Central Bank of Montenegro Needs Assessment

Gap analysis in preparation for EU accession

DeNederlandscheBank
EUROSYSTEEM

NationalBank OF BELGIUM
Eurosystem

Contents

The views expressed in this document are those of the contributing experts and not necessarily those of De Nederlandsche Bank N.V. or the National Bank of Belgium.

1 Executive summary

This needs assessment provides an expert-based analysis of the Central Bank of Montenegro's (CBCG) level of readiness across selected central banking tasks for future participation in the European System of Central Banks (ESCB) and, at a later stage, the Eurosystem and the Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM). The scope of the tasks assessed follows that of the Eurosystem functions grid[1] (ESFG), which provides a taxonomy of core and enabling functions performed by ESCB central banks.

Conducted in the context of bilateral technical cooperation between CBCG, De Nederlandsche Bank (DNB) and the National Bank of Belgium (NBB), this assessment aims to assist CBCG in identifying key gaps and priorities and in determining sequencing and, to this end, provides an indicative roadmap having regard to CBCG's aim of progressively aligning its frameworks and practices with those of the ESCB, the Eurosystem and the SSM/SRM. As such, it does not constitute a formal compliance assessment, nor does it provide final assurance regarding alignment with ESCB or Eurosystem requirements.

Overall, the assessment indicates that CBCG is on a credible trajectory towards ESCB and Eurosystem integration, supported by a sound institutional baseline and strong institutional commitment. A crucial and distinguishing strength is CBCG's high level of commitment, ownership, and openness to change. This provides a solid foundation for the demanding but achievable transition that lies ahead. The main challenge is not the establishment of functions per se but rather the scaling-up, integration and operationalisation of existing capabilities to meet the higher execution intensity associated with Eurosystem and SSM participation. Addressing this challenge will require a structured, sequenced transformation, combined with targeted capacity reinforcement and strengthened central steering.

In particular, the gap analysis identified:

- the need to further strengthen capabilities in core functions requiring advanced analytical, supervisory or operational expertise; particularly those in monetary policy preparation and implementation where certain key functions are still non-existent;
- the importance of accelerating data, IT, cyber and digital transformation, moving away from manual processes and legacy environments towards a resilient operations and IT foundation;
- the need to reinforce human resources and strategic workforce planning, in order to improve resilience and agility in this area, as a key enabler of the transformation.

In addition, a staffing-level benchmarking exercise with peer central banks in the Eurosystem provided a structured and quantitative perspective on CBCG's resource allocation. Overall, this analysis confirmed the existence of a sound baseline in terms of staff levels, with broadly comparable functional coverage and a solid foundation in core central banking activities. At the same time, the results revealed targeted areas in which further alignment may be warranted, in particular through the reinforcement of selected core and mandate-driven functions (in line with the identified gaps in the assessment), combined with a rebalancing of resources currently allocated to enabling and support functions.

1 The ESFG provides a structured overview of the core functions performed by central banks within the Eurosystem.

In quantitative terms, the assessment suggests that CBCG is slightly smaller than the smallest Eurosystem central banks, by around 10% to 20%. While this difference is not substantial, it may point to operational gaps. Participation in the Eurosystem requires the performance of a broad and largely non-discretionary set of functions, regardless of institutional size, resulting greater capacity requirements. These findings should of course be interpreted with caution, as staffing-level benchmarking results are influenced by institution-specific operating models, the level of outsourcing and historical organisational choices.

Key enablers for the next phase include:

A clear and sequenced transformation roadmap, anchored in business needs

The underlying individual expert assessments behind this report define a prioritised set of actions across core and enabling functions. During the preparatory phase for ESCB integration, the focus could be on identifying and closing persistent gaps between national and EU/ESCB requirements and establishing compliant legal frameworks, core processes and minimum operational capabilities. This will be important in core areas such as statistics and supervision and especially also for IT and cybersecurity.

For subsequent Eurosystem and SSM/SRB membership, the focus shifts towards preparing for the required capabilities in the areas of monetary policy and payments, as well as strengthening organisational maturity, including the integration of systems, data standardisation, the scalability of operations, and full alignment with European Central Bank (ECB) and SRB requirements for monetary policy, supervision and resolution. This will entail, for example, the development of advanced analytical capabilities, interoperable IT and data infrastructures – including payments infrastructure such as TARGET – and the ability to participate in shared operations and information exchange mechanisms, especially in the fields of monetary policy, supervision, payments and statistics. It will require an additional boost in terms of both capabilities and resources. In parallel to these phases, adequate attention should be paid to cross-cutting topics and essential enablers such as HR, governance and digitalisation.

Early prioritisation of critical path initiatives and anticipation of long-lead developments (notably in IT, data and the core payments and monetary functions) will be essential to avoid bottlenecks and ensure timely convergence. Given the breath and complexity of the work that lies ahead, it remains important, in each case, to clearly distinguish between need-to-have and nice-to-have deliverables.

Mobilisation of targeted resources and temporary capacity reinforcement

The transformation will require additional capacity in critical areas. Resource mobilisation should focus on addressing identified capability gaps, including shortages in specialised expertise and staffing constraints in core functions. This may involve temporary reinforcement to deliver priority projects and reforms, especially where implementation capacity is currently limited. At the same time, attention is needed to ensure that resources are aligned with strategic priorities and rebalanced towards mandate-driven activities. This targeted approach will enable CBCG to achieve key reforms within the required timeframe.

Continued cooperation with peer NCBs in the ESCB, complemented by targeted external support

Close cooperation with Eurosystem national central banks (NCBs) – e.g. within the Western Balkans 6 programme and the twinning programme – should play a central role in supporting CBCG's transition, particularly for the development of core expertise, operational practices and institutional alignment. Such cooperation provides access to experience, credibility and context-specific know-how which cannot be fully replicated externally.

In parallel, external partners can provide targeted temporary support, primarily to strengthen delivery capacity, and assist with implementation. Their role should focus on facilitating the transition from the current situation towards the target model, including through backfilling operational activities and supporting the transition programme. This will allow internal experts to concentrate on compliance, process design and capability building. A clear distinction should therefore be made between core central banking functions, which are expected to be strengthened internally or developed through peer cooperation, and transitional activities, for which external support can provide added value in terms of capacity, structuring and the acceleration of implementation.

An evolution of the sourcing and operating model, combining internal capabilities with external support

CBCG could move towards an operating model that combines stronger internal core capabilities with targeted external support, particularly in areas requiring advanced technical or specialised expertise. Thus, it could make more strategic use of external partners, shared solutions and technical cooperation, where this accelerates implementation or reduces complexity. At the same time, the model should ensure that critical functions and knowledge are retained or gradually acquired internally, supporting long-term sustainability. The balance between core functions on the one hand, and enabling or support functions on the other hand, could be reassessed to reflect evolving Eurosystem requirements. This evolution will support both efficiency and scalability during the transformation.

Strengthened central and performance-driven governance and coordination of the transformation programme

In view of the scale and complexity of the transition, CBCG would benefit from establishing a centralised steering function to oversee prioritisation, sequencing and resource allocation across initiatives. This is particularly critical where there are strong interdependencies across functions and given the risk of fragmentation during the transition phase. Such central steering will be essential to ensure effective coordination across business lines and, in particular, across cross-cutting functions such as IT, cybersecurity, data and HR, where limited resources combined with growing demand are likely to create structural bottlenecks. Without strong central prioritisation and coordination, there is a material risk of fragmentation and competing initiatives. A top-down steering model, with clear progress monitoring on the strategic priorities, aids to keep track of the needed performance levels.

A strengthened governance framework would allow these scarce capabilities to be allocated in line with institutional priorities and evolving Eurosystem requirements. At the same time, the governance framework should provide clear visibility on progress, risks, interdependencies and delivery constraints, supporting timely and informed decision-making. A key enabler in this respect is the development of a structured requirement traceability framework, allowing CBCG to monitor and steer alignment with ESCB, Eurosystem and SSM/SRM requirements throughout the transition. This approach will enable the transformation to be managed as a coherent and prioritised programme, rather than as a set of isolated initiatives.

2 Introduction

The Central Bank of Montenegro (CBCG) is preparing for participation in the European System of Central Banks (ESCB) and, ultimately, the Eurosystem and the Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM), in line with Montenegro's broader objective of European Union (EU) accession.

Against this backdrop, this needs assessment provides a structured, forward-looking gap analysis of CBCG's institutional framework, processes and capabilities, benchmarked against EU requirements, as well as ESCB, Eurosystem and SSM/SRM practices and standards. The assessment aims to make clear the progressive increase in operational and governance requirements associated with each stage of integration.

2.1 Context

In the framework of regular dialogue and technical cooperation within the Belgian and Dutch constituency at the International Monetary Fund (IMF), CBCG expressed an interest in benefiting from external support in view of its strategic objective of participation in the ESCB and, at a later stage, the Eurosystem, SSM and SRM.

In response to this request, De Nederlandsche Bank N.V. (DNB) and the National Bank of Belgium (NBB) agreed to share their expertise with CBCG through a structured gap analysis (or "needs assessment").

The needs assessment was designed as a demand-driven, expert-led exercise, aimed at providing a comprehensive and structured overview of CBCG's institutional framework, processes and capabilities. It was conducted against the broader backdrop of Montenegro's European integration path, including ongoing engagement with the European Commission at the time of writing.

The assessment was closely aligned throughout with the ongoing EU-funded Programme for Strengthening the Central Bank Capacities in the Western Balkans, coordinated by the Deutsche Bundesbank in cooperation with the European Commission, the ECB and participating ESCB NCBs. The programme supports the preparation of Western Balkan central banks for integration into the ESCB through strengthening their institutional, analytical and supervisory capacities and aligning them with EU and international best practices. Several on-site visits have been supported by the programme, in particular an assessment to which also experts from the National Bank of Slovakia contributed.

The needs assessment was conducted between September 2025 and June 2026.

2.2 Objective

The objective of the needs assessment was to provide an indicative and structured evaluation of the level of readiness of CBCG across a set of predefined central banking areas, based on the Eurosystem functions grid (ESFG).

In support of CBCG's aim of progressive integration into the European institutional framework, the assessment considered readiness across three distinct – yet interrelated – stages:

1. European Union (EU) accession and participation in the European System of Central Banks (ESCB), with a focus on legal alignment and the establishment of required core functional capabilities;

2. Preparation for Eurosystem participation and membership in the Economic and Monetary Union (EMU), requiring a higher level of organisational maturity, operational capability and system integration;
3. Further alignment with banking union frameworks, including the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), implying additional supervisory, resolution and information-exchange capabilities and a change in supervisory responsibilities.

Importantly, stage 1 necessarily precedes stage 2 and 3, and there is no fixed order between the two latter stages.

In this context, the needs assessment aimed to identify areas that are aligned, as well as key gaps and development priorities, in order to support CBCG in designing a coherent, prioritised and realistically sequenced transformation pathway towards these three distinct stages of integration.

This assessment does not constitute a formal compliance review or certification exercise and does not provide assurance regarding alignment with ESCB, Eurosystem, SSM or SRM requirements. Rather, it provides a structured, forward-looking perspective intended to inform strategic decision-making and support CBCG's ongoing institutional readiness and development.

The assessment was conducted by joint teams of experts from DNB and the NBB, drawing on their operational experience within the ESCB, Eurosystem, SSM and SRB. In the specific area of payments, experts from the National Bank of Slovakia also contributed. The analysis was based on a combination of documentation provided by CBCG, structured interviews and exchanges with CBCG staff, and expert judgment grounded in practices observed across peer central banks.

This expert-led approach ensured that the assessment was grounded in practical experience, peer benchmarking and an understanding of how central banking functions are implemented in practice, rather than being merely a formal or rule-based interpretation.

A priority-based approach

Given the breadth and complexity of the transition to EU, Eurosystem and SSM/SRM participation, the assessment adopted a priority-based approach. It focused on areas considered most critical to CBCG's progression and is therefore not intended to be exhaustive, but rather decision oriented. As with any expert-based assessment, the analysis is subject to inherent limitations and dependent on the information made available during the assessment process. It should therefore be interpreted in light of the scope, quality and completeness of the underlying inputs and should be complemented, where relevant, by more detailed compliance reviews at a later stage.

The findings are intended to support ongoing dialogue and to inform CBCG's own reflections on its institutional development. They should be understood as non-binding expert advice, without prejudice to any formal assessment or decision taken at EU level.

2.3 Methodology

The needs assessment was conducted using a structured and consistent methodology combining document analysis, structured interviews and expert judgment, applied across all domains in line with the Eurosystem functions grid (ESFG). The ESFG provides a standardised taxonomy of central banking functions, thereby ensuring coherence and comparability across the assessment.

The assessment covered 13 primary areas. This was complemented by a limited number of mini-assessments in specific areas. Moreover, a staffing-level benchmarking exercise was conducted, based on the Eurosystem and SSM inventory of functions (ESIF). A full list of assessment areas can be found in table 1.

Table 1

Primary assessment areas

- Macroeconomic and financial research and forecasting
- Monetary policy implementation and asset management
- Statistics and data reporting
- Banknotes and coins
- Payment and securities settlement systems; derivatives
- Financial stability and macroprudential supervision
- Banking supervision
- Anti-money laundering
- Resolution
- Financial accounting and reporting
- Information technology and digital infrastructure
- Cybersecurity and operational resilience
- Human resources

Mini-assessments

- Planning and controlling
- Internal audit
- Communication
- Information management
- Procurement
- International and European cooperation

Other

- Staffing-level benchmarking exercise

A guiding methodological principle for the assessments was the application of a dual analytical lens:

- "Doing the right things" or assessing the alignment of CBCG's mandate, functions and institutional arrangements with relevant EU and ESCB-related expectations;
- "Doing the right things right" or assessing the maturity, effectiveness and robustness of processes, governance frameworks and operational capabilities.

This enabled the assessment to go beyond a purely formal compliance perspective and capture the degree to which functions are effectively operationalised, scalable and integrated within the institution.

The process was inherently collaborative, involving continuous interaction between CBCG staff and DNB/NBB teams. Findings were based on a combination of documentation, structured exchanges and iterative validation, ensuring that the assessment was both fact-based and fully informed by the institutional context of CBCG. This cooperative approach was designed to both assess and support mutual understanding, ownership of the identified development priorities and, importantly, knowledge transfer.

A consistent approach was applied across all assessed areas:

- Preparation phase: review of documentation provided by CBCG, identification of the relevant European reference framework and preparation of structured exchanges;
- Assessment phase: combination of structured interviews (on-site and remote) with CBCG staff across functions and hierarchical levels, analysis of supporting documentation and application of expert judgment grounded in ESCB, Eurosystem and SSM experience;

- Reporting phase: consolidation of findings into structured observations, including identification of areas of alignment, gaps and development priorities. Draft findings were discussed with CBCG counterparts to guarantee accuracy and appropriate contextualisation.

To ensure robustness and consistency, the results were subject to cross-domain review and quality assurance by a joint DNB/NBB quality review team. In addition, cross-cutting topics and systemic observations were identified through a consolidation of all topic-specific assessments.

Furthermore, the assessment included a quantitative benchmarking based on the Eurosystem functions grid (ESFG), comparing CBCG's allocation of internal resources across functions with that of selected peer central banks in the Eurosystem with a similar mandate and institutional size. This exercise provided another perspective on CBCG's resource allocation and facilitated the identification of potential areas for rebalancing.

Overall, the methodology was developed to ensure analytical rigour, practical experience and peer benchmarking, in order to provide a structured, forward-looking basis to support CBCG's transformation planning.

2.4 Project governance

Besides more than fifty contributing experts, the project governance consisted of several functions to help ensure the objective and the quality of the exercise:

- A steering committee composed of representatives from CBCG, NBB, DNB and the Western Balkans 6 programme;
- A project coordination team with membership of CBCG, NBB and DNB project managers, headed jointly by NBB and DNB;
- A joint DNB and NBB quality assurance team.

3 Cross-cutting findings and recommendations

3.1 Overview

This section summarises the main cross-cutting findings and recommendations arising from the thirteen primary assessment areas and six mini-assessments. Detailed expert analyses were provided to CBCG in separate assessment reports. Chapter 4 translates these findings into a high-level, sequenced transformation roadmap.

Overall, the assessment indicates that CBCG is on a credible trajectory towards ESCB and Eurosystem integration, supported by a sound institutional baseline and strong institutional commitment.

The core challenge lies less in the establishment of functions than in the scaling-up (with the notable exception of monetary policy preparation and implementation), integration and operationalisation of existing capabilities in order to meet the higher execution intensity associated with Eurosystem and SSM/SRM participation.

A sound institutional baseline

Across core central banking functions, CBCG demonstrates a solid operational foundation and a broadly comparable level of alignment with international and European practices.

Core areas – including financial stability, supervision, payments and macroeconomic analysis – are:

- established and functioning;
- supported by committed and capable staff; and
- underpinned by existing governance structures and processes.

One exception to this is monetary policy preparation and implementation, as Montenegro is currently using the euro currency without being part of the Eurosystem.

Importantly, CBCG is not building from scratch and can rely on a functioning institutional core, which provides a credible basis for progressive convergence towards ESCB and Eurosystem SSM/SRM participation.

A crucial and differentiating strength across all domains is the high level of commitment, ownership and openness to change demonstrated by CBCG:

- strong leadership engagement;
- openness to external expertise and cooperation;
- active reform agenda and concrete deliverables.

This constitutes a key success factor, as successful convergence requires sustained institutional mobilisation over time.

As an example we note that in the area of payments, though implementation gaps still exist, it may be noted CBCG implemented SEPA payments during the assessment period and also successfully implemented TARGET Instant Payment Settlement (TIPS) clone. This demonstrates a strong commitment and focus to anticipate and execute integration towards ESCB and Eurosystem and represents an important milestone in Montenegro's alignment with ESCB and Eurosystem requirements and standards.

The main challenge: maturity, scalability and integration

The assessment consistently revealed that the main gaps pertain not to the existence of main core functions (except, again, monetary policy preparation and implementation) but rather to their:

- level of maturity;
- degree of formalisation and standardisation; and
- ability to scale up and integrate across the organisation.

Across multiple domains, processes remain:

- partially manual or insufficiently automated;
- supported by fragmented tools and data environments; and
- not yet fully integrated across functions.

As a result, the transformation primarily entails the modernisation, integration and scaling-up of existing capabilities to Eurosystem standards and processes rather than the creation of new functions.

Temporary and structural capacity constraints and execution pressure

A recurring and structurally important finding across all areas is the presence of capacity constraints, which affect the organisation's ability to achieve the transformation at the required pace.

These include:

- limited staffing in key specialised functions;
- concentration of expertise in a small number of key individuals;
- challenges in scaling-up activities and developing advanced capabilities.

While consistent with CBCG's size, these constraints translate into high execution intensity, given that participation in the Eurosystem entails the performance of a broad and non-discretionary set of functions, regardless of institutional size.

In this context, the key constraint is not strategic direction or commitment, but structural absorption and execution capacity.

Resource allocation and balance between core and enabling functions

The assessment points to a relative imbalance in the allocation of resources between core and enabling and support functions, with a comparatively higher weight for certain enabling and support functions and more limited capacity in certain core and mandate-driven activities.

Staff-level benchmarking against peer central banks confirmed that:

- overall staffing levels at CBCG are moderately below those of its peers (by between 10% and 20%); and
- there is scope for rebalancing resources towards (core and non-core) priority functions.

This indicates structural undercapacity and reinforces the need for targeted capacity strengthening, prioritisation and the reallocation of resources in line with evolving Eurosystem requirements.

3.2 Key transformation enablers

Transformation governance and operating model

The next phase in the transition requires a shift in governance, moving towards:

- a centralised and proactive steering model;
- stronger prioritisation and sequencing of initiatives; and
- active management of interdependences and capacity constraints.

To address this, CBCG will need to:

- establish a central transformation steering function ("cockpit");
- strengthen programme-level governance and prioritisation;
- ensure coordination across business lines and cross-cutting functions (notably IT and HR);
- implement a structured requirement traceability framework to monitor alignment with ESCB, Eurosystem and SSM/SRB standards; and

- monitor the intermediate and final goals of the transformation programme through a set of indicators and steer where necessary.

In parallel, the operating model will need to evolve towards balancing:
- stronger internal core capabilities; and
- targeted external support to provide temporary capacity and implementation support.

This also applies to decisions regarding the potential outsourcing of non-core activities, which should be assessed from the perspective of strategic resource allocation and transformation.

Human resources and workforce allocation

Human resources is a central enabler of – and potential bottleneck in – the transition.

While the quality and commitment of staff are strong, the institution faces:
- limited forward-looking workforce planning;
- capacity constraints in specific areas;
- concentration of expertise (key person risk);
- misalignment of the current staffing structure with evolving Eurosystem requirements.

Benchmarking suggests that CBCG operates with a relatively lean staffing model, reinforcing the need for:
- targeted recruitment and capability building;
- internal mobility, reskilling and knowledge transfer;
- temporary capacity reinforcement during the transition phase.

The challenge is therefore to ensure that capacity evolves in line with increasing complexity and execution intensity, both during the transition and in steady state. The requirements for these phases are different.

An additional structural factor relates to differences in operating models across peer institutions. In particular, several Eurosystem central banks externalise a number of support activities (such as catering, facilities management or physical security), whereas these functions are largely performed in-house at CBCG.

While this model reflects legitimate institutional choices, it has two implications. First, these activities are reflected in CBCG's overall staffing levels, which should therefore be interpreted in light of this broader functional perimeter. Second, the internal management of these activities places additional demands on cross-cutting functions, particularly HR and IT, which provide recruitment, administration and access support.

In this context, a gradual transformation of the sourcing model for selected non-core activities could allow CBCG to refocus internal capacity on core and mandate-driven functions, while reducing pressure on cross-cutting support functions and creating room to strengthen the specialised capabilities required for Eurosystem participation.

ICT and cybersecurity – a critical gap to be addressed

ICT and cybersecurity represent both a critical success factor and a potential structural bottleneck in the transition.

While the foundation is in place and broadly in line with comparable institutions, the current landscape remains:
- fragmented;
- partially manual, and;
- insufficiently scalable and integrated.

The ICT environment is currently in a relatively early stage of maturity in terms of system integration, data architecture and process automation. Limitations in the areas of data integration, analytical tooling and end-to-end digital workflows constrain operational efficiency, reduce scalability and increase reliance on manual handling and individual expertise.

At the same time, requirements will increase significantly, in both scope and intensity, in areas such as:

- cybersecurity and operational resilience;
- infrastructure, interoperability and participation in shared platforms;
- data management and reporting, including alignment with Eurosystem standards.

Participation in the Eurosystem and SSM entails the performance of a broad set of non-discretionary and highly integrated functions, requiring systems that are not only compliant but also fully interoperable, automated and scalable. In this context, existing limitations risk becoming binding constraints on the implementation of new processes and the ability to meet reporting, analytical and operational requirements.

As a result, ICT will need to be treated as a strategic priority area and progressively reinforced, in terms of both capacity and capabilities. Key priorities include:

- the development of a coherent, institution-wide data and system architecture;
- the acceleration of digitalisation and automation of core processes;
- the strengthening of cybersecurity and resilience frameworks; and
- the modernisation of infrastructure to support scalability and integration with Eurosystem systems.

Given the scale and complexity of these developments, ICT represents both an enabling function and a central determinant of CBCG's ability to achieve its transformation. Without timely prioritisation and reinforcement, it risks becoming a critical bottleneck; conversely, with adequate investment and governance, it can act as a powerful accelerator of convergence.

3.3 Conclusion: a demanding but achievable transition

The assessment confirms that CBCG is on a credible and committed path towards convergence with European central banking standards.

The transition will be:

- demanding, due to the scope, complexity and interdependencies involved;
- resource-intensive, particularly in terms of human capital and IT capabilities; and
- requiring continuous prioritisation.

At the same time, it is achievable provided:

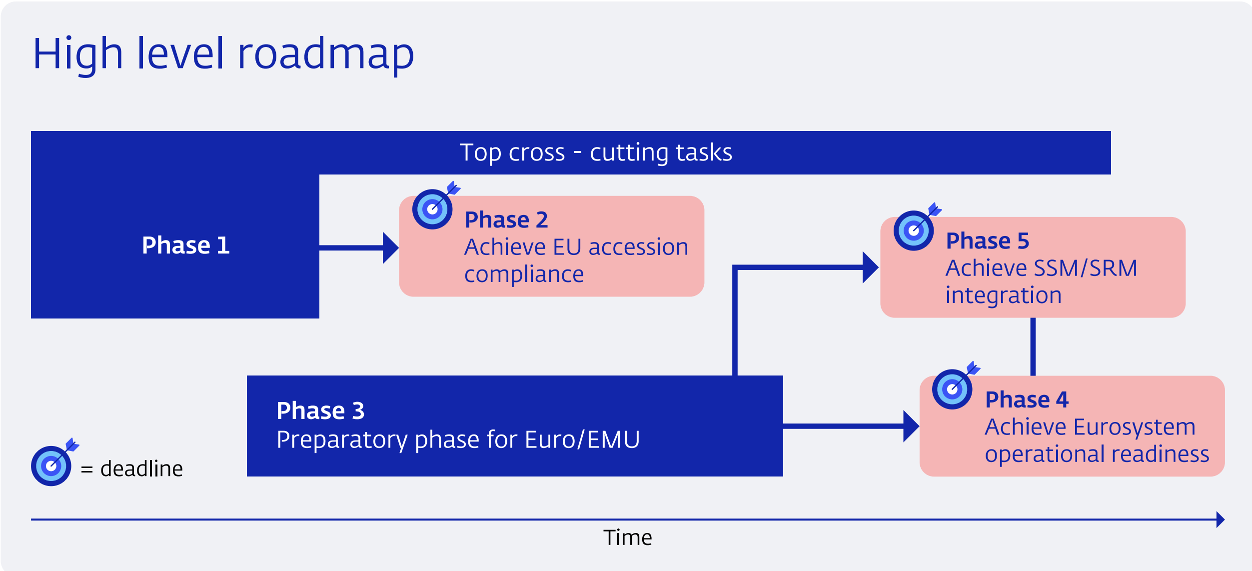
- capacity constraints are addressed in a timely manner;
- governance and prioritisation are strengthened and embedded in day-to-day management (planning, execution, monitoring, steering); and
- the transformation is managed as a coherent, sequenced programme.

In summary, CBCG has direction, commitment and a solid foundation. The next phase entails ensuring that capacity, sequencing and support are fully aligned in order to assure convergence in a smooth, effective and sustainable manner.

4 High level Roadmap

Below is an indicative phased roadmap that consolidates key expert recommendations, related to the most material gaps identified in the needs assessment. This should be read as a high-level road-map that does not intend to be exhaustive with respect to all individual expert recommendations, which can be found in their individual assessment reports. Rather, it brings out hierarchy and key projects, and sequencing.

Figure 1



To this end, the road map is structured to distinguish between (i) initiating early work on capabilities with long implementation lead times; (ii) closing EU accession compliance gaps, (iii) preparing for the additional Eurosystem and SSM requirements. More specifically, we distinguish between five phases (figure 1):

Phase 1 – Preparatory cross-cutting foundation. Establish the minimum cross-cutting capabilities required to deliver the transformation programme: central programme governance and prioritisation, sufficient implementation capacity (including temporary reinforcement), defined IT and data target architecture; design a requirement traceability matrix towards the various goals.

Phase 2 – Achieve EU accession compliance. By this time, close the key EU and ESCB compliance gaps identified in the assessment.

Phase 3 – Eurosystem preparation. Initiate capabilities not required for EU-accession but requiring long lead times (monetary policy, systems, data, expertise).

Phase 4 – Achieve Eurosystem operational readiness. By this time, achieve minimum operational capability to function within the Eurosystem.

Phase 5 – Achieve SSM/SRM integration. By this time, have the additional supervisory and resolution capabilities in place required for SSM/SRM participation. Participation in the SSM and SRM may require a rebalancing of responsibilities, with supervisory practices increasingly shaped by ECB/SSM methodologies and resolution practices by SRB/SRM expectations.

Sequencing – Importantly, phase 2 necessarily precedes phases 4 and 5 and there is no fixed order between the two latter stages (though they are linked in the sense that 4 implies 5). Additionally, Phase 4 depends materially on successful delivery of Phase 3 outputs; and all phases depend materially on the delivery of Phase 1 outputs.

Phase 1 – Preparatory cross-cutting foundation

Establish the minimum cross-cutting capabilities required to deliver the transformation programme.

Top cross-cutting tasks

- **Set up a central transformation governance function,** with ownership of prioritisation, sequencing, interdependency management, and implementation monitoring of all EU-related projects across business, HR, ICT and finance. Set priorities, resource allocation, result-tracking and management reporting.
- **Strengthen transformation monitoring through a requirements traceability framework:** CBCG should implement a requirements traceability matrix linking strategic objectives to identified gaps, recommendations, and associated initiatives, including clear ownership, milestones and timelines, thereby enabling structured and transparent steering by senior management.
- **Adopt a bank-wide data and IT target architecture agenda:** determine a coherent and secure target architecture, including integrated data architecture, data ownership, workflow digitalisation, and automation of manual processes; start implementing.
- **Position HR as a transformation enabler,** not just an operational support function. Develop workforce planning, recruitment planning, performance and talent management, digital HR workflows, and a temporary backfilling strategy where experts are needed on project work.
- **Create the bank-wide information governance foundation** before large workflow digitisation: define ownership, classification, access, retention and lifecycle rules, then build digital workflows on top.
- **Launch targeted peer-support and external-support arrangements** for critical areas.

Phase 1 priority actions per function

- **HR** – implement a transformation of the HR function, focusing on strengthening HR governance, workforce planning, performance and talent management and HR reporting.
- **Information management** – implement the information governance framework first, then build IM capability and digital workflows. Fully integrated systems are not a precondition for EU/ESCB entry.
- **Procurement** – strengthen contract lifecycle oversight.
- **IT & Cybersecurity** – define the target architecture and IRM-first compliance programme, starting with governance, IAM, cryptography, vulnerability/patching, and architecture principles.
- **International and European cooperation** – launch the Single CBCG voice and committee coordination project: briefings, debriefings, templates, document management, and staffing for future committee flows.

Phase 2 – Compliance-oriented EU accession

Purpose: Close the key EU/ESCB compliance gaps identified in the assessment.

Priority actions per function

- **Macroeconomic and financial research and forecasting** – reprioritise research and publications, and embed forecasting more structurally in core activities.
- **Statistics** – close EU-accession reporting gaps, strengthen statistical quality management. Increase the auditability of statistical compilation processes, especially for external statistics.
- **Payments** – strengthen the collection and processing of payments data from domestic PSPs as required by PSD2 and with a view towards required reporting to EBA. Strengthen engagement with commercial banks and card schemes to enhance monitoring capabilities and ensure comprehensive oversight.
- **Financial stability / macroprudential supervision** – refresh the policy framework, align data definitions with ESRB requirements, request access to cadastral data, and increase analytical capacity in a targeted manner, with a view on the minimum level of compliance for macro-prudential responsibilities.
- **Prudential banking supervision** – close remaining EU prudential convergence gaps based on EU-legislation and guidelines, build capacity to strengthen the SREP-process and required expertise, improve supervisory crisis information-sharing and due-process arrangements, reduce vacancy pressure. Strengthen the collection and processing of supervisory data with a view towards the required reporting to EBA.
- **AML/CFT** – build the AMLR transition roadmap ahead of July 2027, strengthen legal/policy/data-analytics support, restructure the AML manual, modernise tools, and formalise a more proactive supervisory communication approach. Strenghten the collection and processing of supervisory data with a view towards the required reporting to EBA.
- **Resolution** – complete the remaining EBA guidance implementation, strengthen crisis-management procedures with supervision, and intensify staffing for the build-up of the framework.
- **IT and cybersecurity** – by this stage, the IRM-centred compliance programme needs to be operational enough to securely receive, process, and protect ESCB information and infrastructure dependencies.

Phase 3 – Preparatory phase for Eurosystem

Purpose: Initiate capabilities not previously required for EU-accession but requiring long lead times (systems, data, expertise). Some of this work may need to be initiated straight away.

Priority actions per function

- **Monetary policy implementation and asset management** – close the gaps to be able to contribute to and implement Eurosystem monetary policy: build knowledge on monetary operations, collateral, counterparty framework, Eurosystem committee structures, and briefing processes; stocktake the systems needed for future operations. Since the function is currently not existing, this is one of the major current gaps.
- **Macroeconomic and financial research and forecasting** – plan and potentially start rebalancing towards monetary policy work.

- **Statistics** – start all EMU-mandatory projects early: AnaCredit, security-by-security holdings, payment statistics, RIAD, CSDB; assess reuse of the credit register; define required systems and staffing.
- **Payments** – define the national payment-system strategy and define the TARGET participation model; assess implications for the current RTGS and retail infrastructure and for the domestic banking sector. Set up the TARGET migration project; fill payment-policy vacancies; improve training; prepare ECMS onboarding together with T2 T2S, Pontes and TIPS.
- **Banknotes and coins** – move from current cash operations to euro cash readiness: align with the EU and ECB cash framework, define cash function requirements, strengthen infrastructure, prepare minting and printing arrangements, and assess cash required IT-applications.
- **Financial accounting/reporting** – prepare for Eurosystem reporting requirements and for committee-work dimension of Eurosystem participation.
- **International / European cooperation** – expand staffing and tooling to cope with the future volume and complexity of Eurosystem committee information flows. Prioritise committees, on a need-to-be-there basis.

Phase 4 – Compliance-oriented Eurosystem

Purpose: Achieve minimum operational capability to function within the Eurosystem.

Priority actions per function

- **Monetary policy implementation and asset management** – operationalise front and back-office readiness for refinancing operations, standing facilities, asset-purchase related workflows; implement collateral and counter-party frameworks; formalise risk management procedures and escalation; ensure role separation between own-asset management and future monetary operations; upgrade portfolio, risk and market-operations systems.
- **Payments** – execute the TARGET migration plan, implement the chosen model, and ensure operational, legal, technical, market, and connectivity readiness.
- **Statistics** – move from investigation to implementation of the EMU statistical products and the staff and systems needed to produce them.
- **Banknotes and coins** – implement the euro-cash operating model.
- **Financial accounting/reporting** – be able to comply with all Eurosystem reporting requirements, including the timely production of balance sheet statements in accordance with the Eurosystem balance sheet model.
- **IT / cybersecurity** – by this stage, the IRM-centred compliance programme needs to be operational enough to securely receive, process, and protect Eurosystem information and infra-structure dependencies, which are more material than ESCB information and dependencies.

Phase 5 – SSM/SRM integration

Purpose: Develop additional supervisory and resolution capabilities required for banking union participation.

Priority actions per function

- **General** – Rebalance the operational capabilities and resources for banking supervision and for a changing set of responsibilities after SSM-entry (e.g., SI versus LSI supervision, home country supervision, the use of SSM-wide methodologies).
- **Banking supervision** – implement SSM supervisory data and tooling: XBRL-based reporting, dedicated supervisory tooling, more advanced specialised expertise, risk-based supervisory differentiation, and a common stress-testing framework supporting P2G.
- **Banking supervision and crisis management** – complete SLAs and internal information-sharing arrangements between supervision and other central-bank functions for crises; reassess “mixed decisions”; close due-process and early-intervention gaps.
- **Resolution** – build banks’ and CBCG’s resolvability capability, national handbooks for bail-in and sale of business, liquidity/funding in resolution, crisis procedures, testing programme, and crisis communication capability.
- **IT** – ensure the IT and cyber environment can receive and process SSM information.
- **International cooperation** – scale arrangements for SSM participation.
- **AML/CFT** – AMLA integration can be expected after 2027, which might mirror some SSM-requirements.

List of abbreviations

AML	Anti-Money Laundering
AMLA	Anti-Money Laundering Authority
AMLR	Anti-Money Laundering Regulation
CBCG	Central Bank of Montenegro
CFT	Countering the Financing of Terrorism
CSDB	Centralised Securities Database
DNB	De Nederlandsche Bank N.V.
EBA	European Banking Authority
ECB	European Central Bank
EMU	Economic and Monetary Union
ESCB	European System of Central Banks
ESFG	Eurosystem Functions Grid
ESRB	European Systemic Risk Board
EU	European Union
IAM	Identity Access Management
IMF	International Monetary Fund
IRM	IT Risk Management
KPI	Key performance indicator
LSI	Less Significant Institution
NBB	National Bank of Belgium
P2G	Pillar 2 Guidance
PSD2	Payment Services Directive 2
PSPs	Payment Service Provider
RIAD	Register of Institutions and Affiliates Data
RTGS	Real-time Gross Settlement System
SEPA	Single Euro Payments Area
SI	Significant Institution
SLA	Service Level Agreement
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
T2	TARGET 2
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
TIPS	TARGET Instant Payments Settlement
TIPS clone	A national instant payment platform based on the architecture and functionality of TIPS
XBRL	Extensible Business Reporting Language

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