

Pursuant to Article 44 paragraph 2 item 1 of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17), and Article 10 of the Central Bank of Montenegro Statute (OGM 83/17, 3/20, 129/22), at its meeting held on 30 November 2023, the Council of the Central Bank of Montenegro adopted the following

## **CENTRAL BANK OF MONTENEGRO POLICY IN 2024**

- I. In line with its constitutional accountability for monetary and financial stability and the banking system functioning and in line with its statutory independence, and with the aim of attaining the established objectives and exercising its functions, in 2024, the Central Bank of Montenegro (the Central Bank) will:
  1. pursue a policy of preserving monetary and financial stability using available instruments and measures within its authority in order to preserve the financial system stability, and particularly the stability, soundness and resilience of the banking sector. With a view to fostering and preserving monetary stability, it will pursue an active reserve requirement policy based on assessing the effectiveness and efficiency of the existing solutions. It will monitor the adequacy and effects of introduced monetary and macroprudential measures and, if necessary, initiate the profiling and implementation of other instruments and measures of these policies. With a view to fostering and preserving financial stability, it will carry out macroeconomic and financial research and forecasts, develop a structural macroeconomic model of Montenegro, improve indicators for assessing financial stability and combating systemic risks, as well as the crisis management framework. It will encourage and propose the application of international/European regulatory standards and best practices in the field of financial stability and monetary policy. It will support the creation and publication of scientific and professional papers in prestigious journals on current topics in the fields of macroeconomics, finance and financial stability, as well as green and digital transitions.
  2. It will carry out activities to monitor the implementation of the Law on Credit Institutions and the pertinent enabling regulations, whilst continuously providing assistance to credit institutions in the process of their application. At the same time, the Central Bank will work on the preparation of amendments and supplements to the aforementioned law and regulations. With the aim of further improvement of the regulatory framework governing the operation of financial service providers, it will continue with activities on drafting amendments to the existing legal framework, i.e. drafting of amendments and supplements to the Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-Lending and Credit-Guarantee Operations and the pertinent enabling regulations. It will continue improving the register of indebtedness of individuals to credit institutions and other creditors specified in the law and the regulation of the Central Bank (Credit Registry) through inter-institutional cooperation (Revenue and Customs Administration, Ministry of Internal Affairs, Electric Power Company of Montenegro (EPCG), and the like)). It will continue on improving the off-site supervision of credit institutions and financial service providers, by developing supervisory tools and techniques necessary for comprehensive, continuous and efficient monitoring

of operations and risks that these institutions and providers face or may face in their operations. It will work on improving monthly and quarterly reports of credit institutions and financial service providers in order to obtain a more comprehensive picture of their financial condition and operations. It will continue with on-site and off-site supervision, as well as thematic (horizontal) reviews of credit institutions and financial service providers and, depending on the established situation and risk profile of these entities, undertake necessary measures and other actions and activities in accordance with the Law. It will begin with activities on the improvement and optimisation of its organisational structure in the part dealing with the implementation of the supervisory function, in accordance with the FINSEC proposals and with the aim of adapting the work organisation to the requirements necessitated by the new regulatory framework. The Central Bank will continue to oversee the operations of credit institutions and other financial service providers in accordance with the Law on International Restrictive Measures and decisions of the Government of Montenegro adopted on the basis of this law. It will continue to apply a prudent policy of licensing credit institutions as well as decision-making in issuing approvals based on the Law on Credit Institutions and the pertinent enabling regulations. It will continue to apply a prudent policy of licensing financial service providers and issuing approvals in accordance with the Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-Lending and Credit-Guarantee Operations.

It will work on the creation and development of resolution plans for all credit institutions, the calculation of the minimum regulatory capital and eligible liabilities for banks, as well as the calculation of regular contributions that credit institutions are requested to pay to the Resolution Fund. Activities will be continued on further alignment with the European regulatory framework with the aim of adopting amendments to the Law on Resolution of Credit Institutions and the supporting enabling regulations, with the aim of improving the operational execution of resolution of credit institutions, as well as strengthening the competences of the resolution authority. It will cooperate intensively with the resolution authorities of parent credit institutions and groups of credit institutions from other countries having subsidiaries in Montenegro, as well as with the EU Single Resolution Board (SRB) both in terms of information exchange, as well as in planning the resolution of credit institutions with cross-border operations.

The Central Bank will undertake activities aimed at further improvement of the AML/TF system in supervised entities through the development and implementation of risk-based supervision, as well as assessment of risk management by the reporting entities, especially credit institutions. It will continue with on-site inspection of the implementation of the National Risk Assessment of Money Laundering and Terrorist Financing, as the most important strategic document in the area of preventing money laundering and terrorist financing. It will continue with the education of employees and the control of fulfilment of obligations in the area of anti-money laundering and terrorist financing. The Central Bank will also continue to cooperate with local and international institutions in this area, with further improvement of the framework and implementation of international standards, as well as with an active participation in the delegation of Montenegro to the Committee of

Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). It will continue carrying out activities and taking adequate measures to further improve the protection of rights of credit institution clients and financial service users. It will conduct activities on the education and supervision of creditors concerning the implementation of obligations that will arise from the adoption of the new Consumer Credit Law.

3. It will support the pursuit of the economic policy of the Government of Montenegro without jeopardizing its constitutional responsibilities, the attainment of the Central Bank objectives and independence by implementing measures and instruments contributing to preserving financial stability and fostering economic growth and development.
4. The Central Bank will carry out activities that will ensure the maintenance of a safe and efficient Payment system of the Central Bank and payment system transactions in general. In order to further improve the Payment system, it will continue with its modernisation, i.e. the implementation of international standards, principles, and best practices of modern payment system functioning. It will continue with activities on the introduction of instant payment system in order to ensure simpler and faster payment transactions and encourage market competition and/or cost reduction.

Activities will be intensified on the harmonisation of regulations with the requirements for entry into the Single Euro Payments Area (SEPA) with the aim of Montenegro submitting the application to the European Payments Council (EPC) by the end of 2024. It will continue to actively participate and support the development of the payment system market through harmonisation with new technologies (FinTech), improvement of the infrastructure framework, and support of the development of digitalisation in the field of payment transactions.

The Central Bank will carry out activities to monitor the implementation of the Law Amending the Payment System Law with a view to providing new payment services such as payment initiation and account information services, as well as improving payment services transparency and protection of payment service users, in parallel with continuous assistance to payment service providers in the process of their application.

It will undertake activities to monitor the implementation of the Law on Interchange Fees and Separate Business Rules Concerning Payment Cards with the aim of reducing interbank fees.

It will remain prudent in issuing approvals to payment institutions and electronic money institutions, entering and deleting account information from the service providers register, as well as deciding on acquiring a qualified participation in a payment institution and an electronic money institution, as well as issuing other approvals based on the Payment System Law and pertinent enabling regulations.

It will improve the quality of payment system transactions by conducting continuous oversight in order to ensure the business of payment service providers in accordance with the law and pertinent regulations, and by taking other necessary actions and activities in accordance with the law. Also, it will continuously supervise the operations of payment institutions and electronic money institutions in accordance with the Law on International Restrictive Measures and accompanying decisions of the Government of Montenegro.

5. In order to efficiently manage international reserves against the backdrop of strong inflation and volatility on the money and capital markets, and guided primarily by the principles of liquidity and security of investments, the Central Bank will manage international reserves in accordance with the defined investment policy. It will permanently monitor the situation on the international financial market and revise and, if necessary, innovate the current investment strategy, considering thereby the introduction of new financial instruments and repositioning of the existing ones, as well as cooperation with new foreign partners. It will analyse risk profiles of credit institutions and issuers, as well as market conditions, with the aim of improving the risk to return ratio. In accordance with its commitment and green agenda, the Central Bank will work on the analysis and application of ESG (*Environmental, social and governance*) principles within the framework of international reserves management.

It will improve the quality of performing international payment transactions through the implementation of control mechanisms and international standards and principles of modern payment systems functioning. It will maintain the continuity of active business cooperation with correspondent banks, with special respect for the principle of security of cooperation.

6. The Central Bank will ensure quality and efficient performing of tasks and duties of the depositor, banker and fiscal agent of the public authorities and institutions, in line with their needs and requirements, whilst improving internal systems connected to these tasks.
7. It will continuously work on a comprehensive and efficient assessment of needs and planning of optimal quantities and denomination structure of cash necessary for orderly and timely supply to credit institutions and other Central Bank clients. Activities will continue on the protection of the euro against counterfeiting, as well as cooperation with competent foreign and domestic authorities (European Central Bank, European Commission, European Centre for Technical and Scientific Cooperation, Supreme State Prosecutor's Office, and Police Directorate). Also, the infrastructure for the needs of improving the work of the Central Bank Vault will be developed, an adequate good-quality database will be created, the analysis of the suspicious euro banknotes and coins will be improved, as will the cooperation with the competent government authorities and institutions, both local and foreign.
8. It will improve the statistics for which it is responsible as the official producer of statistics, with special attention to be paid to the implementation of international methodologies. It will work on the implementation of the matrix

reporting system of credit institutions for the creation of supervisory statistics and create the conditions for the transition to the new system of credit institutions' reporting to the Central Bank for the needs of monetary and financial statistics. It will continue activities on the development of financial accounts statistics. It will improve the system of direct reporting in order to raise the quality of the balance of payments, international investment position, and external debt statistics.

9. The Central Bank will continue with active participation in further alignment of the regulatory framework and the strengthening of administrative and institutional capacities, i.e. with an efficient and proactive approach to fulfilling obligations and increasingly complex requirements arising from the negotiation process and related to the implementation and application of the latest EU *acquis communautaire*, the implementation of national strategic and planning documents, as well as the continuous improvement of cooperation with the European Central Bank, the European Commission and other institutions of the European Union.

It will continue with constructive cooperation with international financial institutions and organisations, especially with the International Monetary Fund and the World Bank, in order to jointly identify the possibilities for recovery from shocks caused by the war in Ukraine, rising inflation, the prices of food and energy, global geopolitical instability and the consequences of climate change.

It will develop cooperation with home supervisors of foreign parent banks and banking groups of subsidiaries operating in Montenegro, as well as with the key international financial institutions such as the European Bank for Reconstruction and Development, the European Central Bank, and the European Banking Authority with a view to synchronising supervisory activities. It will monitor international multilateral agreements and adopted conventions in the field of banking for the purpose of their implementation. With a view to further improving and aligning its regulatory, institutional and operational framework with the standards of the European System of Central Banks, it will continue being actively involved in the preparation and implementation of the EU-funded projects. It will intensify activities on strengthening its institutional and administrative capacities and creating conditions for the future functioning of the Central Bank within the European System of Central Banks.

10. The Central Bank will continue with professional development of its employees, with a particular emphasis on employees' participation in seminars and workshops organized by relevant international institutions and organisations, as well as in trainings organized by the Central Bank.
11. By adhering to the highest transparency standards, it will continue providing timely, reliable and precise information about all aspects of its operations. It will promote raising awareness of financial knowledge in the society with a view to ensuring better understanding of central banking, the importance of financial stability, and banking system safety, as well as the impact of climate change on the financial system. It will intensify activities in the field of financial

education, financial literacy and inclusion, by implementing traditional projects such as "Savings Week" and "Global Money Week". A special segment of education will be dedicated to the development of a digital communication platform, communication via social networks, and education in the field of banking and payment systems, as unavoidable modern trends.

12. It will continue promoting the Money Museum as the institution of cultural and historical importance and an institution of importance for educating the public and promoting the role and importance of the Central Bank in Montenegro's financial system. Also, as the circumstances allow, it will continue with activities on collecting the museum material for the purpose of completing its numismatic collection, with a view to preserving, protecting and maintaining the historical and cultural numismatic heritage in Montenegro.
13. It will continue improving other areas of importance for the attainment of its objectives and the exercising of its functions such as: the information system, in order to ensure an adequate level of its availability and security, and especially the ICT infrastructure intended to support the functioning of the Central Bank Payment System, the main banking system, the enforced collection system, as well as other systemic services for the needs of internal and external users; the system for managing operational risk, information security, business continuity, in accordance with the standards and good practices in these areas applied within the European System of Central Banks and the European Central Bank.
14. It will continue to be guided by the principles of socially responsible institution, as well as to adopt, promote, and apply the universal principles of the protection of human and labour rights, environmental protection, and combating corruption, as defined in the United Nations Global Compact. In accordance with its financial possibilities, it will continue to allocate part of its income for humanitarian causes and support of cultural, historical and other values in the society, and through public participation in numerous social activities to contribute to the strengthening of civil society. The Central Bank will pursue an active policy of strengthening the financial system resilience to climate change challenges and harmonize its business with the sustainable development goals and the ESG economy.

II. This Policy shall be published on the website of the Central Bank of Montenegro.

#### **CENTRAL BANK OF MONTENEGRO COUNCIL**

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Podgorica, 30 November 2023

**CHAIRMAN  
GOVERNOR**  
Radoje Žugić, m.p.