential Supervision in EU Candidates and Potential Candidates" ("Crisis Response Package"), which was coordinated by the European Central Bank (ECB) and implemented between 2010 and 2012.

The European Central Bank in cooperation with ten Eurosystem national partner banks implemented the CBCG Needs Assessment project titled "Technical cooperation programme with the Central Bank of Montenegro in preparation for its accession to the European System of Central Banks (ESCB)" from September 2014 to end-March 2015. The programme assessed the alignment of the CBCG's standards with EU central banking standards in the areas of financial stability, statistics, financial and banking operations, accounting, operational risk, business continuity and EU integration. It resulted in a Needs Assessment Report containing recommendations for further alignment with the institutional and operational framework of the ESCB and the ECB.

In 2019, the disaster recovery site of the CBCG was equipped through the project ″Support in Developing the Disaster Recovery Site of the Central Bank of Montenegro″ funded by the European Union, which was another form of support for the CBCG in its process of joining the European System of Central Banks (ESCB), i.e. meeting the necessary criteria from the negotiation chapter 9 - Financial Services. The disaster recovery site has been equipped with a view to maintaining the continuity of the CBCG's business functions and to limiting potential losses in the case of contingency.

In 2020, the CBCG received equipment for the Data Centre, within the first set of project activities under the "Supply of Equipment for Strengthening Capacities of Relevant Institutions Involved in Competitiveness and Innovation Sector in Ministry of Economy - IPA 2016" project. Equipping the CBCG "Data Centre" enabled the fulfilment of requirements within the negotiation Chapter 9 -

Financial Services of strengthening the conditions for ensuring a high level of data security within the CBCG information system following the EU standards and practices.

In 2023, European Commission supported the CBCG with the ″Preparation of the Report on Gap analysis of the Montenegrin Legal and Regulatory Framework compared to the SEPA regulation″, through Framework Contract project, in order to create preconditions for the fulfilment of the SEPA criteria and establishing a modern regional payment system.

Since March 2019, the Central Bank of Montenegro has been a beneficiary of the regional project entitled "Programme for Strengthening the Capacities of Central Banks in the Western Balkans with a view to their Integration into the European System of Central Banks (ESCB)", coordinated by the Deutsche Bundesbank with the support of the European Central Bank (ECB) and involving 19 national central banks of the ESCB. The third phase of the Programme, currently underway, commenced in February 2026 and will run for three years. The Programme aims to strengthen the institutional capacities of central banks in the region, and support beneficiary institutions in their preparation for future membership of the ESCB.

Since September 2025, the Central Bank of Montenegro and the Insurance Supervision Agency (ISA) have been beneficiaries of the EU-funded Twinning Project "Support to Financial Services Regulation in Montenegro". The 24-month project aims to strengthen the regulatory, supervisory and institutional capacities of the CBCG and ISA. Through the alignment of the national regulatory framework and supervisory practices with the EU acquis and European standards, the project contributes to enhancing the efficiency, accountability and resilience of Montenegro's financial sector. The ongoing 2024 IPA Twinning project (ME 24 IPA FI 01 24) "Support to regulation of the financial services in Montenegro" focuses on further strengthening institutional capacities, particularly through the exchange of supervisory methodologies in the implementation of the Solvency II review process and the implementation of IFRS 9 and IFRS 17.

The Global Price Services Contract "Support to Regulation of Financial Services", financed under the IPA 2014, was successfully completed in ISA in cooperation with the Delegation of the European Union to Montenegro and the Ministry of Finance, in July 2020. The tailor-made IT solution for the collection and processing of data for supervisory purposes was successfully developed, and the full digitalization of supervisory reporting to the Agency, based on the regulatory framework currently in force, was implemented as of June 1, 2021. Furthermore, the IT system also provided a technical platform for future supervisory reporting in line with the EU regulatory framework.

The Capital Market Authority of Montenegro (formerly the Securities Commission) participated in the implementation of the IPA 2008 Twinning Project "Strengthening the Regulatory and Supervisory Capacity of the Financial Regulators" and the IPA 2014 Twinning Project "Support to Regulation of Financial Services", which contributed to strengthening its institutional and regulatory capacities and supporting the process of alignment of the Montenegrin capital market regulatory framework with the EU acquis.

In January 2025, the Twinning Light Project "Strengthening Corporate Governance Provisions and Administrative Capacity of the Capital Market Authority of Montenegro" (ME 21 IPA FI 01 24 TWL, EUROPEAID/182351/DD/ACT/ME), funded by the European Union, began and was successfully completed with the help of the Croatian Financial Services Supervisory Agency (HANFA) in September 2025.

The project resulted in significant improvements in supervisory practices, corporate governance standards, and the institutional capacities of the CMA. Key achievements included the adoption of a new Corporate Governance Code by the Montenegro Stock Exchange, strengthening cooperation between the CMA and capital market stakeholders, enhancement of disclosure and supervisory mechanisms, and specialised capacity-building activities for CMA staff.

3.4 List of applicable *Union acquis*/standards/norms:

Component 1:

- Regulation (EU) No 1011/2012 concerning statistics on holdings of securities (ECB/2012/24), including subsequent amendments;
- Guideline ECB/2013/7 on securities holdings statistics reporting and subsequent amendments;
- ECB methodological standards and guidance for Securities Holdings Statistics (SHS) and Securities Holdings Statistics by Sector (SHSS);
- ECB standards and methodologies related to the Centralised Securities Database (CSDB);
- Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment, including subsequent amendments;
- ECB Guideline on external statistics;
- Regulation (EU) No 549/2013 on the European System of Accounts (ESA 2010);
- BPM6 – IMF Balance of Payments and International Investment Position Manual, Sixth Edition;
- Regulation (EU) 2021/379 of the European Central Bank on the balance sheet items of credit institutions and of the monetary financial institutions sector (ECB/2021/2);
- Guideline ECB/2014/15 on monetary and financial statistics, including subsequent amendments;
- EBA reporting framework, including the Data Point Model (DPM), XBRL taxonomies, validation rules and related technical specifications;
- Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA), including related RTS, ITS and guidelines, where relevant;
- Directive (EU) 2015/2366 on payment services in the internal market (PSD2), including related RTS, ITS and EBA guidelines;
- Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro, including amendments introduced by Regulation (EU) 2024/886 on instant payments;
- Decision ECB/2010/14 on the authenticity and fitness checking and recirculation of euro banknotes, Regulation (EC) No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting, and Regulation (EU) No 1210/2010 concerning authentication of euro coins and handling of euro coins unfit for circulation, including subsequent amendments;
- Guideline (EU) 2022/971 of the European Central Bank on the Centralised Securities Database and the production of securities issues statistics;
- Guideline ECB/2011/23 on the statistical reporting requirements of the European Central Bank in the field of external statistics, including subsequent amendments.
- SIGMA Principles of Public Administration and relevant EU public administration and human resource management standards.

Component 2:

Level 1: Solvency II Directive

- Directive (EU) 2025/2, which amends the Solvency II Directive, updates the overall framework, with the new rules taking effect on 30 January 2027.
- The Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) lays down the general principles.

Level 2: The Delegated Regulation and Implementing technical standards

- The Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) is a directly applicable legislative act which does not require any additional implementation.
- Implementing technical standards are legislative provisions made by the European Commission on the basis of advice received from EIOPA. The implementing technical standards are accessible via the rulebook.

Level 3: Guidelines

- EIOPA issues guidelines and recommendations according to Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation), aimed to establish consistent, efficient and effective supervisory practices and to ensure common and consistent application of Union law. National supervisory authorities are required to incorporate them following a "comply or explain" process. Delegated Regulation (EC) 2015/35, Delegated Regulation (EC) 2016/467, Delegated Regulation (EC) 2018/1221, Implementing Technical Standards adopted by the European Commission, as well as EIOPA's Guidelines, all available at official webpage of EIOPA: https://www.eiopa.europa.eu/rulebook/solvency-ii-single-rulebook_en.

Component 3:

Level 1:

- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as subsequently amended;
- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU;
- Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes;
- Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, as subsequently amended;
- Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems;
- Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (Market Abuse Directive);
- Directive (EU) 2024/2810 of the European Parliament and of the Council of 23 October 2024 on multiple-vote share structures in companies that seek admission to trading of their shares on a multilateral trading facility;
- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS);
- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;
- Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of over-reliance on credit ratings;
- Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions;

Level 2:

- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, as subsequently amended;
- Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014;
- Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, as subsequently amended;
- Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as subsequently amended;
- Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012, as subsequently amended;
- Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
- Commission Delegated Regulation (EU) 2021/528 of 16 December 2020 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the minimum information contained in the document to be published for the purposes of the prospectus exemption in connection with a takeover by means of an exchange offer, a merger or a division;
- Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.
- Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision;
- Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds;
- Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds;
- Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds;
- Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

The Capital Market Law of Montenegro, which will become applicable upon Montenegro's accession to the European Union, together with the legal framework governing undertakings for collective investment in transferable securities (UCITS) and alternative investment funds (AIFs), transposes and implements the core European Union acquis in the fields of capital markets, investment services, collective investment schemes, market infrastructure, transparency requirements, investor protection and market abuse. The proposed Action aims to support the effective implementation of this legal framework and to strengthen the supervisory and administrative capacities of the Capital Market Authority of Montenegro in line with European Union legislation, ESMA supervisory convergence tools and the supervisory practices of competent authorities in EU Member States.

3.5 Components and results per component

This Action will have three components: COMPONENT 1 – Capacities of the Central Bank of Montenegro strengthened for alignment with the EU acquis and ESCB standards, COMPONENT 2 – Capacities of the ISA strengthened for alignment with the EU acquis and EIOPA standards and COMPONENT 3 - Strengthening the capacities of the Capital Market Authority of Montenegro (CMA)

and further preparation of the regulatory and operational framework for the implementation of the Capital Market Law and functioning within the European Union regulatory and supervisory framework.

Component 1: Capacities of the Central Bank of Montenegro strengthened for alignment with the EU acquis and ESCB/Eurosystem standards

Result 1.1: Security-by-Security (SBS) statistics developed and capacities for the production of SBS statistics strengthened

Indicative sub-results:

The methodological, institutional and technical framework for the compilation, production and dissemination of Security-by-Security (SBS) statistics is developed, including a roadmap for its implementation, while the institutional and technical capacities of the Central Bank of Montenegro are strengthened and sustainable arrangements for the production and quality management of SBS statistics are established.

Result 1.2: IT solution for the creation of a Data Warehouse for official statistics in line with European and international best practices drafted

Indicative sub-results:

The existing ICT environment, business processes and statistical production system are assessed, and a modern Data Warehouse architecture is designed, including the target architecture, data integration and metadata management arrangements, governance and security framework, and an implementation roadmap, ensuring interoperability, scalability and sustainable statistical data management.

Result 1.3 – Compensation and reward framework aligned with ESCB human resource management practices

Indicative sub-results:

The existing compensation and reward practices are analysed, and a framework for strengthening transparency, objectivity and alignment with relevant ESCB human resources practices is developed, supported by recommendations for its effective implementation.

Result 1.4 – Consumer protection framework in the financial sector further aligned with the EU acquis through enhanced regulatory and supervisory practices

Indicative sub-results:

The regulatory and supervisory framework for consumer protection is further aligned with the relevant EU acquis, based on an assessment of the existing framework and supervisory practices, with recommendations and an action plan developed to strengthen market conduct supervision, including transparency of fees and charges, consumer lending, disclosure requirements and the protection of vulnerable consumers.

Result 1.5 – Cash management regulatory and institutional framework further aligned with Eurosystem standards

Indicative sub-results:

The regulatory and operational framework for cash management is further aligned with relevant Eurosystem standards and practices, based on an assessment of the existing framework, the updating

and harmonisation of internal legal acts, manuals and procedures, and the development of internal arrangements supporting the further digitalisation of cash management.

Result 1.6 – Supervisory reporting framework further aligned with EU prudential reporting requirements, including FINREP and related data mapping requirements

Indicative sub-results:

The framework for FINREP supervisory reporting is developed, including reporting templates, data mapping requirements and guidance for appropriate IT solutions, while the capacities of CBCG supervisory and IT staff are strengthened in line with relevant EU supervisory reporting requirements.

Result 1.7 – Bank resolution framework further aligned with the evolving EU crisis management and deposit insurance acquis

Indicative sub-results:

The impact of the CMDI package on the national resolution framework is assessed, and the necessary operational adjustments and legislative and regulatory amendments are identified and developed to support further alignment with the relevant EU framework.

COMPONENT 2 – Strengthened administrative capacities of the ISA in line with EU best practice and regulatory and operational framework for insurance further aligned with Union Acquis

- **Result 2.1.:** Montenegro's regulatory and operational framework in the area of regular supervisory review process further aligned with Union Acquis and EIOPA standards and capacities of the ISA in the field of regular supervisory review process further aligned with Union Acquis strengthened.

- **Result 2.2.**: Methodological, analytical and technical supervisory framework for macroprudential supervision of insurance market developed and ISA relevant staff trained in macroprudential methodologies and tools for the identification, quantitative assessment and monitoring of systemic risks, relevant for Montenegrin insurance market with ISA capacities strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices.

  Indicative sub-results:

  Methodological, institutional and technical supervisory framework providing appropriate and relevant analytical methodology, tools and criteria for the identification, classification, quantitative assessment and monitoring of systemic risks relevant for Montenegrin insurance market, aligned with the EU acquis and practices in EU member states drafted.

  Relevant ISA staff trained in the field of macroprudential supervision methodology, criteria, indicators calculation and tools for the identification, assessment, monitoring of systemic risks, relevant for Montenegrin insurance market and ISA capacity strengthened through structured knowledge transfer, practical application of developed methodology and comprehensive forms of direct exchange of supervisory expertise and best EU practices.

- **Result 2.3**.: Methodological, institutional and technical supervisory framework for development and operation of systemic risk dashboard for insurance market, providing

appropriate and relevant analytical methodology for the identification, classification and quantitative assessment of indicators and presentation of systemic risks in Montenegrin insurance market developed and ISA relevant staff trained, in the field of developing and operation of insurance market systemic risk dashboard, with ISA capacities strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices.

Indicative sub-results:

Methodological, institutional and technical supervisory framework for developing and operating of the systemic risk dashboard for insurance market, with relevant analytical resources for the identification, classification, quantitative assessment and presentation of indicators, systemic risks relevant to the Montenegrin insurance market, aligned with the EU acquis and practices in EU member states, drafted.

Relevant ISA staff trained in the field of methodology for developing and operation of the systemic risk dashboard for Montenegrin insurance market, including methodological, institutional and technical framework and practice for identification, analysis, and presentation of systemic risks relevant for insurance market with institutional capacity strengthened through structured knowledge transfer, practical application and comprehensive exchange of supervisory expertise and EU best practices.

- **Result 2.4**.: Regulatory and operational framework in the area of supervision on cybersecurity risks and digital resilience for insurance market (DORA) developed and capacities of the ISA, in the field of supervision of cybersecurity risks and digital resilience for insurance market in line with unified cybersecurity and resilience rules for the financial sector (DORA) strengthened through exchange of supervisory expertise and best practices.

Indicative sub-results:

Regulatory and operational framework in the area of supervision on cybersecurity risks and digital resilience for insurance market-DORA (including market guidelines, internal supervisory procedures, aligned with the EU acquis and practices in EU member states) drafted Relevant ISA staff trained, in the field of supervision of cybersecurity risks and digital resilience for insurance market in line with unified cybersecurity and resilience rules for the financial sector (DORA) and ISA capacity strengthened through exchange of supervisory expertise and EU best practices.

Result 2.5.: Bylaws and supervisory procedures for incorporation and operating of the regulatory sandbox for innovative technology solutions in insurance, aligned with EU practices, drafted and capacities of the ISA, in the field of incorporation and operating of regulatory sandbox for innovative technology solutions in insurance market in line with practice in EU member states strengthened through exchange of supervisory expertise and EU best practices.

Indicative sub-results:

Regulatory and operational framework in the area of incorporation and operating of the regulatory sandbox for innovative technology solutions in insurance, aligned with EU practices, drafted.

Relevant ISA staff trained, in the field of incorporation and operating of regulatory sandbox for innovative technology solutions in insurance market in line with practice in EU member states and ISA capacity strengthened through exchange of supervisory expertise and EU best practices.

- **Result 2.6**: Operational and methodological framework for supervisory assessment of the new fintech products and innovative solutions for insurance market , with focus on Solvency II framework requirements regarding consumer protection, ICT third-party outsourcing risks, and data ethics, aligned with EU practices, developed and capacities of the ISA, in the field of assessment for new fintech products and innovative digital solutions for supervision of insurance market, strengthened through comprehensive forms of direct exchange of supervisory expertise and best EU practices.

  Indicative sub-results:

  Operational and methodologies framework for supervisory assessment of the new fintech products and innovative solutions for insurance market, with focus on Solvency II framework requirements regarding consumer protection, ICT third-party outsourcing risks, and data ethics, aligned with EU practices, developed.

  Relevant ISA staff trained, in the field of supervisory assessment and analysis of new fintech products and innovative digital solutions for supervision of insurance market, with institutional capacity strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices.

COMPONENT 3 – Strengthening the Capacities of the Capital Market Authority and Further Preparation of the Regulatory and Operational Framework of the Capital Market for Functioning within the European Union

Twinning support under Component 3 is aimed at further strengthening the institutional, regulatory, and operational capacities of the Capital Market Authority of Montenegro for the effective implementation of the Capital Market Law ("Official Gazette of Montenegro", No. 016/26), the legal framework governing UCITS and alternative investment funds, and the relevant EU acquis.

The Action will support the further development of the regulatory and supervisory framework of the Capital Market Authority, strengthen its preparedness for operating within the European regulatory and supervisory system, and enhance its capacity to fulfil obligations arising from Montenegro's future membership in the European Union. Particular attention will be devoted to strengthening supervisory capacities, supporting the implementation of risk-based supervisory approaches and preparing for future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States.

Result 3.1: The regulatory and operational framework of the capital market was further prepared for the implementation of Capital Market Law No. 016/26 and functioning within the EU regulatory system

Indicative sub-results:

The readiness of the Capital Market Authority for the implementation of the Capital Market Law and its functioning within the EU regulatory and supervisory framework is assessed, while priorities and

measures supporting the implementation of the Capital Market Law and Montenegro's future participation in the European regulatory and supervisory system are identified.

The supervisory framework of the Capital Market Authority is further aligned with the Capital Market Law, the legal framework governing UCITS and alternative investment funds, the EU acquis and relevant European supervisory practices through the further development of supervisory procedures, methodologies and operational arrangements, while the Capital Market Authority enhances its preparedness for future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States.

Result 3.2: Administrative and professional capacities of the Capital Market Authority were further strengthened in line with identified training needs

Indicative sub-results:

A Training Needs Assessment is carried out to identify priority areas for the further capacity development of the Capital Market Authority, providing the basis for strengthening its administrative, professional and technical capacities in accordance with the identified priorities.

The administrative, professional and technical capacities of the Capital Market Authority are strengthened in the areas of risk-based supervision, risk assessment of supervised entities, cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States, and the use of information and analytical tools in supervisory activities, in line with relevant EU supervisory practices.

3.6 Means/input from the EU Member State Partner Administration(s)*:

The project team will consist of a Project leader (PL), one Resident Twinning Advisor (RTA), three component leaders and a pool of experts for ad hoc assignments. The RTA will have a leading role in the realisation of the activities of the project tasks while the project leader will be in charge of the whole coordination of activities, compliance with the given deadlines, in order to reach the project results in a way to achieve the purpose of the project. All experts shall meet the formal conditions as set out in the Twinning Manual.

The project team will therefore closely cooperate with Montenegrin counterparts and counterpart institutions. Work plan will be prepared in close cooperation and the BC side for the purpose of project implementation. The RTA, together with the RTA Counterpart and the BC Project leader will ensure that any difficulties that could hamper the implementation of the activities are identified at an early stage and effectively resolved. They should also ensure close cooperation with the European Union Delegation to Montenegro and coordination with other ongoing and linked projects.

3.6.1 Profile and tasks of the PL:

The Member State Project Leader should be a high-ranking official or assimilated agent of the MS Central Bank and/or relevant institution of the MS in charge for banking, insurance and capital market regulation and supervision issues, depending on the institutional set-up within the Member State level.

Qualifications and skills of the Project Leader:

- Relevant University degree or equivalent professional experience of 8 years (e.g. law, economics or similar)
- Fluency in English (oral and written)
- Presentation and communication skills
- Organizational skills
- At least three (3) years of professional experience in financial sector
- High-ranking official in financial sector

- At least three (3) years of experience in project management in the financial sector (banking, insurance or capital markets).
- Experience in project management of at least three projects in the financial sector (banking, insurance or capital markets) would be considered an asset.

Tasks of the Project Leader:

Overall coordination and managing of the implementation of the project in cooperation with the BC Project Leaders

- Ensuring sound implementation of the envisaged activities
- Monitoring and evaluating the needs and priorities in the respective sector, project risks, progress against the project budget, benchmarks, and outputs, and taking any necessary remedial actions if needed
- Coordination of MS experts' work and availability
- Providing efficient leadership of the project
- Ensuring backstopping and financial management of the project in the MS
- Participation in Steering Committee meetings
- Project reporting (will be in charge of submission of the quarterly, final reports and other reports needed)

3.6.2 Profile and tasks of the RTA:

A Resident Twinning Adviser will be responsible for managing the whole experts' team, for advising the beneficiaries, for maintaining the liaison with the partner teams and for managing and overseeing the specific tasks.

One Resident Twinning Advisor (RTA) will be appointed for 18 months, and he/she will be located in the premises of the Capital Market Authority and responsible for the direct implementation of the project for all beneficiary institutions.

Qualifications and skills of the RTA:

- Relevant University degree or equivalent professional experience of 8 years (law, economics or similar)
- Fluency in English (oral and written)
- Presentation and communication skills
- Organizational skills
- At least three (3) years of general professional experience in financial sector (banking, insurance or capital markets)
- Experience in project management of at least two projects in the financial sector (banking, insurance or capital markets)
- Experience in implementation of the EU acquis and capacity-building activities in candidate countries and/or potential candidates for EU membership would be considered an asset
- Experience of working with Western Balkan countries or countries undergoing the EU accession process would be considered an asset

Tasks of the RTA:
As to the general responsibility of the day-to-day implementation of the Twinning project in the Beneficiary Country, the Resident Twinning Adviser (RTA) tasks will include:

- Providing technical advice and assist the administration or other public sector bodies in the BC in the context of a predetermined work-plan;

- To coordinate all project activities and experts' inputs in the country;
- Make recommendations on the organizational structure optimization;
- Ensuring day-to-day implementation of the Twinning project in the BC;
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- To coordinate and organize the training activities;
- To provide advice and assistance in drafting of legal acts, manuals etc. for implementation of the new legislation and supporting documents;
- Assess continuously the Twinning Project in all stages and provide link to compare it with the specified benchmarks/results and time-frame;
- Prepare the material and documentation for regular monitoring and reporting;
- Document and knowledge management allowing an appropriate record and sharing of the delivered outputs;
- To coordinate, facilitate and monitor STEs work during their missions (organize briefings and debriefings, sharing of mission report and recommendations);
- In cooperation with BC and MS administration prepares the side letters; and
- Take corrective actions, if necessary, inside the terms of the signed contract.

3.6.3 Profile and tasks of Component Leaders*:*

Qualifications and skills:

Component 1

- Relevant university degree (e.g. law, economics or similar) or equivalent professional experience of 8 years
- Minimum three (3) years of professional experience in central banking in an EU member state banking supervisory authority

Component 2

- Relevant university degree (e.g. law, economics or similar) or equivalent professional experience of 8 years
- Minimum three (3) years of professional experience in insurance market regulation and/or supervision in an EU Member State supervisory institution in the financial sector (incl. insurance market in the scope of competence)

Component 3

- Relevant university degree (e.g. law, economics or similar) or equivalent professional experience of 8 years
- Minimum three (3) years of professional experience in capital market regulation and/or supervision in an EU Member State capital market supervisory authority

All Component leaders

- Fluency in English (oral and written)
- Presentation and communication skills
- Excellent computer skills
- Organizational skills

3.6.4 Profile and tasks of other short-term experts*:*

The twinning team will be composed as well of a pool of **short-term experts** complying with the following profiles:

Qualifications and skills:

- Relevant university degree in a field relevant to this assignment (e.g. law, economics or similar) or equivalent professional experience of 8 years
- Minimum (3) years of professional experience in the regulatory and supervisory body in the financial sector (banking, insurance and capital markets). Having more experience than required in specific Project activities will be considered as an asset
- A minimum of three (3) years of professional experience relevant to the tasks to be performed
- At least three (3) years of experience in drafting of legislation relevant for this assignment in EU Member Sate or in countries which were or are candidates and/or potential candidate countries for joining the EU would be an asset
- Experience as the key expert in at least one project related to alignment of financial services legislation with the Union Acquis would be an asset
- Fluency in English language, both written and spoken.
- Communication and presentation skills

Tasks of the short-term expert

- Close cooperation with the Montenegrin experts in undertaking all activities;
- Advance preparation and familiarization with relevant documentation;
- Participating in relevant activities under the scope of the project in cooperation with other experts.

4. Budget

Total cost for this Twinning Fiche is 1.150.000 EUR

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting

EU DELEGATION TO MONTENEGRO

DELEGATION-MONTENEGRO-TWINNING@eeas.europa.eu

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5.2 Institutional framework

The Central Bank of Montenegro is an independent institution established under the Law on Central Bank of Montenegro, passed by the Parliament of the Republic of Montenegro in November 2000. The primary objective of Central bank of Montenegro is to contribute to achieving and maintaining price stability. According to the Law on the Central Bank of Montenegro, CBCG is responsible for preserving financial system stability, including encouraging and maintaining sound banking system and safe and efficient payment system. Moreover, CBCG contributed to preserving price stability.

The organisational units of the Central Bank of Montenegro that will participate directly in the Project are: Department for Financial Stability, Research and Statistics, Human Resources Directorate, Consumer Protection Department, Vault Department, Banking Supervision Department, Directorate for Credit Institutions Resolution, and Information Technology Department.

Representatives of other organisational units of the CBCG may also be involved, where necessary, in order to ensure effective coordination, institutional consistency and the achievement of the planned project results.

The Insurance Supervision Agency, the national authority responsible for supervision of insurance services and enacting bylaws, setting rules and guidelines for insurance services and for ensuring the stable, sound, sustainable and efficient insurance market, necessary for successful participation in the single market, aimed for implementation and enforcement of EU acquis, policies, supervisory practices and standards in the area of insurance. The activities of the Agency are organized in the following departments: Supervision Department, Department for Research, Development and Cooperation and Department for Legislation, Licensing and Common Affairs. Currently, ISA employs 32 people. ISA will be directly involved in the project activities and it will be the responsible institution for conducting the supervision on the insurance market in compliance with Union Acquis, supervisory standards and EIOPA regulations, guidelines and rules.

The Capital Market Authority of Montenegro (CMA) is an independent regulatory authority established to regulate and supervise the capital market in Montenegro. The CMA is accountable to the Parliament of Montenegro and performs its responsibilities in accordance with the Capital Market Law and other legislation governing investment funds, voluntary pension funds, takeovers of joint-stock companies, and other areas within its competence. In carrying out its mandate, the CMA also acts in line with the principles and standards of the European Securities and Markets Authority (ESMA) and the International Organization of Securities Commissions (IOSCO).

The CMA is responsible for adopting secondary legislation, licensing and supervising capital market participants, conducting market and prudential supervision, ensuring investor protection, promoting transparency and sound corporate governance, maintaining official registers and cooperating with domestic and international competent authorities.

The organisational structure of the CMA has recently been modernised in line with the new regulatory framework and currently comprises specialised organisational units responsible for the supervision of issuers, trading venues and central securities depositories, investment firms and investment funds, crypto-assets and anti-money laundering, monitoring and information technologies, international cooperation, ESG and financial education, as well as licensing, legal, and corporate services.

The CMA currently employs 29 staff members. Given that the new Capital Market Law establishes the core regulatory framework that will become applicable upon Montenegro's accession to the European Union, the implementation of this Twinning project will involve experts from all organisational units whose responsibilities are affected by the new legal framework. The project is therefore expected to contribute to strengthening the institutional, supervisory, and operational capacities of the CMA as a whole and to further prepare the CMA for effective participation in the European System of Financial Supervision and cooperation with ESMA.

Overall coordination of the Twinning Project will be ensured by the Capital Market Authority of Montenegro, which will act as the Beneficiary Project Leader institution and host the Resident Twinning Adviser (RTA) office. The Insurance Supervision Agency will serve as the project Contact Point, while the Central Bank of Montenegro, the Insurance Supervision Agency, and the Capital Market Authority will each designate responsible representatives for the implementation of their respective project components. Regular communication, joint planning, Project Steering Committee meetings, and established coordination arrangements among the three beneficiary institutions will ensure a coherent and integrated approach to achieving the project's objectives.

5.3 Counterparts in the Beneficiary administration:

The PL and RTA counterparts will be staff of the Beneficiary administration and will be actively involved in the management and coordination of the project.

5.3.1 Contact person:

Insurance Supervision Agency

Mrs. Ivana Šaranović-Jovićević

Deputy Director

Moskovska 17/A, M/C1

81000 Podgorica, Montenegro

5.3.2 PL counterpart

Capital Market Authority of Montenegro

Mr. Željko Drinčić, President

Kralja Nikole 27a/III

81000 Podgorica, Montenegro

5.3.3 RTA counterpart

Capital Market Authority of Montenegro

Ms. Sanja Radusinović, Head of Department for International Cooperation, ESG and Financial Education

Kralja Nikole 27a/III

81000 Podgorica, Montenegro

6. Duration of the project

18 months implementation period

7. Management and reporting[2]

7.1 Language

The official language of the project is the one used as contract language under the instrument (English). All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

7.2 Project Steering Committee

A project steering committee (PSC) shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements via-à-vis the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discuss the updated work plan. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

7.3 Reporting

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in the Annex A7 section 5.1 (Quarterly interim reports) and 5.3 (Final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twining: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements via-à-vis the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

8. Sustainability

This twinning fiche aims to ensure the delivery of the long-term benefits from the adequate investment in acquiring additional expert knowledge and skills which would result in strengthening administrative capacities, improving regulatory framework and harmonising legislation, as well as further aligning Montenegro with the Union Acquis in banking, insurance and capital market fields.

[2] Sections 7.1-7.3 are to be kept without changes in all Twinning fiches.

This Project will foster a sustainable base for institutional integration in EU-related process. It will also help the trained staff in sharing its experiences with colleagues and especially with new employees. Therefore, activities resulting from this Project will give contribution in terms of being able to operate and solve problems more easily having in mind newly acquired skills.

The project approach will focus on supporting beneficiary by providing it with tools and approach to analysis and by facilitating the development of policy options instead of offering solutions and delivering final outputs. In this way, the project will focus on developing the capacities of beneficiary.

Acquired expertise and skills of the staff and increased capability will be continuously used for further alignment with European standards and best international practice after the Project is finished. The development and practical use of these skills during the Project will also ensure sustainability in the future operations of the beneficiary institutions involved in the Project.

Finally, it is anticipated that the Project will serve as a significant opportunity to further develop existing partnerships with EU institutions having in mind that Project aims at further harmonisation and effective implementation of the legislation with the Union Acquis.

9. Crosscutting issues *(equal opportunity, environment, climate etc…)*

The Project will ensure that all the cross-cutting issues are appropriately incorporated, particularly equal participation of women and men will be secured throughout the design and implementation process. An appropriate balance will be sought on all the bodies and activities of the Project.

Special attention to minorities and vulnerable groups will be integral part of any activity of the Project. The Project will take into the consideration the principle of equitable representation. There will be regular monitoring to ensure these issues are given due prominence.

The various coordination mechanisms for external assistance, particularly the sector-based coordination group, have ensured that all the central-level stakeholders have been consulted on this Project. Likewise, all the primary stakeholders have been consulted in the formulation of the intervention and will participate in the implementation both as direct beneficiary and as members of the Steering Committee. All the other non-state stakeholders will be involved in the process of the partnership consultation related to the drafting and implementation of the planned legislation.

The activities envisaged under the present Project should not negatively affect the environment. During the design and implementation phase, the Project production of printed material will be kept to the strictest minimum and therefore have positive influence on environment.

10. Conditionality and sequencing

Projects implemented through twinning require full commitment and involvement on behalf of senior level officials of the beneficiary institution. Therefore, the leadership of the Ministry of Finance, Central Bank, Insurance Supervision Agency and Capital Market Authority commits itself to provide adequate staff and support to the twinning partner as well as to introduce the institutional changes identified as needed for the successful implementation of the project. During the work on the project, access of the twinning partners to all necessary management levels will be ensured. The project requires a careful monitoring and coordination between the EU and the Beneficiary.

11. Indicators for performance measurement

The specific objective of the Twinning project is to support the further implementation and enforcement of legislation aligned with the EU acquis, supervisory practices and standards, and to strengthen the institutional, regulatory and administrative capacities of: a) the Central Bank of Montenegro to fulfil requirements stemming from EU central banking and financial sector standards; b) the Insurance Supervision Agency to fulfil the requirements of EU insurance regulation, standards and supervisory

practices; and c) Capital Market Authority for effective implementation of the Capital Market Law and preparation for functioning within the European regulatory and supervisory framework.

Progress reported in the European Commission Report on Chapter 9 – Financial Services will be used as an impact-level indicator, reflecting the broader contribution of the project to Montenegro's EU accession process. However, Twinning performance measurement will primarily be based on specific, measurable and verifiable indicators linked to the achievement of project results.

Overall, Twinning performance measurement will be based on the quality and timeliness of expert inputs (reports, mappings, training materials, manuals, presentations etc.) provided, through project progress reports, as well as beneficiary satisfaction with the collaboration in response to the expressed needs for human resource and institutional capacity development.

COMPONENT 1

Result 1.1 – Security-by-Security (SBS) statistics developed and capacities for the production of SBS statistics strengthened

Indicator 1.1: Security-by-Security (SBS) statistical framework and operational arrangements for the production and dissemination of SBS statistics developed in line with ECB/ESCB standards, with the institutional and technical capacities of the Central Bank of Montenegro strengthened to ensure their effective and sustainable implementation.

(Baseline: SBS framework and dedicated institutional and technical capacities not in place; Target: SBS methodological, institutional and technical framework developed, implementation roadmap and operational arrangements defined, and relevant CBCG capacities for SBS production and dissemination strengthened.)

Result 1.2 – IT solution for the creation of a Data Warehouse for official statistics in line with international best practices drafted

Indicator 1.2: Existing ICT environment, business processes and statistical production system assessed and documented, and a modern Data Warehouse architecture for official statistics designed in line with international best practices, including requirements for data integration, metadata management, governance, security and scalability.

(Baseline: Fragmented ICT systems, undocumented processes and no integrated Data Warehouse solution; Target: Comprehensive assessment completed and documented, and target Data Warehouse architecture defined, including integration, metadata, governance, security and scalability requirements.)

Result 1.3 – Compensation and reward framework aligned with ESCB human resource management practices

Indicator 1.3. Existing compensation and reward system analysed against relevant ESCB human resource management practices and EU central banking good practices, with identified gaps addressed through the development of an enhanced compensation and reward framework.

(Baseline: No structured comparative analysis of the CBCG compensation and reward system against relevant ESCB and EU central banking good practices is available, while the need for further enhancement has been identified; Target: Comparative analysis and gap assessment completed, and a draft enhanced compensation and reward framework prepared, including proposed principles, criteria, procedures and implementation recommendations.)

Result 1.4 – Consumer protection framework in the financial sector further aligned with the EU acquis through enhanced regulatory and supervisory practices

Indicator 1.4: National consumer protection regulatory framework and supervisory practices assessed against the relevant EU acquis, with gaps identified and recommendations, regulatory improvements and an action plan developed to strengthen transparency, disclosure, consumer-lending practices, protection of vulnerable consumers and risk-based market conduct supervision.

(Baseline: Partial alignment with the EU acquis and no comprehensive reform/action plan in place; Target: Assessment and gap analysis completed, with recommendations, draft regulatory improvements and an action plan covering the key consumer protection and market conduct supervision areas developed.)

Result 1.5 – Cash management regulatory and institutional framework further aligned with Eurosystem standards

Indicator 1.5: Cash management regulatory, institutional and operational framework assessed against relevant Eurosystem standards and practices, with identified gaps addressed through the preparation and harmonisation of internal legal acts, manuals and procedures, including draft legal arrangements supporting the further digitalisation of cash management.

(Baseline: Partial alignment with Eurosystem standards, fragmented and partially outdated internal procedures, and limited legal support for further digitalisation; Target: Assessment and gap analysis completed, harmonised internal legal acts, manuals and procedures prepared, and draft legal arrangements supporting digitalisation developed in line with relevant Eurosystem requirements.)

Result 1.6 – Supervisory reporting framework further aligned with EU prudential reporting requirements, including FINREP and related data mapping requirements

Indicator 1.6.: FINREP supervisory reporting framework developed, including reporting templates, data mapping, validation and IT implementation requirements, while the capacities of relevant CBCG supervisory and IT staff are strengthened in line with EU supervisory reporting requirements.

(Baseline: National reporting is not fully aligned with FINREP requirements, no harmonised IT guidance for FINREP implementation is in place, and relevant supervisory and IT staff have limited exposure to FINREP requirements and related IT aspects; Target: FINREP reporting templates, data mapping and validation requirements, and IT implementation guidelines and recommendations prepared, with relevant CBCG supervisory and IT staff trained and supporting training materials and evaluation completed.)

Result 1.7 – Bank resolution framework further aligned with the evolving EU crisis management and deposit insurance acquis

Indicator 1.7: The impact of the EU CMDI framework on the national resolution system assessed, with the necessary operational, legal and regulatory adjustments identified and developed to support further alignment with the evolving EU crisis management framework.

(Baseline: No structured CMDI impact assessment in place and gaps remain in alignment with the evolving EU acquis; Target: CMDI impact assessment completed and the necessary operational, legal and regulatory amendments identified and drafted)

COMPONENT 2 - Strengthened administrative capacities of the ISA in line with EU best practice and regulatory and operational framework for insurance further aligned with Union Acquis

Result 2.1.: Montenegro's regulatory and operational framework in the area of regular supervisory review process further aligned with Union Acquis and EIOPA standards and capacities of the ISA in the field of regular supervisory review process further aligned with Union Acquis strengthened;

Indicator 2.1: Draft of amendments to the regulatory and sub-regulatory framework currently in force in Montenegro prepared and relevant ISA capacity strengthened through expert exchange);

(Baseline: operational framework is not fully in line with EIOPA guidelines and EU best practices; Target: draft regulatory and sub-regulatory framework aligned with EU acquis and EIOPA requirements prepared and ISA capacity further strengthened through expert exchange).

Result 2.2.: Methodological, analytical and technical supervisory framework for macroprudential supervision of insurance market developed and ISA relevant staff trained in macroprudential methodologies and tools for the identification, quantitative assessment and monitoring of systemic risks, relevant for Montenegrin insurance market with ISA capacities strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices

Indicator 2.2: Manual for macroprudential supervision including methodological, institutional and technical frameworks, providing appropriate and relevant analytical criteria and methodology for the identification, quantitative assessment, indicators calculation and intervals and monitoring of systemic risks relevant for Montenegrin insurance market (as applicable: macro-developments, entity-based, activity-based and behaviour-based systemic risks; interconnectedness and/or market risk concentrations and transmission channel analyses), aligned with Union Acquis and best EU practices drafted and presented, with ISA capacities strengthened through practical application training sessions on methodology and practice exchange visits for ISA staff implemented.

(Baseline: these is no operational framework for macroprudential supervision with relevant analytical methodology for the identification, quantitative assessment, monitoring of systemic risks in the insurance sector and no ISA staff trained in the corresponding methodologies and tools.; Target: Manual for macroprudential supervision with relevant analytical methodology for the identification, quantitative indicators assessment and monitoring of systemic risks in the insurance sector aligned with line with Union Acquis EU practices prepared and presented and seven ISA staff trained through trainings and direct practice exchange visits for ISA staff implemented)

Result 2.3.: Methodological, institutional and technical supervisory framework for development and operation of systemic risk dashboard for insurance market, providing appropriate and relevant analytical methodology for the identification, classification and quantitative assessment of indicators and presentation of systemic risks in Montenegrin insurance market developed and ISA relevant staff trained, in the field of developing and operation of insurance market systemic risk dashboard, with ISA capacities strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices

Indicator 2.3: Manual containing appropriate and relevant methodology for developing a systemic risk dashboard, including methodological, institutional and technical framework with indicator calculations, data sources, reporting intervals and general criteria to identify, analyse, and present systemic risks relevant to the Montenegrin insurance market, aligned with the EU acquis, EIOPA guidelines and practices in EU member states drafted and presented with ISA

capacities strengthened through practical application training sessions on methodology and direct practice exchange visits for ISA staff implemented

(Baseline: these is no operational framework for developing a systemic risk dashboard, in the insurance sector and no ISA staff trained in the corresponding methodologies and tools; Target: Manual for developing a systemic risk dashboard in the insurance sector aligned with Union Acquis, EIOPA guidelines and EU practices prepared and presented and seven ISA staff trained in practical application through trainings and practice exchange visits for ISA staff implemented)

Result 2.4.: Regulatory framework in the area of supervision of cybersecurity risks and digital resilience for insurance market (DORA), (including market guidelines, internal supervisory procedures) aligned with EU acquis, developed and capacities of the ISA, in the field of supervision of cybersecurity risks and digital resilience for insurance market in line with DORA regulation strengthened through exchange of supervisory expertise and best practice;

Indicator 2.4.: Draft regulatory and operational framework in the area of cybersecurity risks and digital resilience for insurance market, aligned with EU acquis (DORA) and EIOPA requirements prepared, with ISA staff trained in practical application through trainings and practice exchange visits for ISA staff implemented) .

(Baseline: operational framework is not fully in line with EIOPA guidelines and EU best practices and no ISA staff trained in implementation of corresponding framework; Target: draft regulatory and sub-regulatory framework aligned with EU acquis and EIOPA requirements prepared and ISA staff trained through exchange of supervisory expertise and EU best practices).

Result 2.5.: Bylaws and supervisory procedures for operating of the regulatory sandbox for innovative technology solutions in insurance, aligned with EU practices, drafted and capacities of the ISA, in the field of incorporation and operating of regulatory sandbox for innovative technology solutions in insurance market in line with practice in EU member states strengthened through exchange of supervisory expertise and EU best practices;

Indicator 2.5.: Draft regulatory and operational framework prepared in the area of incorporation and operating of the regulatory sandbox, aligned with EU acquis (DORA) and relevant ISA capacity strengthened through expert exchange.

(Baseline: operational framework is not fully in line with EIOPA guidelines and EU best practices and no ISA staff trained in implementation of corresponding framework; Target: draft regulatory and sub-regulatory framework aligned with EU acquis and EIOPA requirements prepared and ISA staff trained through exchange of supervisory expertise and EU best practices).

Result 2.6.: Operational and methodological framework for supervisory assessment of the new fintech products and innovative solutions for insurance market , with focus on Solvency II framework requirements regarding consumer protection, ICT third-party outsourcing risks, and data ethics, aligned with EU practices, developed and capacities of the ISA, in the field of assessment for new fintech products and innovative digital solutions for supervision of insurance

market, strengthened through comprehensive forms of direct exchange of supervisory expertise and best EU practices

Indicator 2.6.: Draft regulatory and operational framework prepared in the area of supervisory assessment of the new fintech products and innovative solutions for insurance market, with focus on Solvency II framework requirements regarding consumer protection, ICT third-party outsourcing risks, and data ethics, aligned with EU practice prepared and relevant ISA staff trained in the field of supervisory analysis of new fintech products and innovative digital solutions (AI) for supervision of insurance market, with institutional capacity strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices).

(Baseline: there is no regulatory and operational framework in relation to supervisory assessment of the new fintech products and innovative solutions for insurance market and no ISA staff trained in implementation of corresponding methodology; Target: draft regulatory and sub-regulatory framework aligned with EU acquis and EIOPA requirements prepared and seven ISA staff trained through direct practice exchange visits for five ISA staff implemented).

COMPONENT 3

Result 3.1: The regulatory and operational framework of the capital market was further prepared for the implementation of Capital Market Law No. 016/26 and functioning within the EU regulatory system

Indicator 3.1.1

The readiness of the Capital Market Authority for the implementation of the Capital Market Law and functioning within the EU regulatory framework is assessed, while a roadmap, an action plan, and monitoring arrangements supporting the implementation of the Capital Market Law and Montenegro's future participation in the EU regulatory and supervisory framework are prepared.

Indicator 3.1.2

The supervisory framework of the Capital Market Authority is further aligned with the Capital Market Law, the legal framework governing UCITS and alternative investment funds, the EU acquis, and relevant European supervisory practices through the preparation or upgrading of supervisory procedures, methodologies and guidance, while the operational framework for future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States is further developed.

Baseline (2026): The supervisory framework, internal procedures, methodologies and arrangements for future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States require further alignment with the Capital Market Law, the legal framework governing UCITS and alternative investment funds, and the EU acquis. Preparations for the implementation of the Capital Market Law and future participation in the European regulatory and supervisory framework are not yet fully completed.

Target: Assessment completed; roadmap, action plan and monitoring arrangements prepared; supervisory procedures, methodologies and guidance developed or updated; operational arrangements

supporting future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States established.

Result 3.2: Administrative and professional capacities of the Capital Market Authority were further strengthened in line with identified training needs.

Indicator 3.2.1

A Training Needs Assessment is completed and a Training Programme prepared, while the administrative, professional and technical capacities of at least 10 staff members of the Capital Market Authority are strengthened in accordance with the identified priorities, including the implementation of the Capital Market Law, the legal framework governing UCITS and alternative investment funds, and relevant EU supervisory practices.

Indicator 3.2.2

Methodologies and guidance supporting risk-based supervision, risk assessment of supervised entities, cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States, and the use of information and analytical tools in supervisory activities are developed, while the capacities of at least 10 staff members of the Capital Market Authority are strengthened through practical application, knowledge exchange, training activities and study visits.

Baseline (2026): Training needs have not been systematically assessed. Staff require further strengthening of administrative, professional, and technical capacities, including knowledge and practical skills for the implementation of the Capital Market Law, risk-based supervision, cooperation with the European Securities and Markets Authority (ESMA), and the use of information and analytical tools in supervisory activities in line with relevant EU supervisory practices.

Target: Training Needs Assessment completed and Training Programme prepared; relevant methodologies and guidance developed; knowledge exchange activities, trainings and study visits implemented; and the capacities of at least 10 staff members of the Capital Market Authority strengthened in the implementation of the Capital Market Law, risk-based supervision, cooperation with the European Securities and Markets Authority (ESMA), and the use of information and analytical tools in supervisory activities.

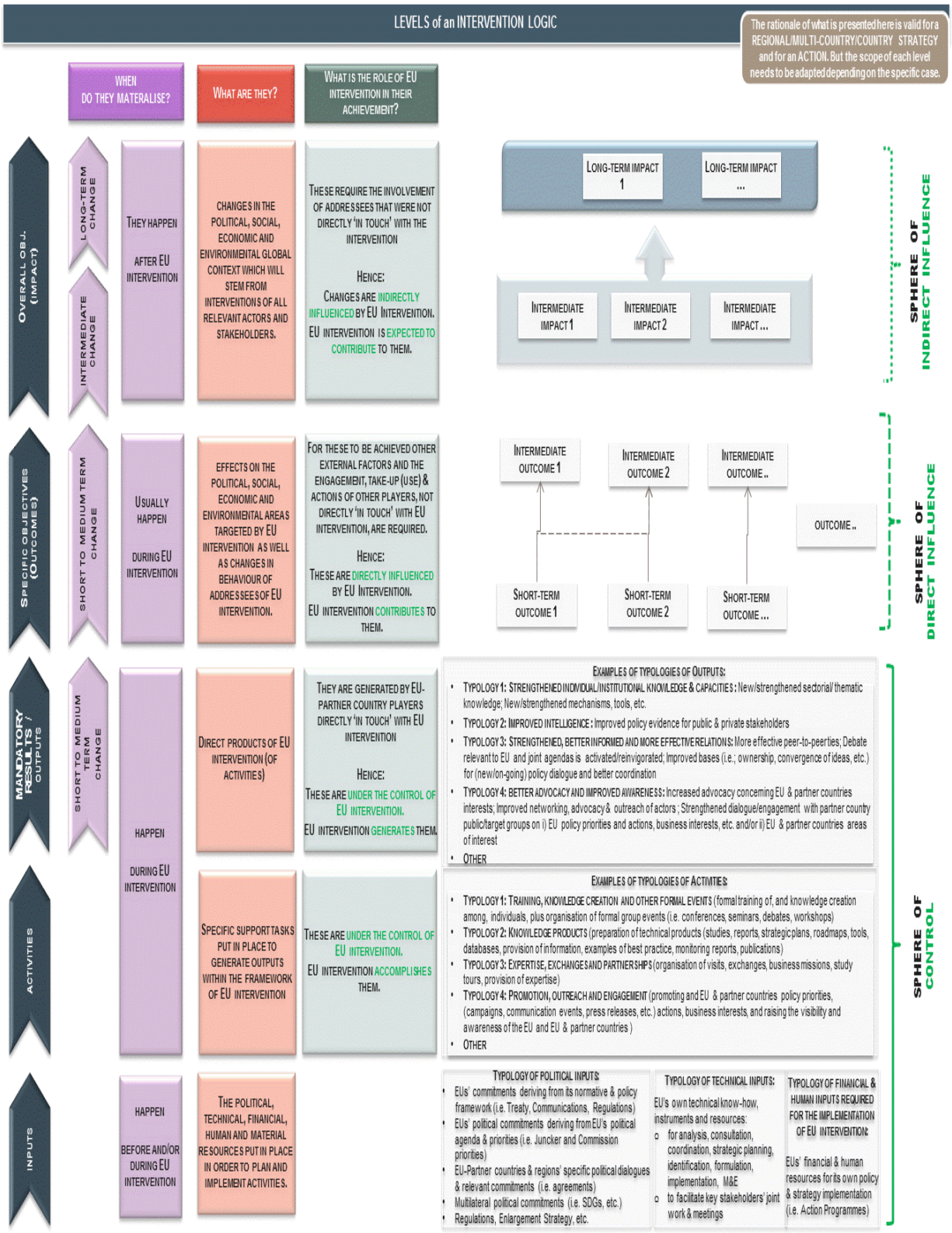
12. Facilities available

The Beneficiary commits itself to provide adequately equipped office space in the premises of the Capital Market Authority for the RTA to carry out his/her tasks. The beneficiary is expected to make available access to telephone, internet connection, printer, photocopier. Security related issues will be assured according to the standards and practices applicable for all Montenegrin public institutions.

ANNEXES TO PROJECT FICHE

1. The Simplified Logical framework matrix as per Annex C1a (compulsory)

ANNEX C1a: Levels of an intervention logic


LEVELS of an INTERVENTION LOGIC
The rationale of what is presented here is valid for a REGIONAL/MULTI-COUNTRY/COUNTRY STRATEGY and for an ACTION. But the scope of each level needs to be adapted depending on the specific case.
WHEN DO THEY MATERALISE?
WHAT ARE THEY?
WHAT IS THE ROLE OF EU INTERVENTION IN THEIR ACHIEVEMENT?
OVERALL OBJ. (IMPACT)
LONG-TERM CHANGE
INTERMEDIATE CHANGE
THEY HAPPEN AFTER EU INTERVENTION
CHANGES IN THE POLITICAL, SOCIAL, ECONOMIC AND ENVIRONMENTAL GLOBAL CONTEXT WHICH WILL STEM FROM INTERVENTIONS OF ALL RELEVANT ACTORS AND STAKEHOLDERS.
THESE REQUIRE THE INVOLVEMENT OF ADDRESSEES THAT WERE NOT DIRECTLY 'IN TOUCH' WITH THE INTERVENTION
HENCE:
CHANGES ARE INDIRECTLY INFLUENCED BY EU INTERVENTION.
EU INTERVENTION IS EXPECTED TO CONTRIBUTE TO THEM.
LONG-TERM IMPACT 1
LONG-TERM IMPACT ...
INTERMEDIATE IMPACT 1
INTERMEDIATE IMPACT 2
INTERMEDIATE IMPACT ...
SPHERE OF INDIRECT INFLUENCE
SPECIFIC OBJECTIVES (OUTCOMES)
SHORT TO MEDIUM TERM CHANGE
USUALLY HAPPEN DURING EU INTERVENTION
EFFECTS ON THE POLITICAL, SOCIAL, ECONOMIC AND ENVIRONMENTAL AREAS TARGETED BY EU INTERVENTION AS WELL AS CHANGES IN BEHAVIOUR OF ADDRESSEES OF EU INTERVENTION.
FOR THESE TO BE ACHIEVED OTHER EXTERNAL FACTORS AND THE ENGAGEMENT, TAKE-UP (USE) & ACTIONS OF OTHER PLAYERS, NOT DIRECTLY 'IN TOUCH' WITH EU INTERVENTION, ARE REQUIRED.
HENCE:
THESE ARE DIRECTLY INFLUENCED BY EU INTERVENTION.
EU INTERVENTION CONTRIBUTES TO THEM.
INTERMEDIATE OUTCOME 1
INTERMEDIATE OUTCOME 2
INTERMEDIATE OUTCOME ..
OUTCOME ..
SHORT-TERM OUTCOME 1
SHORT-TERM OUTCOME 2
SHORT-TERM OUTCOME ...
SPHERE OF DIRECT INFLUENCE
MANDATORY RESULTS / OUTPUTS
SHORT TO MEDIUM TERM CHANGE
HAPPEN DURING EU INTERVENTION
DIRECT PRODUCTS OF EU INTERVENTION (OF ACTIVITIES)
THEY ARE GENERATED BY EU-PARTNER COUNTRY PLAYERS DIRECTLY 'IN TOUCH' WITH EU INTERVENTION
HENCE:
THESE ARE UNDER THE CONTROL OF EU INTERVENTION.
EU INTERVENTION GENERATES THEM.
EXAMPLES OF TYPOLOGIES OF OUTPUTS:
TYPOLOGY 1: STRENGTHENED INDIVIDUAL/INSTITUTIONAL KNOWLEDGE & CAPACITIES: New/strengthened sectorial/ thematic knowledge; New/strengthened mechanisms, tools, etc.
TYPOLOGY 2: IMPROVED INTELLIGENCE: Improved policy evidence for public & private stakeholders
TYPOLOGY 3: STRENGTHENED, BETTER INFORMED AND MORE EFFECTIVE RELATIONS: More effective peer-to-peerties; Debate relevant to EU and joint agendas is activated/reinvigorated; Improved bases (i.e.; ownership, convergence of ideas, etc.) for (new/on-going) policy dialogue and better coordination
TYPOLOGY 4: BETTER ADVOCACY AND IMPROVED AWARENESS: Increased advocacy concerning EU & partner countries interests; Improved networking, advocacy & outreach of actors ; Strengthened dialogue/engagement with partner country public/target groups on i) EU policy priorities and actions, business interests, etc. and/or ii) EU & partner countries areas of interest
OTHER
ACTIVITIES
SPECIFIC SUPPORT TASKS PUT IN PLACE TO GENERATE OUTPUTS WITHIN THE FRAMEWORK OF EU INTERVENTION
THESE ARE UNDER THE CONTROL OF EU INTERVENTION.
EU INTERVENTION ACCOMPLISHES THEM.
EXAMPLES OF TYPOLOGIES OF ACTIVITIES:
TYPOLOGY 1: TRAINING, KNOWLEDGE CREATION AND OTHER FORMAL EVENTS (formal training of, and knowledge creation among, individuals, plus organisation of formal group events (i.e. conferences, seminars, debates, workshops)
TYPOLOGY 2: KNOWLEDGE PRODUCTS (preparation of technical products (studies, reports, strategic plans, roadmaps, tools, databases, provision of information, examples of best practice, monitoring reports, publications)
TYPOLOGY 3: EXPERTISE, EXCHANGES AND PARTNERSHIPS (organisation of visits, exchanges, business missions, study tours, provision of expertise)
TYPOLOGY 4: PROMOTION, OUTREACH AND ENGAGEMENT (promoting and EU & partner countries policy priorities, (campaigns, communication events, press releases, etc.) actions, business interests, and raising the visibility and awareness of the EU and EU & partner countries)
OTHER
INPUTS
HAPPEN BEFORE AND/OR DURING EU INTERVENTION
THE POLITICAL, TECHNICAL, FINANCIAL, HUMAN AND MATERIAL RESOURCES PUT IN PLACE IN ORDER TO PLAN AND IMPLEMENT ACTIVITIES.
TYPOLOGY OF POLITICAL INPUTS:
EUs' commitments deriving from its normative & policy framework (i.e. Treaty, Communications, Regulations)
EUs' political commitments deriving from EU's political agenda & priorities (i.e. Juncker and Commission priorities)
EU-Partner countries & regions' specific political dialogues & relevant commitments (i.e. agreements)
Multilateral political commitments (i.e. SDGs, etc.)
Regulations, Enlargement Strategy, etc.
TYPOLOGY OF TECHNICAL INPUTS:
EU's own technical know-how, instruments and resources:
for analysis, consultation, coordination, strategic planning, identification, formulation, implementation, M&E
to facilitate key stakeholders' joint work & meetings
TYPOLOGY OF FINANCIAL & HUMAN INPUTS REQUIRED FOR THE IMPLEMENTATION OF EU INTERVENTION:
EUs' financial & human resources for its own policy & strategy implementation (i.e. Action Programmes)
SPHERE OF CONTROL

Annex C1a: Simplified Logical Framework

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	The overall objective of this action is to support Montenegro's progress towards full integration into the European Union by enhancing the capacity of its financial sector regulatory and supervisory authorities to further align with the EU acquis, relevant EU standards, and applicable ESCB/Eurosystem standards and institutional requirements.	Progress made toward meeting EU accession requirements in financial services, economic and monetary policy and statistics. **Baseline:** Further alignment with the EU acquis and ESCB/Eurosystem standards remains required, particularly in financial sector supervision, statistical alignment and institutional preparedness. **Target:** Progress recorded in the relevant European Commission assessments under Chapters 9, 17 and 18. Strengthened financial sector stability and supervisory preparedness. **Baseline:** Financial sector stability maintained, but further regulatory, supervisory, reporting and crisis management alignment required. **Target:** Financial sector stability preserved and institutional preparedness for EU financial sector obligations strengthened.	Central bank of Montenegro statistics EC Progress Reports Project interim and final reports	Unclear division of the responsibilities among involved parties Lack of commitment and sufficient cooperation between all parties that provide contributions in the project	Montenegro remains committed to the EU accession process; Strong support and commitment from twinning partner(s) organisations

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Specific (Project) Objective(s)	The specific objective of this action is to strengthen the institutional, regulatory and supervisory capacities of Montenegro's three financial sector regulatory and supervisory authorities, the Central Bank of Montenegro, the Capital Market Authority and the Insurance Supervision Agency, to design, adopt and implement reforms supporting further alignment with the evolving EU acquis, relevant EU standards and applicable ESCB/Eurosystem requirements.	Extent to which regulatory, supervisory, statistical, operational and institutional frameworks of beneficiary authorities are further aligned with the EU acquis, EU standards and ESCB/Eurosystem requirements. **Baseline:** Partial alignment with EU acquis and ESCB/Eurosystem standards; further specialised technical support required. **Target:** Mandatory results delivered, including assessments, gap analyses, roadmaps, draft frameworks, procedures, recommendations, training activities and study visits.	EC Annual Report on Montenegro Official annual reports submitted by CBCG to the Parliament Project interim and final reports Project Steering Committee minutes	Full commitment and support to the project by CBCG, ISA, CMA and MoF; Adequate coordination among institutions and stakeholders involved; Challenges with administrative capacity to gather the necessary information timely data delivery/ activity data collection	Montenegro remains committed to the EU accession process; Full commitment and support to the Project by the CBCG and the Government

Mandatory results/outputs by components	**Component 1: Capacities of the Central Bank of Montenegro strengthened for alignment with the EU acquis and ESCB/Eurosystem standards** **Result 1.1: Security-by-Security (SBS) statistics developed and capacities for the production of SBS statistics strengthened** **Result 1.2: IT solution for the creation of a Data Warehouse for official statistics in line with European and international best practices drafted**	**Indicator 1.1**: Security-by-Security (SBS) statistical framework and operational arrangements for the production and dissemination of SBS statistics developed in line with ECB/ESCB standards, with the institutional and technical capacities of the Central Bank of Montenegro strengthened to ensure their effective and sustainable implementation. **(Baseline:** SBS framework and dedicated institutional and technical capacities not in place; **Target:** SBS methodological, institutional and technical framework developed, implementation roadmap and operational arrangements defined, and relevant CBCG capacities for SBS production and dissemination strengthened.) **Indicator 1.2:** Existing ICT environment, business processes and statistical production system assessed and documented, and a modern Data Warehouse architecture for official statistics designed in line with international best practices, including requirements for data integration, metadata	Project Monitoring reports Training results/ output/ performance evaluations Training programme documents	Loss of critical competencies or key people in the project Changes on executing the planned results Unclear division of the responsibilities among involved parties Lack of commitment and sufficient cooperation between all parties that provide contributions in the project	Sufficient number of staff involved in the activities of the Action; Counterpart staff in beneficiary institutions identified, available and cooperates in implementing the Project; Adequate coordination of the institutions and stakeholders involved Strong support and commitment from twinning partner(s) organisations

	Result 1.3: Compensation and reward framework aligned with ESCB human resource management practices	management, governance, security and scalability. (**Baseline:** Fragmented ICT systems, undocumented processes and no integrated Data Warehouse solution; **Target:** Comprehensive assessment completed and documented, and target Data Warehouse architecture defined, including integration, metadata, governance, security and scalability requirements.) **Indicator 1.3.** Existing compensation and reward system analysed against relevant ESCB human resource management practices and EU central banking good practices, with identified gaps addressed through the development of an enhanced compensation and reward framework. **(Baseline:** No structured comparative analysis of the CBCG compensation and reward system against relevant ESCB and EU central banking good practices is available, while the need for further enhancement has been identified; Target: Comparative analysis and gap assessment completed, and a draft enhanced compensation and reward framework prepared, including proposed principles, criteria, procedures and implementation recommendations.)			

	Result 1.4 – Consumer protection framework in the financial sector further aligned with the EU acquis through enhanced regulatory and supervisory practices **Result 1.5 – Cash management regulatory and institutional framework further aligned with Eurosystem standards** .	**Indicator 1.4:** National consumer protection regulatory framework and supervisory practices assessed against the relevant EU acquis, with gaps identified and recommendations, regulatory improvements and an action plan developed. (**Baseline: Partial** alignment with the EU acquis and no comprehensive reform/action plan in place; Target: Assessment and gap analysis completed, with recommendations, draft regulatory improvements and an action plan covering the key consumer protection and market conduct supervision areas developed.) **Indicator 1.5**: Cash management regulatory, institutional and operational framework assessed against relevant Eurosystem standards and practices, with identified gaps addressed through the preparation and harmonisation of internal legal acts, manuals and procedures, including draft legal arrangements supporting the further digitalisation of cash management. **(Baseline**: Partial alignment with Eurosystem standards, fragmented and partially outdated internal procedures, and limited legal support for further digitalisation; **Target:** Assessment and gap analysis completed, harmonised internal			

	Result 1.6 – Supervisory reporting framework further aligned with EU prudential reporting requirements, including FINREP and related data mapping requirements **Result 1.7 – Bank resolution framework further aligned with the evolving EU crisis management and deposit insurance acquis**	legal acts, manuals and procedures prepared, and draft legal arrangements supporting digitalisation developed in line with relevant Eurosystem requirements.) **Indicator 1.6:** FINREP supervisory reporting framework developed, including reporting templates, data mapping, validation and IT implementation requirements, while the capacities of relevant CBCG supervisory and IT staff are strengthened in line with EU supervisory reporting requirements. (**Baseline:** National reporting is not fully aligned with FINREP requirements, no harmonised IT guidance for FINREP implementation is in place, **Target:** FINREP reporting templates, data mapping and validation requirements, and IT implementation guidelines and recommendations prepared, with relevant CBCG supervisory and IT staff trained and supporting training materials and evaluation completed.) **Indicator 1.7:** The impact of the EU CMDI framework on the national resolution system assessed, with the necessary operational, legal and regulatory adjustments identified and developed to support further alignment with the evolving EU crisis management framework.			

		(Baseline: No structured CMDI impact assessment in place and gaps remain in alignment with the evolving EU acquis; **Target**: CMDI impact assessment completed and the necessary operational, legal and regulatory amendments identified and drafted			
	COMPONENT 2 – Strengthened administrative capacities of the ISA and regulatory and operational framework for insurance further aligned with Union Acquis **Result 2.1.:- Montenegro's regulatory and operational framework in the area of regular supervisory review process further aligned with Union Acquis and EIOPA standards and capacities of the ISA in the field of regular supervisory review process further aligned with Union Acquis strengthened.;**	**Indicator 2.1.:** - Draft of amendments to the regulatory and sub-regulatory framework currently in force in Montenegro prepared and .relevant ISA capacity strengthened through expert exchange); (Baseline: operational framework is not fully in line with EIOPA guidelines and EU best practices ; Target: draft regulatory and sub-regulatory framework aligned with EU acquis and EIOPA requirements prepared and ISA capacity further strengthened through expert exchange).			
	Result 2.2.: -Methodological, analytical and technical supervisory framework for macroprudential supervision of insurance market developed	**Indicator 2..2.:-** Manual for macroprudential supervision including methodological, institutional and technical frameworks, providing appropriate and relevant			

	and ISA relevant staff trained in macroprudential methodologies and tools for the identification, quantitative assessment and monitoring of systemic risks, relevant for Montenegrin insurance market with ISA capacities strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices.	analytical criteria and methodology for the identification, quantitative assessment, indicators calculation and intervals and monitoring of systemic risks relevant for Montenegrin insurance market (as applicable: macro-developments, entity-based, activity-based and behaviour-based systemic risks; interconnectedness and/or market risk concentrations and transmission channel analyses) , aligned with Union Acquis, and best EU practices drafted and presented, with ISA capacities strengthened through practical application training sessions on methodology and practice exchange visits for ISA staff implemented . (Baseline: these is no operational framework for macroprudential supervision with relevant analytical methodology for the identification, quantitative assessment and monitoring of systemic risks in the insurance sector and no ISA staff trained in the corresponding methodologies and tools.; Target: Manual for macroprudential supervision with relevant analytical methodology for the identification, quantitative indicators assessment and monitoring of systemic risks in the insurance sector aligned with line with Union Acquis and EU practices prepared and presented			

	Result 2.3.: Methodological, institutional and technical supervisory framework for development and operation of systemic risk dashboard for insurance market, providing appropriate and relevant analytical methodology for the identification, classification and quantitative assessment of indicators and presentation of systemic risks in Montenegrin insurance market developed and ISA relevant staff trained, in the field of developing and operation of insurance market systemic risk dashboard, with ISA capacities strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices.;	and seven ISA staff trained through trainings and direct practice exchange visits for ISA staff implemented). **Indicator 2.3.:** Manual containing appropriate and relevant methodology for developing a systemic risk dashboard, including methodological, institutional and technical framework with indicator calculations, data sources, reporting intervals and general criteria to identify, analyse, and present systemic risks relevant to the Montenegrin insurance market, aligned with the EU acquis, EIOPA guidelines and practices in EU member states drafted and presented, with ISA capacities strengthened through practical application training sessions on methodology and direct practice exchange visits for ISA staff implemented. (Baseline: these is no operational framework for developing a systemic risk dashboard, in the insurance sector and no ISA staff trained in the corresponding methodologies and tools; Target: Manual for developing a systemic risk dashboard in the insurance sector aligned with Union Acquis, EIOPA guidelines and EU practices prepared and presented and seven ISA staff trained in practical application through			

		trainings and practice exchange visits for ISA staff implemented			
	Result 2.4.: Regulatory framework in the area of supervision of cybersecurity risks and digital resilience for insurance market (DORA), (including market guidelines, internal supervisory procedures) aligned with EU acquis, developed and capacities of the ISA, in the field of supervision of cybersecurity risks and digital resilience for insurance market in line with DORA regulation strengthened through exchange of supervisory expertise and best practice.	**Indicator 2.4.:-** Draft regulatory and operational framework in the area of cybersecurity risks and digital resilience for insurance market, aligned with EU acquis (DORA) and EIOPA requirements prepared, with ISA staff trained in practical application through trainings and practice exchange visits for ISA staff implemented). (Baseline: operational framework is not fully in line with EIOPA guidelines and EU best practices and no ISA staff trained in implementation of corresponding framework; Target: draft regulatory and sub-regulatory framework aligned with EU acquis and EIOPA requirements prepared and ISA staff trained through exchange of supervisory expertise and EU best practices).			
	Result 2.5.: Bylaws and supervisory procedures for operating of the regulatory sandbox for innovative technology solutions in insurance, aligned with EU practices, drafted; drafted and capacities of the ISA, in the field of incorporation and operating of regulatory sandbox for innovative technology solutions in insurance market in line with practice in EU	**Indicator 2.5**.:- Draft regulatory and operational framework prepared in the area of incorporation and operating of the regulatory sandbox, aligned with EU acquis (DORA) and relevant ISA capacity strengthened through expert exchange). (Baseline: operational framework is not fully in line with EIOPA guidelines and EU best practices and no ISA staff			

	member states strengthened through exchange of supervisory expertise and EU best practices.	trained in implementation of corresponding framework; Target: draft regulatory and sub-regulatory framework aligned with EU acquis and EIOPA requirements prepared and ISA staff trained through exchange of supervisory expertise and EU best practices).			
	Result 2.6.:- Operational and methodological framework for supervisory assessment of the new fintech products and innovative solutions for insurance market , with focus on Solvency II framework requirements regarding consumer protection, ICT third-party outsourcing risks, and data ethics, aligned with EU practices, developed and capacities of the ISA, in the field of assessment for new fintech products and innovative digital solutions for supervision of insurance market, strengthened through comprehensive forms of direct exchange of supervisory expertise and best EU practices.	**Indicator 2.6.:** - Draft regulatory and operational framework prepared in the area of supervisory assessment of the new fintech products and innovative solutions for insurance market, with focus on Solvency II framework requirements regarding consumer protection, ICT third-party outsourcing risks, and data ethics, aligned with EU practice prepared and relevant ISA staff trained in the field of supervisory analysis of new fintech products and innovative digital solutions (AI) for supervision of insurance market, with institutional capacity strengthened through structured knowledge transfer, practical application and comprehensive forms of direct exchange of supervisory expertise and best EU practices). (Baseline: there is no regulatory and operational framework in relation to supervisory assessment of the new fintech products and innovative solutions for insurance market and no ISA staff trained in			

		implementation of corresponding methodology; Target: draft regulatory and sub-regulatory framework aligned with EU acquis and EIOPA requirements prepared and seven ISA staff trained through direct practice exchange visits for five ISA staff implemented).			
	COMPONENT 3. **Strengthening the regulatory and operational framework and administrative capacities of the Capital Market Authority for the implementation of the Capital Market Law and preparation for participation in the European System of Financial Supervision** **Result 3.1: The regulatory and operational framework of the capital market was further prepared for the implementation of Capital Market Law No. 016/26 and functioning within the EU regulatory system**	Indicators for Component 3: Indicator 3.1.1 The readiness of the Capital Market Authority for the implementation of the Capital Market Law and functioning within the EU regulatory framework is assessed, while a roadmap, an action plan, and monitoring arrangements supporting the implementation of the Capital Market Law and Montenegro's future participation in the EU regulatory and supervisory framework are prepared. Indicator 3.1.2			

		The supervisory framework of the Capital Market Authority is further aligned with the Capital Market Law, the legal framework governing UCITS and alternative investment funds, the EU acquis, and relevant European supervisory practices through the preparation or upgrading of supervisory procedures, methodologies and guidance, while the operational framework for future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States is further developed. Baseline (2026): The supervisory framework, internal procedures, methodologies and arrangements for future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States require further alignment with the Capital Market Law, the legal framework governing UCITS and alternative investment funds, and the EU acquis. Preparations for the implementation of the Capital Market Law and future participation in the European regulatory and supervisory framework are not yet fully completed. Target: Assessment completed; roadmap, action plan and monitoring arrangements			

	Result 3.2: Administrative and professional capacities of the Capital Market Authority were further strengthened in line with identified training needs.	prepared; supervisory procedures, methodologies and guidance developed or updated; operational arrangements supporting future cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States established. Indicator 3.2.1 A Training Needs Assessment is completed and a Training Programme prepared, while the administrative, professional and technical capacities of at least 10 staff members of the Capital Market Authority are strengthened in accordance with the identified priorities, including the implementation of the Capital Market Law, the legal framework governing UCITS and alternative investment funds, and relevant EU supervisory practices. Indicator 3.2.2 Methodologies and guidance supporting risk-based supervision, risk assessment of supervised entities, cooperation with the European Securities and Markets Authority (ESMA) and competent authorities of EU Member States, and the use of information and analytical tools in supervisory activities are developed, while the capacities of at least 10 staff members of the Capital Market Authority are			

		strengthened through practical application, knowledge exchange, training activities and study visits. Baseline (2026): Training needs have not been systematically assessed. Staff require further strengthening of administrative, professional, and technical capacities, including knowledge and practical skills for the implementation of the Capital Market Law, risk-based supervision, cooperation with the European Securities and Markets Authority (ESMA), and the use of information and analytical tools in supervisory activities in line with relevant EU supervisory practices. Target: Training Needs Assessment completed and Training Programme prepared; relevant methodologies and guidance developed; knowledge exchange activities, trainings and study visits implemented; and the capacities of at least 10 staff members of the Capital Market Authority strengthened in the implementation of the Capital Market Law, risk-based supervision, cooperation with the European Securities and Markets Authority (ESMA), and the use of information and analytical tools in supervisory activities.			

Electronically signed on 28/10/2026 07:53 (UTC+01) in accordance with Article 11 of Commission Decision (EU) 2021/2121