



ANNEX C1: Twinning Fiche¹

Project title: Support for regulation of the financial services in Montenegro

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

Twining Reference: ME 24 IPA FI 01 24

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EU funded project

TWINNING TOOL

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

LIST OF ABBREVIATIONS

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

BRRD2	Bank Recovery and Resolution Directive II
BS	Balance Sheet, in line with IFRS
CBM	Central Bank of Montenegro
CEBS	Committee of European Banking Supervisors
COMCO	Committee on Controlling
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected credit loss
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
EU	European Union
ICAAP	Internal Capital Adequacy Assessment Process
ISA	Insurance Supervision Agency of Montenegro
IS	Income Statement, in line with IFRS
IFRS 9	International Financial Reporting Standard- Financial Instruments
IFRS 17	International Financial Reporting Standard-Insurance Contract
IPA	Instrument for Pre-Accession Assistance
ML-FT	Money Laundering and Terrorism Financing
MS	Member State
MoF	Ministry of Finance
MREL	Minimum requirements for own funds and eligible liabilities
ORSA	Own Risk and Solvency Assessment

PAEU	Programme of Accession to the European Union
PSC	Project Steering Committee
PSD2	Payment Services Directive 2
RTA	Resident Twinning Advisor
SAA	Stabilization and Association Agreement
SDGs	Sustainable Development Goals
SEPA	Single Euro Payments Area

1. Basic Information

1.1 Programme:

IPA 2024 - DIRECT MANAGEMENT ACT-62406 - European Union Integration Facility (EUIF) 2024 - ME2024AAP

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

1.3 EU funded budget: EUR 1.800.000 EUR

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(s):

Overall objective is to contribute to financial and economic stability by strengthening the efficiency, accountability and safety of the financial sector in Montenegro.

2.2 Specific objective:

The specific objective is to further enforce the legislation aligned with EU Acquis, supervisory practices and standards as well as strengthen the institutional, regulatory and administrative capacity of the Central Bank of Montenegro and the Insurance Supervision Agency (hereinafter: ISA).

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, CBM contributes to fulfilment of these obligations by aligning the CBM's core functions with EU regulations and internationally accepted standards as well as aligning CBM 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 which are in jurisdiction of the CBM. 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.

Activities envisaged by this Action correlate with the priorities and timelines defined in the Montenegro's Programme of Accession to the European Union 2022 – 2023 (PAEU) within negotiation chapters 4 – Free movement of capital, 9 – Financial services, and 17 – Economic and monetary union.

This Action is correlated with Economic Reform Programme 2022 – 2024 (ERP) which represents an instrument for economic policy planning of a country and managing the reforms aimed at maintaining the macroeconomic stability, strengthening international competitiveness, and improving conditions for an inclusive growth. Furthermore, the Action is in line with priorities recognised in the Public Administration Reform strategy 2022-2026 aimed in building adequate capacity of the institutions to fully take on obligations of EU membership.

Also, this Action addresses the Economic and Investment Plan (EIP) for the Western Balkans.

3. Description

3.1 Background and justification:

Financial services reform strongly depends on the harmonisation and integration of the Montenegrin financial market with the European system. Montenegrin financial sector requires further strengthening of supervisory and regulatory capacities and further alignment of the regulatory framework by enacting bylaws, setting rules and guidelines in accordance with relevant international practice and standards of the EU as a prerequisite for efficient financial services and the financial stability. In relation to this issue, substantial progress is needed for the reinforcement of the implementation mechanisms and capacity building, which is necessary for the strengthening of the institutional framework.

The key stakeholders that will benefit from this Project are the Insurance Supervision Agency of Montenegro (ISA), Central Bank of Montenegro (CBM) and the Ministry of Finance (MoF). This Action aims to strengthen the institutional, regulatory and administrative capacity of the Central Bank of Montenegro for fulfilment of requirements of EU central banking policy standards and the Insurance Supervision Agency for enacting bylaws, setting rules and guidelines for insurance services as well as for ensuring the stable, sound, sustainable and efficient insurance market, necessary for successful participation in the single market and fulfilment of EU standards and requirements. MoF is responsible for establishment of the legal and regulatory framework in the area of the financial system and it is responsible for proposing financial legislation that is aligned with EU regulation and standards. This ensures a unified approach to regulatory reforms and effective oversight of the financial sector.

This Action is intended to provide crucial support for the further alignment of the area of financial services in Montenegro with the Union Acquis, with strengthening the regulatory and supervisory capacities of the Insurance Supervision Agency and the Central Bank of Montenegro. The Action is divided into two Components: Component 1 – Further alignment of the regulatory and operational framework for financial services with Union Acquis and strengthening the administrative capacities of the Central Bank of Montenegro; and Component 2 - Strengthening the capacities of the Insurance Supervision Agency and regulatory and operational framework for insurance further aligned with Union Acquis in the insurance field. Indicatively, it is expected that one third of resources will be dedicated to the Component 1 and two thirds of resources to Component 2.

The Action is aimed at strengthening the regulatory and supervisory capacities of CBM focused on further alignment of regulatory and operational framework with EU acquis, primarily on the improvement of the Law on Credit Institutions and the Law on Resolution of Credit Institutions implementing the latest EU regulations, as well as the amendments to the Payment System Law. Furthermore, the Action will contribute to the further alignment of Montenegro's regulatory and operational framework in the area of Financial reporting and controlling

implementing Committee on Controlling (COMCO) methodology and Guideline of the European Central Bank on the legal framework for accounting and financial reporting, as well as models for production of statistics in line with EU regulations.

The administrative capacities of the CBM will be further strengthened for the model for stress testing of banks and macroeconomic modelling, and it will support implementation of best practices in the field of anti-money laundering directive and consumer protection regulations. CBM employees will be trained for the implementation of the ECB's Accounting Guidelines and reporting to the ESCB/Eurosystem. Since the financial system in Montenegro is a bank-centric, the central bank has a major role in providing and preserving the stability of the financial system.

The aim of this Action is directly linked with closing benchmarks for the Negotiation Chapter 9 – Financial services, which refer to ensuring adequate administrative capacity for the implementation and enforcement of the acquis in this area and sustainability over the longer terms.

Furthermore, one of the closing benchmarks for Negotiation Chapter 17 – Economic and monetary policy – implies aligning of the central bank's legal framework to ensure full central bank independence and allow full integration into the ESCB. The CBM Law precisely identifies the objectives of the CBM from the date of accession to the EU, and the date of accession to the EMU. With a view to harmonizing the Montenegrin legislation with the acquis, the Activities on amendment to Article 143 the Constitution of Montenegro have been initiated. This Action will contribute to strengthening the institutional and human resources capacity of the Central Bank of Montenegro in order to continue further harmonization of rules, policies and operations with the ESCB standards and future successful participation in the ESCB and EMU, since a reliable and efficient central bank is of a strong support to the European integration process.

Within Negotiation Chapter 4 – Free movement of capital – Montenegro is obliged to meet European standards and create conditions for fulfilling closing benchmarks which refer to the alignment of all legislation with the EU acquis. The Action will contribute to further harmonisation of Montenegro's legislation with the Union acquis in payment operations, and also in the area of anti-money laundering and terrorism financing.

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 26 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 drafting of the new Law on Insurance (provisions transposing Solvency II directive), and Directive on Insurance Distribution (2016/97/EC)). Public consultations on the Draft of the Law has been completed and currently the Law is in procedure for obtaining opinion of European Commission before adoption. According to the Road Map for Negotiation Chapter 9 – Financial services, the new Law on Insurance should be adopted by end of 2023, with full implementation, as of date of accession of Montenegro to

the European Union. Through regulatory activities, ISA has passed new bylaws, by which has introduced the new requirements for insurance undertakings in the domain of System of governance and pre-contractual information, that are based on EU standards on governance and pre-contractual information as set out in the EU insurance directives and would represent a further step forward in harmonization of domestic regulation with EU standards.

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 Solvency II framework. The main activities aimed at strengthening the supervisory and regulatory capacity are focused on the conducting regular supervisory review process, in line with Solvency II legislation (Solvency II directive, directs implementing regulations, EIOPA guidelines and MS supervisory practice). The key of activities in this field will be focused on: 1) regulatory and supervisory capacity building through trainings and study visits for ISA staff and development of the risk assessment framework, including general criteria and methods, necessary quantitative tools, aimed to identify and assess current and future risks relevant for insurance and reinsurance undertakings in the Montenegrin market and development of the Supervisory risk assessment methodology (based on financial, risk and industry-specific indicators with relevant data sources from reporting system in line with EU acquis and standards, supervisory practice of EU member states and guidelines developed by EIOPA and 2) regulatory and supervisory capacity building through trainings and study visits for ISA staff and development of an Early warning system, composed of financial, risk and industry-specific indicators, with relevant data sources from reporting system, that help to anticipate a potential distress Montenegrin insurance market and that will provide appropriate monitoring tools that enable ISA to identify deteriorating financial conditions in an insurance or reinsurance undertaking and to monitor how that deterioration is remedied, as well as to identify possible events or future changes in economic conditions that could have adverse effects on the overall financial standing of the undertaking concerned, in line with Solvency II Directive.

The main Activities in alignment to International Financial Reporting Standards 17 (IFRS 17 (Insurance Contracts) and IFRS 9 (Financial instruments), drafting of relevant bylaws, aligned with IFRS 17 and IFRS 9 and capacity building in implementation of International Financial Reporting Standards 17 (IFRS 17 (Insurance Contracts)).

Considering the significantly grown scope and complexity of legislation in insurance sector (Solvency II framework), that is continuously evolving over the past years, capacity building in ISA is inevitable precondition for progress to fully and effectively alignment to the EU regulation, standards, guidelines developed by EIOPA, as well as supervisory practices in EU. 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.

Twinning assistance will be provided in the form of capacity building activities, which will include *Tailor made training*, where on-the-job training will be required, meaning that experts from MS twinning partner will provide trainings that will alleviate conducting supervision activities in accordance with the Solvency II legislation and EIOPA guidelines, best EU practices in the areas outlined herein and will include training materials and manuals and evaluations of conducted trainings as well as Study visits, that will be organised in the areas outlined herein for representatives of the beneficiary institutions to a Member State for exchange of good practices and experience in connection with the implementation of the EU legislation concerning insurance and increase of market operations. In addition, the project will

provide. Expert support in drafting bylaws and development of procedures and manuals in the areas outlined above. These activities are closely interlinked and need to be sequenced accordingly.

3.2 Ongoing reforms:

The Central Bank of Montenegro continued its intensive regulatory activities with a view to further improving regulatory framework within its jurisdiction.

CBM continuously monitor changes in EU regulations in chapters 4, 9 and 17 and, in accordance with them, harmonize the legislation of Montenegro with EU acquis.

Taking into consideration that the EU acquis is constantly evolving, further alignment with the Union acquis is needed. Montenegrin financial sector requires further strengthening of the supervisory and regulatory framework through improvement of the current and adoption of new legal regulations in accordance with relevant international practice and EU regulatory standards, as a prerequisite for the stability. In relation to this issue, substantial progress is needed for the reinforcement of the implementation mechanisms and capacity building, which is necessary for the strengthening of the institutional framework and future membership in the EU.

The most 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.

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” financed from the IPA 2014 was successfully completed in July 2020. The project beneficiaries were financial sector supervisors in Montenegro, and its main goal was to ensure more stable, sustainable and efficient financial services, in line with best EU practices in order to support private sector development and strengthen the competitiveness of the economy. During the 27 months of the project, legislation drafted within the scope of this project was aligned with the relevant EU acquis in the banking sector and its focus in the field of banking services is on the implementation of modern prudential supervisory standards, as well as those in the field of prevention of money laundering and terrorist financing, as one of Montenegro’s obligations in the EU accession process. In the insurance area, the main output of the project was draft of the new Law on Insurance (provisions transposing Solvency II directive), and Directive on Insurance Distribution (2016/97/EC), Solvency II first Quantitative impact study and stress test in Montenegrin insurance market has been successfully conducted, and ISA staff have been trained in the field of: actuarial function of ISA, Solvency II methodology for calculation of technical reserves for insurance undertakings (standard model), anti- money laundry rules and practice, Solvency II reporting requirements, product oversight and consumer protection. ISA staff also has been introduced into the concept of risk-based supervision (Solvency II Supervisory Review Process, ORSA, The Global price services contract “Support to Regulation of Financial Services” financed under the IPA 2014, was successfully completed in ISA in cooperation with Delegation of the European Union to Montenegro and the Ministry of Finance, in July 2020. The tailor-made IT solution for collection, and processing of data for supervisory purposes was successfully developed, and implementation of full digitalization of supervisory reporting to the Agency, based on regulatory framework currently in force, was implemented as of June 1, 2021. Furthermore, IT system also provided technical platform for future supervisory reporting in line with EU regulatory framework.

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 CBM 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)” was implemented from September 2014 to end-March 2015 by the European Central Bank in cooperation with ten Eurosystem national partner banks. It was aimed at providing a

comprehensive analysis of the degree of compliance of CBM standards with those of EU central banking. The project covered the following business areas of the CBM: financial stability, statistics, financial and banking operations, accounting, operational risk and business continuity, and EU integration. The project resulted in the Needs Assessment Report which included recommendations for all business areas that were reviewed in terms of measures that need to be taken by the CBM to provide compliance with the institutional and operational framework of the ESCB and ECB.

In 2019, the disaster recovery site of the CBM 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 CBM 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 CBM's business functions and to limiting potential losses in the case of contingency.

In 2020, the CBM 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 CBM "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 CBM information system following the EU standards and practices.

From March 2019 to December 2021, the CBM has been one of the beneficiaries of the regional project titled "Programme for Strengthening the Capacities of Central Banks in the Western Balkans with a view to the Integration to the European System of Central Banks" coordinated by the Deutsche Bundesbank with the ECB support and involving 19 national central banks of the ESCB. The Project aimed to strengthen monetary and financial stability in the region and prepare beneficiary institutions for future membership of the ESCB.

In 2023, European Commission supported the CBM 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.

Technical assistance to the Insurance Supervision Agency of Montenegro (ISA) for further alignment of relevant legislation with the Union Acquis and implementation of EU standards and the best practices in insurance market supervision was provided under IPA 2012 national program.

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

- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures
- Commission Delegated Regulation (EU) 2021/539 of 11 February 2021 amending Delegated Regulation (EU) No 1222/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically

- important institutions and for the definition of subcategories of global systemically important institutions
- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit’s risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution’s risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive
 - Commission Delegated Regulation (EU) 2021/1118 of 26 March 2021 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the methodology to be used by resolution authorities to estimate the requirement referred to in Article 104a of Directive 2013/36/EU of the European Parliament and of the Council and the combined buffer requirement for resolution entities at the resolution group consolidated level where the resolution group is not subject to those requirements under that Directive
 - Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC
 - Commission Notice relating to the interpretation of certain legal provisions of the revised bank resolution framework in reply to questions raised by Member States’ authorities 2020/C 321/01
 - Commission Notice relating to the interpretation of certain legal provisions of the revised bank resolution framework in reply to questions raised by Member States’ authorities (second Commission Notice) 2020/C 417/02
 - Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011

The applicable Union acquis for insurance is prescribed in the Solvency II legislation and represents the prudential regime for insurance and reinsurance undertakings in the EU. The Solvency II legislation is implemented on three levels.

Level 1: Solvency II Directive

- 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.
- The prepared new Law on insurance, that is currently in the procedure for adoption, is transposing to Montenegrin legislation all relevant Union acquis for insurance and reinsurance business: 32009L0138, 32016L0097, 32011L0089, 32014L0051, 32018L0843, 32019R1935, 32019L2177.

3.5 Components and results per component

This Action will have two components: COMPONENT 1 – Further alignment of the regulatory and operational framework for financial services with Union Acquis and strengthening the administrative capacities of the CBM; and COMPONENT 2 – Strengthening the capacities of the ISA and regulatory and operational framework for insurance further aligned with Union Acquis in the insurance field.

COMPONENT 1 – Further alignment of the regulatory and operational framework for financial services with Union Acquis and strengthening the administrative capacities of the CBM

Result 1.1– Regulatory and operational framework for financial services further aligned with Union Acquis

- **Result 1.1.1: Law Amending the Law on Credit Institutions drafted**
- **Result 1.1.2: Reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS) prepared**
- **Result 1.1.3: Law Amending Law on Resolution of Credit Institutions drafted**
- **Result 1.1.4: Law Amending the Payment System Law aligned with EU regulation drafted**

- **Result 1.1.5: Montenegro's regulatory and operational framework in the area of Financial reporting and controlling further aligned with ESCB standards**

Result 1.2. – Administrative capacities of the CBM further strengthened

- **Result 1.2.1: Administrative capacity in the area of resolution of credit institutions strengthened (Minimum 4 CBM employees trained through 2 study visits to the Resolution Authorities in EU member states)**
- **Result 1.2.2: Administrative capacity in the area of payment systems strengthened (through minimum 2 trainings implemented)**
- **Result 1.2.3: At least 10 CBM employees trained for the model for stress testing of banks**
- **Result 1.2.4: Macroeconomic modelling further developed through minimum 3 trainings implemented**
- **Result 1.2.5: Supported implementation of best practices in the field of anti-money laundering directive and consumer protection regulations through minimum 4 trainings**
- **Result 1.2.6: Minimum 1 training and 1 study visit for the implementation of the ECB's Accounting Guidelines and reporting to the ESCB/Eurosystem implemented**
- **Result 1.2.7: Minimum 2 trainings and 1 study visit for implementation of procedure and practices of EU supervisors in terms of supervising calculation of impairments by the banks (IFRS 9), as well as of supervision of credit institutions modelling (ICAAP, recovery plans)**
- **Result 1.2.8: Minimum 2 expert missions for further development of financial account statistics**

COMPONENT 2 - Strengthening the capacities of the ISA and regulatory and operational framework for insurance further aligned with Union Acquis

Twinning support under Component 2 is aimed at further strengthening the capacities of Insurance Supervision Agency of Montenegro and further harmonisation of regulatory and operational framework for insurance with EU acquis (Solvency II framework and IFRS standards) in the field of: off-site risk -based supervision, with focus on prudential market reviews with quantitative analysis of indicators and Supervisory risk assessment for insurance undertakings, Early warning system, stress test for insurance market and implementation of International Financial Reporting Standards. Considering the significantly grown scope and complexity of regulatory framework in insurance sector – Solvency II that is continuously

developing, further capacity building in the Insurance Supervision Agency is inevitable precondition for progress to full and effective alignment to the EU regulations, EIOPA technical standards, guidelines and rules, as well as to best practices in the EU member states.

Result 2.1.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework aligned with Union Acquis, guidelines and practice and International Financial Reporting Standards, in the field of off-site regular reviews of insurance market, with focus on prudential tools and regular quantitative horizontal analyses of the key insurance undertakings indicators that may impact individual insurers and the insurance sector.

- **Result 2.1.1.: Manual with detailed and relevant methodology and indicators for regular quantitative analysis of insurance market drafted and supplementing amendments to the regular reporting templates for supervisory purposes drafted.**
- **Result 2.1.2.: Administrative capacities of the ISA, in the field of off-site regular horizontal quantitative analyses of the key indicators for insurance undertakings strengthened, through at least three trainings and two study visits implemented**

Result 2.2.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework aligned with Union Acquis, standards and practice in the field of supervisory risk assessment and market stress tests, in the scope of the off-site risk-based supervision.

- **Result 2.2.1.: Supervisory risk assessment manual containing methodology for identification and assessment of the current and future risks relevant for insurers in Montenegrin market drafted and stress test Guidelines and supplementing amendments to the reporting templates for supervisory purposes drafted.**
- **Result 2.2.2.: Administrative capacities of the ISA, in the field of supervisory risk assessment and market stress tests, in the scope of the off-site supervision strengthened, through at least three trainings and two study visits implemented**

Result 2.3.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework in the field of early warning system for insurance market further aligned with Union Acquis, standards and practice

- **Result 2.3.1.: Manual with main forecasting techniques, general criteria, methodology and tools for Early warning system for Montenegrin insurance market drafted and supplementing amendments to the reporting templates for supervisory purposes drafted.**
- **Result 2.3.2.: Administrative capacities of the ISA, in the field of on implementation of indicators and methodology for Early warning system strengthened, through at least three trainings and two study visits implemented**

Result 2.4.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework in the field of Financial reporting aligned with International Financial Reporting Standards 9 and 17 and supervisory practice in EU member states.

- **Result 2.4.1.: Plan of activities for transitioning on the IFRS 9 and IFRS 17 financial reporting, drafted and amendments to the regulatory and sub-regulatory framework currently in force in Montenegro fully aligned to the IFRS 9 and IFRS 17 drafted.**
- **Result 2.4.2.: Administrative capacities of the ISA, in the field of Financial reporting aligned with International Financial Reporting Standards 9 and 17 and supervisory practice in EU member states strengthened, through at least three trainings and two study visits implemented**

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), two 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.

The project team will consist also of two Component Leaders.

3.6.1 Profile and tasks of the PL:

The Member State Project Leader should be a high-ranking public servant or equivalent staff of the MS Central Bank and/or relevant institution of the MS in charge for insurance regulation and supervision issues, depending on the institutional set-up within the Member State level.

The Project Leader is responsible to coordinate the activities, disseminate project information among stakeholders, take part in discussions with high level officials, present and defend project input and expected outputs, manage the project team, prepare project management reports, help overcome project related problems, and assist the RTA for continuous development of project initiatives.

The MS Project Leader will continue to work at his/her Member State administration but will devote some of his/her time to conceive, supervise and co-ordinate the overall thrust of the Twinning Project, and ensure the attainment of the projected outputs. The Project Leader is fully responsible for co-ordination of the work of the MS experts.

The MS Project Leader will manage the implementation of the project with the Project Leader from the Beneficiary Country and is expected to devote a minimum of 3 days per month to the project in his/her home administration with an on-site visit at least every 3 months. The Project Leader's seniority will ensure his/her ability to mobilise the necessary staff in support of the efficient implementation of the project. In addition, he/she should coordinate, on the Member State side, the Project Steering Committee (PSC), which will meet in Podgorica at least every six months. He/she will be supported by his/her Member State administration for logistic, accounting and administrative affairs.

Profile of the Project Leader:

Qualifications and skills:

- 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

General professional experience:

- At least three (3) years of professional experience in the financial sector
- High-ranking official in the financial sector

Specific professional experience:

- At least three (3) years of experience in project management in the financial sector (banking or insurance).

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
- Organization of study visit

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 24 months, and he/she will be located in the premises of the CBM and responsible for the direct implementation of the project.

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

General professional experience:

- At least three (3) years of general professional experience in financial sector (banking or insurance).

Specific professional experience:

- At least three (3) years of experience in project management in the financial sector (banking or insurance).

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 MC 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:

- Relevant university degree (e.g. law, economics or similar) or equivalent professional experience of 8 years
- Fluency in English (oral and written)
- Presentation and communication skills
- Excellent computer skills
- Organizational skills

General professional experience:

Component 1

- At least five (5) years of professional experience in central banking, with a working experience in a banking supervisory authority of EU Member State or equivalent experience relevant to the assignment
- Minimum three (3) years of professional experience as a high-ranking or middle management official in an EU Member State supervisory authority

Component 2

- Senior-ranking official in financial sector
- At least eight (5) years of professional experience in insurance regulation and/or supervision with a working experience in an Insurance supervisory authority of EU Member State or equivalent experience relevant to the assignment
- At least 3 (three) years of professional experience as a high-ranking or middle management official in an EU Member State supervisory authority

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
- Fluency in English language, both written and spoken.
- Communication and presentation skills

General professional experience:

- At least three (3) years, but preferably more than 3 years of professional experience in the regulatory and supervisory body in the financial sector (banking and insurance) with

medium -ranking or a high-ranking level position. Having more experience than required in specific Project activities will be considered as an asset.

Specific professional experience: At least three (3) years of experience for Component 1 and at least three (3) years of experience for Component 2 in drafting of legislation relevant for this assignment in EU Member State or in countries which were or are candidates and/or potential candidate countries for joining the EU;

- Experience as the key expert in at least one project related to alignment of financial services legislation with the Union Acquis;
- Experience in financial stability analysis and stress testing;
- Experience in methodology and implementation of regular reviews of insurance market through quantitative analysis of relevant key insurance undertakings indicators, based on data from regular supervisory returns and financial statements (identifying trends, outliers, interconnectedness and/or risk concentrations, performing regular stress tests) aimed to identify vulnerabilities and other environmental factors that may impact insurers and the insurance sector and to monitor and analyse market and financial developments.
- Experience in implementation of IFRS 9 and IFRS 17, new reporting requirements for supervisory purposes and in development and implementation of relevant key performance indicators for insurers, IFRS 17 reporting.
- Experience in supervisory risk assessment for individual insurance undertakings, particularly in general criteria and methods, necessary quantitative tools, in line with supervisory risk framework and Solvency II legislation.
- Experience in knowledge transfer and/or training of employees of supervisory and/or regulatory bodies in EU Member State or in countries which were or are candidates and/or potential candidate countries for joining the EU.

The list of experiences above is indicative and will be required according to the tasks the experts will need to perform.

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.
- Working on specific project components.
- Include specialist support services.

4. Budget

Total cost for this Twinning Fiche is 1.800.000 EUR

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting

EU DELEGATION TO MONTENEGRO

DELEGATION-MONTENEGRO-TWINNING@eeas.europa.eu

+382 (0)20 444 600

Vuka Karadžića 12, 81 000 Podgorica, Montenegro

5.2 Institutional framework

The Central Bank of Montenegro is an independent institution, was established on the basis of 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 the maintenance of a stability of the financial system. According to the Law on the Central Bank of Montenegro, CBM is responsible for preserving financial system stability, including encouraging and maintaining sound banking system and safe and efficient payment system. Moreover, CBM contributed to preserving price stability.

The organisational units of the Central Bank of Montenegro that will participate in the Project are: Supervision Department, Directorate for Credit Institutions Resolution, Payment System Department, Department for Financial Stability, Research and Statistics, Centre for Macroeconomic and Financial Research and Forecasting, Directorate for Supervision of AML/CFT Compliance and the Financial and Credit Institutions Consumer Protection, Directorate for Finances, Accounting and Controlling.

It is expected that representatives of several other Departments of the CBM might be enrolled within the project to ensure consistency in planning and coordination of results aimed to be achieved.

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 30 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 Ministry of Finance of Montenegro is in charge for defining and implementing economic policy of Montenegro, planning and execution of the State Budget, state debt management, preparation and monitoring of the implementation of the legislation in the area of financial system, accounting, auditing, tax and customs policy, financing of local self-government, development of internal financial control system in the public sector, etc. The Directorate for Financial System and Coordination of Policies within the Ministry of Finance is in charge for policy management and establishment of the legal and regulatory framework in the field of financial services and financial technologies. The Directorate i.e. carries out tasks related to

the preparation of laws and other regulations in the field of financial system in cooperation with financial market regulators (the Central Bank, Capital Market Authority, Insurance Supervision Agency, Deposit Protection Fund); creation of development strategies in the area of financial system in cooperation with financial market regulators; proposing measures for the implementation of established policies in the area of financial system; ensuring and monitoring the execution of laws and other regulations in the area of financial system in cooperation with financial market regulators.

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- Jovičević

Deputy Director:

Moskovska 17/A, M/C1,81000 Podgorica, Montenegro

5.3.2 PL counterpart

Central Bank of Montenegro

Mr. Nikola Bašanović, Director, Directorate for Licensing, Approvals, Measures and Conformity Assessment

Bulevar Svetog Petra Cetinjskog br. 6

81000 Podgorica, Montenegro

5.3.3 RTA counterpart

Central Bank of Montenegro

Mr. Milan Remiković, Director, Sector for Control

Bulevar Svetog Petra Cetinjskog br. 6

81000 Podgorica, Montenegro

6. **Duration of the project**

24 months

7. **Management and reporting²**

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.

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

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 section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twinning: 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 and insurance fields.

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.

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 aiming at harmonisation 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 and Insurance Supervision Agency 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 further enforce the legislation aligned with EU Acquis, supervisory practices and standards and strengthen the institutional, regulatory and administrative capacity of: a) Central Bank of Montenegro for fulfilment of requirements of EU central banking policy standards and b) Insurance Supervision Agency for fulfilment of the requirements of EU regulation, standards and rules. Therefore, a key performance indicator will be the progress reported in the EC report on chapter 9-Financial services.

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.

- **Result 1.1. – Regulatory and operational framework for financial services further aligned with Union Acquis**

I 1.1.1 Law Amending the Law on Credit Institutions drafted and Tables of conformity, options and discretions prepared (Baseline: Law on Credit Institutions needed for further alignment with EU acquis; Target: Law Amending the Law on Credit Institutions drafted)

I 1.1.2 Reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS) prepared (Baseline: Reporting requirements and system needed for further alignment with CEBS guidelines; Target: Reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS) prepared)

I 1.1.3 Law Amending Law on Resolution of Credit Institutions drafted and Tables of conformity, options and discretions prepared (Baseline: Law on Resolution of Credit Institutions needed for further alignment with EU acquis; Target: Law Amending Law on Resolution of Credit Institutions drafted)

I 1.1.4 Draft Law Amending the Payment System Law aligned with EU regulation prepared and by-laws prepared with Tables of conformity, options and discretions prepared (Baseline: Payment System Law needed for further alignment with EU acquis; Target: Draft Law Amending the Payment System Law aligned with EU regulation prepared)

I 1.1.5 Draft decision on implementing Comco methodology prepared, Manual for implementing Comco methodology prepared, which includes: the keys for the allocation of the costs defined, rules for the allocation of the costs from the cost centers to the core functions prepared, new reports from the database in accordance with Comco methodology created, Draft decision on implementing Guideline of the European Central Bank on the legal framework for accounting and financial reporting prepared, Manual for implementing Guideline of the European Central Bank on the legal framework for accounting and financial reporting prepared, which includes: structure of balance sheet and the daily balance sheet of the CBM in accordance with the ECB Guideline defined, the financial statements of the CBM in line with the ECB Guidelines defined (Baseline: 0; Target: Draft decision on implementing Comco methodology prepared, Manual for implementing Comco methodology prepared, Draft decision on implementing Guideline of the European Central Bank on the legal framework for accounting and financial reporting prepared, Manual for implementing Guideline of the European Central Bank on the legal framework for accounting and financial reporting prepared)

- **Result 1.2. – Administrative capacities of the CBM further strengthened**

I 1.2.1. Administrative capacity in the area of resolution of credit institutions strengthened (Baseline: 0, Target: Minimum 4 CBM employees trained through 2 study visits to the Resolution Authorities in EU member states) as defined under A.1.2.1.1. and A.1.2.1.2.

I 1.2.2. Administrative capacity in the area of payment systems strengthened (Baseline:0, Target: Minimum 2 trainings organised)

I 1.2.3. Employees trained for the model for stress testing of banks (Baseline: 0, Target: At least 10 CBM employees trained)

I 1.2.4. Macroeconomic modelling further developed through trainings (Baseline: 0, Target: Minimum 3 trainings organised)

I 1.2.5. Supported implementation of best practices in the field of anti-money laundering directive and consumer protection regulations (Baseline:0, Target: minimum 4 trainings organised)

I 1.2.6. Capacities for the implementation of guidelines and preparation for the introduction of the Comco methodology for recording costs improved (Baseline:0, Target: Minimum 1 training and 1 study visit organised)

I 1.2.7: Strengthening capacities for implementation of procedure and practices of EU supervisors in terms of supervising calculation of impairments by the banks (IFRS 9), as well as of supervision of credit institutions modelling (ICAAP, recovery plans) (Baseline:0, Target: Minimum 2 trainings and 1 study visit organised)

I 1.2.8: Strengthening capacities for further development of financial account statistics (Baseline:0, Target: Minimum 2 expert missions organised)

- **COMPONENT 2 - Strengthening the capacities of the ISA and regulatory and operational framework for insurance further aligned with Union Acquis**

<p>Results: COMPONENT 2.- Strengthening the capacities of the ISA and regulatory and operational framework for insurance further aligned with Union Acquis</p>	<p>Performance indicators:</p>
<p>Result 2.1. Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework aligned with Union Acquis, guidelines and practice, in the field of off-site regular quantitative analyses of the market with key insurance undertakings indicators, through methodology development, trainings and study visits.</p>	<p>Methodology for supervisory risk assessment, in the scope of regular market oversight and analyses and including quantitative tools and indicators, with relevant data sources from insurance undertakings’ reports, in line with EU acquis, drafted in supervisory Manual and presented</p> <p>Gap analysis and draft of amendments to the regular reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for full implementation Methodology and tools aligned with supervisory practice of EU member states, prepared and presented.</p> <p>Strengthened capacities in the field of off-site regular reviews of the insurance market through quantitative analysis of the key financial and industry-specific indicators for insurance undertakings: No. of trainings, study visits; participants satisfaction and progress evaluations</p>

<p>Result 2.2. Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework aligned with Union Acquis, standards and practice in the field of supervisory risk assessment and market stress tests, in the scope of the off-site risk-based supervision.</p>	<p>Manual with detailed and relevant methodology supervisory risk assessment, in the scope of regular market oversight and analyses and including quantitative tools and indicators, with relevant data sources insurance undertakings’ reports and guidelines on main stress test techniques and development of the stress scenarios, aligned with EU acquis, standards and guidelines developed by EIOPA drafted and presented.</p> <p>Gap analysis and draft of amendments to the reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for full implementation of Supervisory risk assessment indicators and tools, aligned with EU acquis and supervisory practice of EU member states, prepared and presented.</p> <p>Strengthened capacities in the field of supervisory practice and implementation of supervisory risk assessment for insurance undertaking and implementation of stress tests for insurance undertakings: No. of trainings, study visits; participants satisfaction and progress evaluations</p>
<p>Result 2.3.: Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework in the field of early warning system for insurance market further aligned with Union Acquis, standards and practice.</p>	<p>Methodology with main forecasting techniques that will prescribe the general criteria, methods and tools to implement Early warning system, aligned with supervisory practice of EU member states, drafted in supervisory Manual and presented</p> <p>Gap analysis and draft of amendments to the regular reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for full implementation of Early warning system indicators and tools, aligned with supervisory practice of EU member states, prepared and presented.</p> <p>Strengthened capacities in the field application of the methodologies and tools from the Manual for Early warning system with main forecasting techniques for insurance market: No. of trainings, study visits; participants satisfaction and progress evaluations</p>
<p>Result 2.4.: Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework in the field of Financial reporting aligned with International Financial Reporting Standards 9 and 17 and supervisory practice in EU member states.</p>	<p>Plan of activities for transitioning on the IFRS 9 and IFRS 17 financial reporting, in relation to status of financial reporting for solvency supervisory purposes, with presentation of EU supervisory practice drafted and presented;</p> <p>Gap analysis and draft of amendments to the regulatory and sub-regulatory framework currently in force in Montenegro, including regular reporting templates for supervisory purposes, fully aligned to the IFRS 9 and IFRS 17, prepared and presented.</p> <p>Strengthened capacities in the field of quantitative and qualitative effects of transition from IFRS 4 to IFRS 17, based on case-study on BS and BU of chosen EU insurer, and supervision of IFRS 17 compliant reporting, in line with IFRS and EU supervisory practice: No. of trainings, study visits; participants satisfaction and progress evaluations</p>

- **Result 2.1.: Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework aligned with Union Acquis, guidelines and practice, in the field of off-site regular quantitative analyses of the market with key insurance undertakings indicators, through methodology development, trainings and study visits.**

I 2.1.1.1. Manual with detailed and relevant methodology and prudential tools for regular quantitative analysis of insurance market, with calculations and data sources from regular supervisory returns and IFRS 17 compliant financial statements for key financial and industry-specific indicator for insurance undertakings, providing appropriate and relevant methodology, including general criteria and procedures to identify, monitor and analyse market trends, outliers, interconnectedness and/or market risk concentrations and/or vulnerabilities, that may impact individual insurers and the insurance sector, in line with Union Acquis and practice in EU member states, drafted and presented .

I 2.1.1.2. Gap analysis of the reporting requirements and regulatory and sub-regulatory framework, currently in force in Montenegro, in relation to data sources necessary for the regular reviews of the market through quantitative analysis of the key insurance undertakings indicators in line with drafted Manual, defined under I 2.1.1.1, based on supervisory reports and based on IFRS 17 compliant financial statements, prepared and presented

I 2.1.1.3. Draft of amendments to the regular reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for full implementation methodology and tools from the Manual defined under I 2.1.1.1 prepared;

I 2.1.2.1. At least ten of ISA staff trained on application of the methodologies and tools from Manual defined under I 2.1.1.1, for regular reviews of the insurance market through quantitative horizontal analysis of the key insurance undertakings indicators, with main quantitative techniques, and with case-presentation examples on chosen insurance undertakings operating in Montenegrin market, in line with supervision practices from EU member states, through presentations and handouts prepared and minimum three trainings implemented;

I 2.1.2.2. At least seven of ISA staff trained the field of the regular reviews of the insurance market through quantitative analysis of the key insurance undertakings indicators based on supervisory reports and based on IFRS 17 compliant financial statements through minimum two, three-day study visits to MS counterpart(s)implemented;

- **Result 2.2.: Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework aligned with Union Acquis, standards and practice, in the field of supervisory risk assessment and market stress tests, through methodology development, trainings and study visits.**

I 2.2.1.1. Gap analysis of the regulatory and sub-regulatory framework currently in force in Montenegro, in relation to implementation of framework for the regular Supervisory risk assessment and regular stress tests of the market and related data sources, in line with drafted Manual, defined under I 2.2.1.2, prepared and presented;

I 2.2.1.2. Manual with detailed and relevant methodology for supervisory risk assessment in the scope of regular market oversight and analyses prescribing main techniques and quantitative tools for identification and assessment of the current and future risks relevant for insurance undertakings and Montenegrin insurance market, and including the financial, risk and industry-specific indicators with relevant data sources (from regular supervisory returns and IFRS 17 compliant financial statements), in line with EU acquis and standards, supervisory practice of EU member states and guidelines developed by EIOPA in the scope of regular market oversight and analyses and including the criteria and methods, necessary quantitative tools and indicators, in line with EU acquis and guidelines developed by EIOPA , drafted ;

I 2.2.1.3. Guidelines on the main stress test techniques and development of the stress scenarios, prepared and presented;

I 2.2.1.4. Draft of amendments to the reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for the full implementation of Supervisory risk assessment indicators and tools contained in the Manual defined under I 2.2.1.2, prepared;

I 2.2.2.1. At least ten of ISA staff trained on application of the methodologies and tools from the Supervisory risk assessment manual, defined under I 2.2.1.2, with key insurance undertakings risk indicators, based on supervisory reports and IFRS 17 compliant financial statements, through presentations and handouts prepared and minimum three trainings implemented;

I 2.2.2.2. At least seven of ISA staff trained in the field of supervisory practice and implementation of supervisory risk assessment for insurance undertaking, through minimum one, three-day study visits to MS counterpart(s) implemented;

I 2.2.2.3. At least seven of ISA staff trained in the field of supervisory practice and implementation of stress tests for insurance undertakings, during stress test cycle through minimum one, three-day study visits to MS counterpart(s) implemented;

- **Result 2.3.: Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework in the field of early warning system for insurance market aligned with Union Acquis and practice, through methodology development, trainings and study visits.**

I 2.3.1.1. Gap analysis of the regulatory and sub-regulatory framework currently in force in Montenegro, in relation to implementation of the Early warning system for insurance undertakings and insurance market, prepared and presented;

I 2.3.1.2. Manual with detailed and relevant methodology with main forecasting techniques and tools that will prescribe the general criteria, methods to implement Early warning system, based on financial, risk and industry-specific indicators with relevant calculations and data sources from reporting system, providing relevant methodology to anticipate a potential deteriorating financial conditions in an insurance undertaking or distress in Montenegrin insurance market, in line with best practices from EU member states, drafted;

I 2.3.1.3. Draft of amendments to the reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for full implementation of Early warning system indicators and tools contained in the Manual defined under I 2.3.1.2, prepared;

I 2.3.2.1. At least five of ISA staff trained on application of the methodologies and tools from the Manual (defined under I 2.3.1.2) for Early warning system with main forecasting techniques for insurance market, through presentations and handouts prepared and minimum three trainings implemented;

I 2.3.2.2. At least five of ISA staff trained in the field of Early warning system for insurance market through minimum two, three-day study visits to MS counterpart(s) implemented;

- **Result 2.4.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework in the field of Financial reporting aligned with International Financial Reporting Standards 9 and 17 and supervisory practice in EU member states through, development of regulatory framework, trainings and study visits.**

I 2.4.1.1. Plan of activities for transitioning on the IFRS 9 and IFRS 17 financial reporting, in relation to status of financial reporting for solvency supervisory purposes, with presentation of EU supervisory practice drafted and presented;

I 2.4.1.2. Gap analysis of the financial reporting framework and regulatory and sub-regulatory framework currently in force in Montenegro (including prescribed forms of the Balance Sheet, Income Statement and Chart of accounts for insurance companies and reporting templates for supervisory purposes) in relation to implementation IFRS 9 and IFRS 17, prepared and presented;

I 2.4.1.3. Draft of amendments to the regulatory and sub-regulatory framework currently in force in Montenegro, including regular reporting templates for supervisory purposes, Chart of accounts for Insurance and IFRS based financial reporting templates (prescribed forms of the Balance Sheet and Income statement for insurance companies) fully aligned to the IFRS 9 and IFRS 17, prepared;

I 2.4.2.1. At least ten of ISA staff trained on quantitative and qualitative effects of transition from IFRS 4 to IFRS 17, supervisory aspects including supervision of IFRS 17 compliant reporting and impact on financial statement of insurance companies, with transformation of individual positions from Financial statements (by comparable BS and IS) based on case-study on BS and BU of chosen insurance company, in line with IFRS and EU supervisory practice, through presentations and handouts prepared and minimum two trainings implemented;

I 2.4.2.2. Minimum seven of ISA staff trained in the field of quantitative and qualitative effects of transition from IFRS 4 to IFRS 17 reporting and supervisory aspects including supervision of IFRS 17 compliant reporting through minimum two, three-day study visits to MS counterpart(s) implemented;

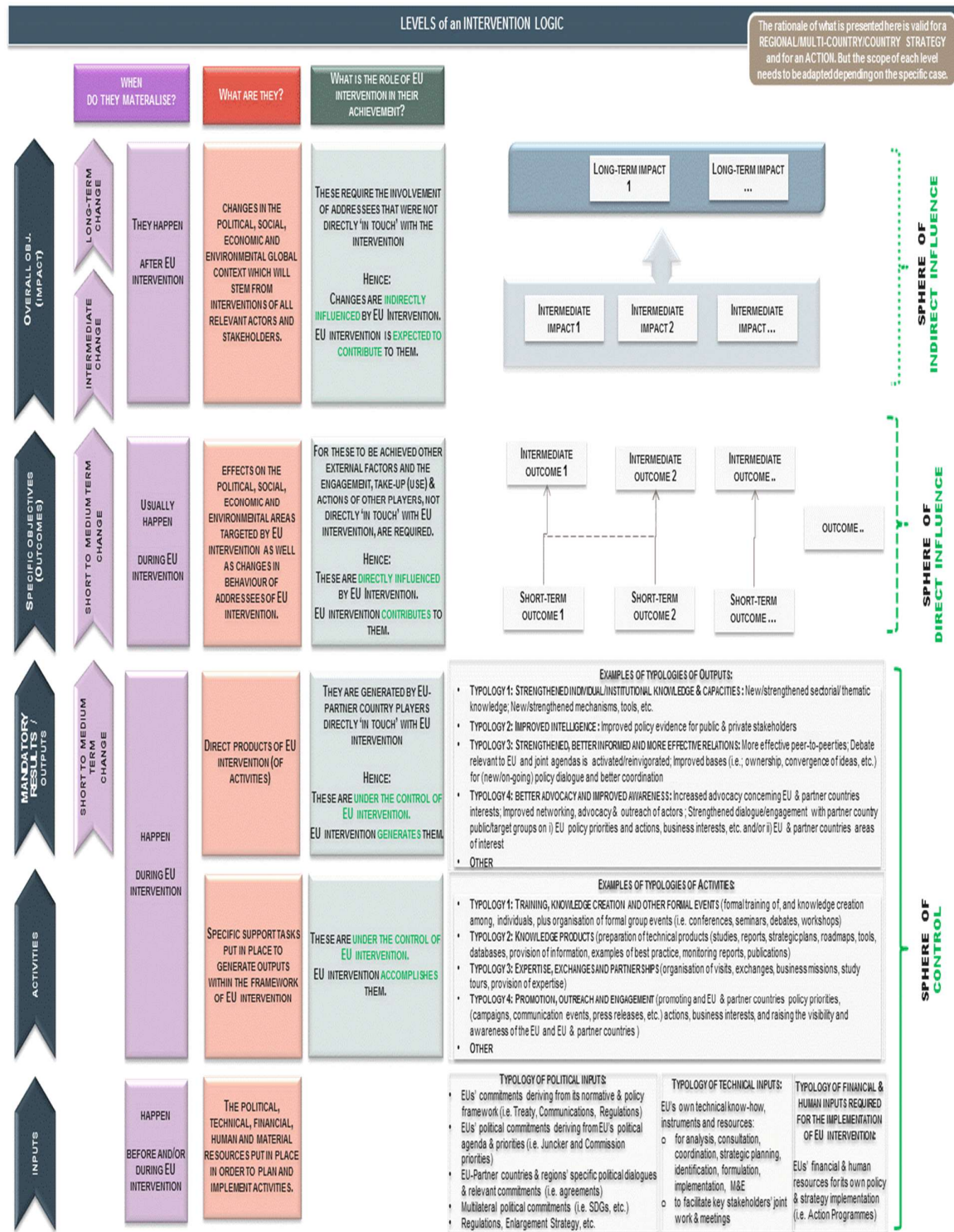
12. Facilities available

The Beneficiary commits itself to provide adequately equipped office space in the premises of the Central Bank of Montenegro 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



Annex C1a: Simplified Logical Framework

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	To contribute to financial and economic stability by strengthening the efficiency, accountability and safety of the financial sector in Montenegro.	<p>Global Competitiveness index</p> <p>Baseline: 2019 Report: 60.8 Target: In 2026: 61.2</p> <p>Upgraded credit rating</p> <p>Baseline: 2022 Standard & Poor's (S&P): 'B/B' Target: In 2026: B+</p> <p>Non-performing loans</p> <p>Baseline: NPL in 2021: 5,98% Target: NPL in 2026: 4,3%</p> <p>Progress made toward meeting third EU accession criteria in the area of insurance services</p> <p>Baseline: Montenegro demonstrates a moderate level of alignment with the acquis (2022); Target: Montenegro demonstrates an advanced level of alignment with the acquis)</p>	<p>World Bank Report</p> <p>Standard & Poor's (S&P) Report</p> <p>Central bank of Montenegro statistics</p> <p>EC Progress Reports</p> <p>Project interim and final reports</p>	<p>Unclear division of the responsibilities among involved parties</p> <p>Lack of commitment and sufficient cooperation between all parties that provide contributions in the project</p>	<p>Montenegro remains committed to the EU accession process;</p> <p>Strong support and commitment from twinning partner(s) organisations</p>

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Specific (Project) Objective(s)	To further enforce the legislation aligned with EU Acquis, supervisory practices and standards and strengthen the institutional, regulatory and administrative capacity of: a) Central Bank of Montenegro for fulfilment of requirements of EU central banking policy standards and b) Insurance Supervision Agency for fulfilment of the requirements of EU regulation, standards and rules.	Extent to which processes in financial services are in line with the EU Acquis (Baseline: moderately prepared in financial services, Target: Full alignment with EU acquis in financial services) Strengthened regulatory and administrative capacity of Insurance Supervision Agency and developed supervisory procedures, in the area of Regular supervisory review, Early warning system and IFRS 9 and 17, in line with EU acquis, policies, supervisory practices and standards in area of insurance. Baseline: 0 staff trained and no supervisory procedures from the Project scope in place (2023); Target: At least 50% of ISA staff trained, draft of supervisory procedures from the Project scope prepared)	EC Annual Report on Montenegro Official annual reports submitted by CBM to the Parliament Project interim and final reports	Challenges with administrative capacity to gather the necessary information timely data delivery/ activity data collection 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; Full commitment and support to the Project by the CBM and the Government; Full commitment and support to the development of the process by the responsible institutions/stakeholders and the Government on the competitiveness and innovation strategy.

<p style="text-align: center;">Mandatory results/outputs by components</p>	<p>SUBCOMPONENT 1.1.</p> <p>Regulatory and operational framework for financial services further aligned with Union Acquis</p> <p>Result 1.1.1: Law Amending the Law on Credit Institutions drafted</p> <p>Result 1.1.2: Reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS) prepared</p> <p>Result 1.1.3: Law Amending Law on Resolution of Credit Institutions drafted</p>	<p>Law Amending the Law on Credit Institutions drafted and Tables of conformity, options and discretions prepared,</p> <p>Baseline: Law on Credit Institutions needed for further alignment with EU acquis; Target: Law Amending the Law on Credit Institutions drafted</p> <p>Reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS) prepared,</p> <p>Baseline: Reporting requirements and system needed for further alignment with CEBS guidelines; Target: Reports and data on capital adequacy in accordance with guidelines of the Committee of European Banking Supervisors (CEBS) prepared</p> <p>Law Amending Law on Resolution of Credit Institutions drafted and Tables of conformity, options and discretions prepared,</p> <p>Baseline: Law on Resolution of Credit Institutions needed</p>	<p>Project Monitoring reports</p> <p>Training results/output/performance evaluations</p> <p>Training programme documents</p>	<p>Loss of critical competencies or key people in the project</p> <p>Changes on executing the planned results</p> <p>Unclear division of the responsibilities among involved parties</p> <p>Lack of commitment and sufficient cooperation between all parties that provide contributions in the project</p>	<p>Sufficient number of staff involved in the activities of the Action;</p> <p>Counterpart staff in beneficiary institutions identified, available and cooperates in implementing the Project;</p> <p>National stakeholders are committed to ensure sustainability of the facilities and services;</p> <p>Adequate coordination of the institutions and stakeholders involved</p> <p>Montenegro remains committed to the EU accession process; Strong support and commitment from twinning partner(s) organisations</p>
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	<p>Result 1.1.4: Law Amending the Payment System Law aligned with EU regulation drafted</p> <p>Result 1.1.5: Montenegro's regulatory and operational framework in the area of Financial reporting and controlling further aligned with ESCB standards</p>	<p>for further alignment with EU acquis; Target: Law Amending Law on Resolution of Credit Institutions drafted</p> <p>Draft Law Amending the Payment System Law aligned with EU regulation prepared and by-laws prepared with Tables of conformity, options and discretions prepared, Baseline: Payment System Law needed for further alignment with EU acquis; Target: Draft Law Amending the Payment System Law aligned with EU regulation prepared</p> <p>Draft decision on implementing COMCO methodology prepared,</p> <p>Manual for implementing COMCO methodology prepared, which includes: the keys for the allocation of the costs defined, rules for the allocation of the costs from the cost centers to the core functions prepared, new reports from the database in accordance with COMCO methodology created</p> <p>Draft decision on implementing Guideline of the European Central Bank on the legal framework for accounting and financial reporting prepared,</p>			
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		<p>Manual for implementing Guideline of the European Central Bank on the legal framework for accounting and financial reporting prepared, which includes: structure of balance sheet and the daily balance sheet of the CBM in accordance with the ECB Guideline defined, the financial statements of the CBM in line with the ECB Guidelines defined</p> <p>Baseline: 0; Target: Draft decision on implementing COMCO methodology prepared, Manual for implementing COMCO methodology prepared, Draft decision on implementing Guideline of the European Central Bank on the legal framework for accounting and financial reporting prepared, Manual for implementing Guideline of the European Central Bank on the legal framework for accounting and financial reporting prepared</p>			
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	<p>SUBCOMPONENT 1.2.</p> <p>Administrative capacities of the CBM further strengthened</p> <p>Result 1.2.1: Administrative capacity in the area of resolution of credit institutions strengthened (Minimum 4 CBM employees trained through 2 study visits to the Resolution Authorities in EU member states)</p> <p>Result 1.2.2: Administrative capacity in the area of payment systems strengthened (minimum 2 trainings implemented)</p> <p>Result 1.2.3: At least 10 CBM employees trained for the model for stress testing of banks</p> <p>Result 1.2.4: Macroeconomic modelling further developed through minimum 3 trainings implemented</p> <p>Result 1.2.5: Supported implementation of best practices in the field of anti-money laundering directive and consumer protection regulations through minimum 4 trainings</p> <p>Result 1.2.6: Minimum 1 training</p>	<p>Administrative capacity in the area of resolution of credit institutions strengthened (Baseline: 0, Target: Minimum 4 CBM employees trained through 2 study visits to the Resolution Authorities in EU member states)</p> <p>Administrative capacity in the area of payment systems strengthened (Baseline: 0, Target: Minimum 2 trainings organised)</p> <p>Employees trained for the model for stress testing of banks (Baseline:0, Target: At least 10 CBM employees trained)</p> <p>Macroeconomic modelling further developed through trainings (Baseline: 0, Target: Minimum 3 trainings organised)</p> <p>Supported implementation of best practices in the field of anti-money laundering directive and consumer protection regulations</p>			
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<p style="text-align: center;">Mandatory results/outputs by components</p>	<p>and 1 study visit for the implementation of the ECB's Accounting Guidelines and reporting to the ESCB/Eurosystem implemented</p> <p>Result 1.2.7: Minimum 2 trainings and 1 study visit for implementation of procedure and practices of EU supervisors in terms of supervising calculation of impairments by the banks (IFRS 9), as well as of supervision of credit institutions modelling (ICAAP, recovery plans)</p> <p>Result 1.2.8: Minimum 2 expert missions for further development of financial account statistics</p> <p>COMPONENT 2.</p> <p>Strengthening the capacities of the ISA and regulatory and operational framework for insurance further aligned with Union Acquis</p>	<p>(Baseline:0, Target: minimum 4 trainings organised)</p> <p>Capacities for the implementation of guidelines and preparation for the introduction of the COMCO methodology for recording costs improved (Baseline:0, Target: Minimum 1 training and 1 study visit organised)</p> <p>Strengthening capacities for implementation of procedure and practices of EU supervisors in terms of supervising calculation of impairments by the banks (IFRS 9), as well as of supervision of credit institutions modelling (ICAAP, recovery plans) (Baseline:0, Target: Minimum 2 trainings and 1 study visit organised)</p> <p>Strengthening capacities for further development of financial account statistics (Baseline:0, Target: Minimum 2 expert missions organised)</p> <p>Indicators for Component 2:</p> <p>I 2.1.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework aligned with Union Acquis, guidelines and</p>			
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<p style="text-align: center;">Mandatory results/outputs by components</p>	<p>Result 2.1. Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework aligned with Union Acquis, guidelines and practice, in the field of off-site regular quantitative analyses of the market with key insurance undertakings indicator, through methodology development, trainings and study visits.</p> <p>Result 2.1.1.: Manual with detailed and relevant methodology and indicators for regular quantitative analysis of insurance market drafted and supplementing amendments to the regular reporting templates for supervisory purposes drafted.</p>	<p>practice, in the field of off-site regular quantitative analyses of the market with key insurance undertakings indicators, through methodology development, trainings and study visits,</p> <p>I 2.1.1.1. Manual with detailed and relevant methodology and prudential tools for regular quantitative analysis of insurance market, with calculations and data sources from regular supervisory returns and IFRS 17 compliant financial statements for key financial and industry-specific indicator for insurance undertakings, providing appropriate and relevant methodology, including general criteria and procedures to identify, monitor and analyse market trends, outliers, interconnectedness and/or market risk concentrations and/or vulnerabilities, that may impact individual insurers and the insurance sector, in line with Union Acquis and practice in EU member states, drafted and presented.</p> <p>I 2.1.1.2. Gap analysis of the reporting requirements and regulatory and sub-</p>			
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		<p>regulatory framework, currently in force in Montenegro, in relation to data sources necessary for the regular reviews of the market through quantitative analysis of the key insurance undertakings indicators in line with drafted Manual, defined under I 2.1.1., based on supervisory reports and based on IFRS 17 compliant financial statements, prepared and presented;</p> <p>I 2.1.1.3. Draft of amendments to the regular reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for full implementation methodology and tools from the Manual defined under I 2.1.1. prepared;</p> <p>Baseline (2024):Supervisory procedures and practice in the field of off-site supervisory risk assessment and reporting system are not aligned with supervisory practice of EU member states and guidelines developed by EIOPA and the methodology does not exist , Target: Manual with</p>			
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	<p>Result 2.1.2.: Administrative capacities of the ISA, in the field of off-site regular horizontal quantitative analyses of the key indicators for insurance undertakings strengthened, through at least three trainings and two study visits implemented</p>	<p>detailed and relevant methodology and indicators for regular quantitative analysis of insurance market drafted and supplementing gap analysis and amendments to the regular reporting templates for supervisory purposes drafted)</p> <p>I 2.1.2.1. At least ten of ISA staff trained on application of the methodologies and tools from Manual defined under I 2.1.1., for regular reviews of the insurance market through quantitative horizontal analysis of the key insurance undertakings indicators, with main quantitative techniques, and with case-presentation examples on chosen insurance undertakings operating in Montenegrin market, in line with supervision practices from EU member states, through presentations and handouts prepared and minimum three trainings implemented;</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 10 staff trained through minimum three trainings implemented)</p>			
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	<p>Result 2.2. Strengthened capacities of the ISA and Montenegro's regulatory and operational framework aligned with Union Acquis, standards and practice in the field of supervisory risk assessment and market stress tests, in the scope of the off-site risk-based supervision</p> <p>Result 2.2.1.: Supervisory risk assessment manual containing methodology for identification and assessment of the current and future risks relevant for insurers in Montenegrin market drafted and stress test Guidelines and supplementing amendments to the</p>	<p>I 2.1.2.2. At least seven of ISA staff trained the field of the regular reviews of the insurance market through quantitative analysis of the key insurance undertakings indicators based on supervisory reports and based on IFRS 17 compliant financial statements through minimum two, three-day study visits to MS counterpart(s) implemented</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 7 staff trained through minimum two study visits)</p> <p>I 2.2.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework aligned with Union Acquis, standards and practice, in the field of supervisory risk assessment and market stress tests, through methodology development, trainings and study visits.</p> <p>I 2.2.1.1. Gap analysis of the regulatory and sub-regulatory framework currently in force in Montenegro, in relation to implementation of framework for the regular Supervisory risk assessment and regular stress tests of the market and related data sources, in line with drafted</p>			
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	<p>reporting templates for supervisory purposes drafted.</p>	<p>Manual, defined under I 2.2.1.2, prepared and presented;</p> <p>I 2.2.1.2. Manual with detailed and relevant methodology for supervisory risk assessment in the scope of regular market oversight and analyses prescribing main techniques and quantitative tools for identification and assessment of the current and future risks relevant for insurance undertakings and Montenegrin insurance market, and including the financial, risk and industry-specific indicators with relevant data sources (from regular supervisory returns and IFRS 17 compliant financial statements), in line with EU acquis and standards, supervisory practice of EU member states and guidelines developed by EIOPA in the scope of regular market oversight and analyses and including the criteria and methods, necessary quantitative tools and indicators, in line with EU acquis and guidelines developed by EIOPA , drafted;</p> <p>I 2.2.1.3. Guidelines on the main stress test techniques and development of the stress scenarios,</p>			
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	<p>Result 2.2.2.: Administrative capacities of the ISA, in the field of supervisory risk</p>	<p>prepared and presented;</p> <p>I 2.2.1.4. Draft of amendments to the reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for the full implementation of Supervisory risk assessment indicators and tools contained in the Manual defined under I 2.2.1.2, prepared;</p> <p>(Baseline (2024): 2.2.1. Supervisory procedures and practice in the field of off-site supervisory risk assessment and reporting system are not aligned with supervisory practice of EU member states and guidelines developed by EIOPA and the methodology does not exist; Target: Supervisory risk assessment manual containing methodology for identification and assessment of the current and future risks relevant for insurers in Montenegrin market drafted and stress test Guidelines and supplementing amendments to the reporting templates for supervisory purposes drafted)</p> <p>I 2.2.2.1. At least ten of ISA staff trained on application of the methodologies and tools from the</p>			
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	<p>assessment and market stress tests, in the scope of the off-site supervision strengthened, through at least three trainings and two study visits implemented</p>	<p>Supervisory risk assessment manual, defined under I 2.2.1.2., with key insurance undertakings risk indicators, based on supervisory reports and IFRS 17 compliant financial statements, through presentations and handouts prepared and minimum three trainings implemented;</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 10 staff trained through three trainings implemented)</p> <p>I 2.2.2.2. At least seven of ISA staff trained in the field of supervisory practice and implementation of supervisory risk assessment for insurance undertaking, through minimum one, three-day study visits to MS counterpart(s) implemented;</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 7 staff trained through minimum one study visits)</p> <p>I 2.2.2.3. At least seven of ISA staff trained in the field of supervisory practice and implementation of stress tests for insurance undertakings, during stress test cycle through minimum one, three-day study visits to MS</p>			
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	<p>Result 2.3.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework in the field of early warning system for insurance market further aligned with Union Acquis, standards and practice</p> <p>Result 2.3.1.: Manual with main forecasting techniques, general criteria, methodology and tools for Early warning system for Montenegrin insurance market drafted and supplementing amendments to the reporting templates for supervisory purposes drafted</p>	<p>counterpart(s) implemented;</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 7 staff trained through minimum one study visits)</p> <p>I 2.3.: Strengthened capacities of the ISA and Montenegro's regulatory and operational framework in the field of early warning system for insurance market aligned with Union Acquis and practice, through methodology development, trainings and study visits.</p> <p>I 2.3.1.1. Gap analysis of the regulatory and sub-regulatory framework currently in force in Montenegro, in relation to implementation of the Early warning system for insurance undertakings and insurance market, prepared and presented;</p> <p>I 2.3.1.2. Manual with detailed and relevant methodology with main forecasting techniques and tools that will prescribe the general criteria, methods to implement Early warning system, based on financial, risk and industry-specific indicators with relevant calculations and data sources from reporting system,</p>			
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		<p>providing relevant methodology to anticipate a potential deteriorating financial conditions in an insurance undertaking or distress in Montenegrin insurance market, in line with best practices from EU member states, drafted;</p> <p>I 2.3.1.3. Draft of amendments to the reporting templates for supervisory purposes, under regulatory and sub-regulatory framework currently in force in Montenegro, necessary for full implementation of Early warning system indicators and tools contained in the Manual defined under I 2.3.1.2, prepared;</p> <p>(Baseline (2024): 2.3. There is no methodology for Early warning system for insurance market composed of industry-specific indicators that could help to anticipate a potential insurance market distress; Target: Manual with main forecasting techniques, general criteria, methodology and tools for Early warning system for Montenegrin insurance market with supplementing gap analysis drafted and supplementing amendments to the reporting templates</p>			
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	<p>Result 2.3.2.: Administrative capacities of the ISA, in the field of on implementation of indicators and methodology for Early warning system strengthened, through at least three trainings and two study visits implemented</p>	<p>for supervisory purposes drafted).</p> <p>I 2.3.2.1. At least five of ISA staff trained on application of the methodologies and tools from the Manual (defined under I 2.3.1.2) for Early warning system with main forecasting techniques for insurance market, through presentations and handouts prepared and minimum three trainings implemented;</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 5 staff trained through three trainings implemented)</p> <p>I 2.3.2.2. At least five of ISA staff trained in the field of Early warning system for insurance market through minimum two, three-day study visits to MS counterpart(s) implemented;</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 5 staff trained through minimum two study visits)</p>			
	<p>Result 2.4.: Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework in the field of Financial reporting aligned with</p>	<p>I 2.4.: Strengthened capacities of the ISA and Montenegro’s regulatory and operational framework in the field of Financial reporting aligned with International</p>			

	<p>International Financial Reporting Standards 9 and 17 and supervisory practice in EU member states</p> <p>Result 2.4.1.: Plan of activities for transitioning on the IFRS 9 and IFRS 17 financial reporting, drafted and fully aligned to the IFRS 9 and IFRS 17, drafted.</p>	<p>Financial Reporting Standards 9 and 17 and supervisory practice in EU member states through, development of regulatory framework, trainings and study visits.</p> <p>I 2.4.1.1. Plan of activities for transitioning on the IFRS 9 and IFRS 17 financial reporting, in relation to status of financial reporting for solvency supervisory purposes, with presentation of EU supervisory practice drafted and presented;</p> <p>I 2.4.1.2. Gap analysis of the financial reporting framework and regulatory and sub-regulatory framework currently in force in Montenegro (including prescribed forms of the Balance Sheet, Income Statement and Chart of accounts for insurance companies and reporting templates for supervisory purposes) in relation to implementation IFRS 9 and IFRS 17, prepared and presented;</p> <p>I 2.4.1.3. Draft of amendments to the regulatory and sub-regulatory framework currently in force in Montenegro, including regular reporting templates</p>			
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	<p>Result 2.4.2.: Administrative capacities of the ISA, in the field of Financial reporting aligned with International Financial Reporting Standards 9 and 17 and supervisory practice in EU member states strengthened, through at least three trainings and two study visits implemented</p>	<p>for supervisory purposes, Chart of accounts for Insurance and IFRS based financial reporting templates (prescribed forms of the Balance Sheet and Income statement for insurance companies) fully aligned to the IFRS 9 and IFRS 17, prepared;</p> <p>Baseline: Supervisory practice and Framework for financial reporting is not aligned with new IFRS 9 and IFRS 17.; Target: Draft of amendments to the regulatory and sub-regulatory framework currently in force in Montenegro, including regular reporting templates for supervisory purposes, Chart of accounts for Insurance and IFRS based financial reporting templates fully aligned to the IFRS 9 and IFRS 17, prepared.)</p> <p>I 2.4.2.1. At least ten of ISA staff trained on quantitative and qualitative effects of transition from IFRS 4 to IFRS 17, supervisory aspects including supervision of IFRS 17 compliant reporting and impact on financial statement of insurance companies, with transformation of individual positions from Financial statements (by comparable BS and</p>			
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		<p>IS) based on case-study on BS and BU of chosen insurance company, in line with IFRS and EU supervisory practice, through presentations and handouts prepared and minimum two trainings implemented;</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 10 staff trained through two trainings implemented)</p> <p>I 2.4.2.2 Minimum seven of ISA staff trained in the field of quantitative and qualitative effects of transition from IFRS 4 to IFRS 17 reporting and supervisory aspects including supervision of IFRS 17 compliant reporting through minimum two, three-day study visits to MS counterpart(s) implemented;</p> <p>(Baseline: (2024) 0 ISA staff trained; Target: 7 staff trained through minimum two study visits)</p>			
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