



ANNEX C1bis: Twinning Light Fiche

Project title: Strengthening Corporate Governance provisions and administrative capacity of the Capital Market Authority of Montenegro

Beneficiary administration: Capital Market Authority of Montenegro

Twinning Reference: ME 21 IPA FI 01 24 TWL

Publication notice reference: EUROPEAID/182351/DD/ACT/ME

EU funded project

TWINNING TOOL

1. Basic Information

- 1.1 Program: Instrument for Pre-Accession Assistance III - Annual Action Program in favor of Montenegro for 2022 (IPA/2022/044-818) – Direct management
- 1.2 Twinning Sector: **Competitiveness and Innovation/Competitiveness and Inclusive growth**
- 1.3 EU funded budget: **150,000.00 EUR**
- 1.4 Sustainable Development Goals (SDGs): This Project will address the Sustainable Development Goal 8 - Decent work and economic growth.

2. Objectives

- 2.1 **Overall Objective(s):** The overall objective is to contribute to the improvement of the competitiveness of the economy and the business environment through the introduction and implementation of the best corporate governance standards.
- 2.2 **Specific objective:** Strengthening corporate governance by developing the Corporate Governance Code aligning with EU principles to be adopted by the Montenegroberza stock exchange and enhancing the capacities of the Capital Market Authority of Montenegro staff through training based on the identified needs.
- 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 proposed Twinning light project aims to address the imperative need for the development of a new Corporate Governance Code in response to recent legislative changes. In light of evolving legal frameworks and heightened expectations from investors, the current Corporate Governance Code, adopted and in force since 2009, requires revision to align with contemporary standards and to address the expanding and evolving role of corporate entities.

The recommendations of the European Commission for drafting and updating the text of the Corporate Governance Code are stated in the document dated October 3, 2013 named “Negotiating position of the Government of Montenegro

for the intergovernmental conference on the accession of Montenegro to the European Union for Chapter 6 - Company Law”.

This document also contains the Recommendation of the European Commission (32009H0385), dated April 30, 2009, which supplements Recommendations 2004/913/EC and 2005/162/EC regarding the remuneration regime for directors of companies listed on the stock exchange. Remuneration policy or members of the board of directors, i.e. members of the supervisory and management boards must be adopted and decided by the shareholders at each regular annual meeting in accordance by provision in the Article 133 of the Company Law¹. The document stated that the recommendation was largely taken into account, i.e. implemented as part of the Corporate Governance Code of the Montenegroberza Stock Exchange², with the fact that there is still room for improvement. The document further states that in the period until accession to the EU, Montenegro plans to significantly increase the degree of compliance of its legal system with the aforementioned recommendation.

The Government of Montenegro, the Cabinet of the Prime Minister and the Office for European Integration, in the proposed road map for fulfilling the final criteria for temporary closure negotiation in Chapter 6 – Company Law³ in the table that defines, among other things, the remaining key steps for the year 2022-2023 states the revision of the Corporate Governance Code.

The European Commission in the Report for Montenegro 2023 specifies that in the coming period during next year, Montenegro is invited to focus on the following areas, inter alia, alignment with the EU acquis governing standardization and finalize the revision of the Corporate Governance Code as it was concluded that there is no progress in the revision of the Corporate Governance Code. The Capital Market Authority of Montenegro has also included in its work program for 2024 as a task the drafting a revised Corporate Governance Code in accordance with EU best practice.

Rationale for Revision:

¹ Company Law ("Official Gazette of Montenegro", no. 065/20, 146/21, 004/24)

² <https://www.mnse.me/upload/documents/CorporateGovernanceCode.pdf>

³ <https://www.eu.me/poglavlje-6-privredno-pravo>

Legal Framework Evolution: The regulatory landscape governing corporate governance has undergone significant changes since the inception of the existing code. The project recognizes the necessity to adapt the Corporate Governance Code to meet the latest legal requirements and ensure compliance with the updated legislative framework (please see below section 3.4). In the current amendments to the Company Law⁴ published by the Ministry of Economic Development on May 9, 2023, the text of the draft Company Law stipulates Chapter VIb under the name of the Corporate Governance Code, and Article 233 stipulates that the board of directors, i.e. the board of directors of a public joint-stock company must, and in the case of other joint-stock companies, may adopt a written Corporate Governance Code, or accept that some other Corporate Governance Code is applied. The Corporate Governance Code contains principles and rules that regulate the management of a joint-stock company, and in particular regulates relations between members of the administrative body, other managers, shareholders and other interested parties. Article 234 of the draft Company Law stipulates that the statement on the application of the Corporate Governance Code is an integral part of the management of the annual report management.

Changing Investor Expectations: Investor expectations regarding corporate behavior, transparency, and accountability have evolved over time. With an increased focus on sustainability, social responsibility, and ethical considerations, the revised code will serve as a tool to align corporations with these contemporary investor expectations.

Key Objectives of the Project:

Code Adaptation to Legislative Changes: The project aims to meticulously review and amend the Corporate Governance Code to ensure it remains in full compliance with the latest legal provisions. This will enhance legal certainty for corporations and provide a solid foundation for corporate governance practices.

Alignment with International Best Practices: The revised code will be crafted in alignment with international best practices, taking into account the guidelines and recommendations of international institutions and other relevant bodies such as the European Securities and Markets Authority (ESMA), the

⁴ <https://www.gov.me/en/documents/ce6dcd37-88d1-4ebc-b589-c758fe304cec>

International Organization of Securities Commissions (IOSCO) and the Organisation for Economic Co-operation and Development (OECD). This will facilitate a harmonized approach to corporate governance that resonates with global standards.

Enhanced Transparency and Accountability: Recognizing the growing emphasis on transparency and accountability, the project will introduce measures to enhance disclosure requirements and strengthen the monitoring and enforcement mechanisms within the Corporate Governance Code.

Stakeholder Engagement: The development of the new code will involve extensive consultation with various stakeholders, including the Capital Market Authority (CMA) of Montenegro, Montenegroberza stock exchange and issuers. The drafting of the Corporate Governance Code is initiated by the CMA of Montenegro, while the Montenegroberza stock exchange is obliged to adopt the Corporate Governance Code and the issuers to apply it in their business. This collaborative approach ensures that diverse perspectives are considered, contributing to the inclusivity and effectiveness of the revised Corporate Governance Code.

The Twinning project for the revision of the Corporate Governance Code is essential in adapting to the dynamic landscape of corporate regulation. The primary source of an application of the Corporate Governance Code for issuers of securities on regulated capital markets is in Article 20 of Accounting Directive 2013/34/EU, which applies to issuers of securities. There is then a reference to this Article in Article 4 (5) of the Transparency Directive. By addressing changes in the legal framework, primarily related to the adoption of the new Law on the Capital Market and the transposition of the Transparency Directive, as well as by-laws by the Capital Market Authority that more closely regulate and prescribe the content and form of reporting by issuers and meeting the heightened expectations of investors, the project aims to strengthen the foundations of corporate governance, ultimately fostering a business environment that is resilient, transparent, and aligned with contemporary values. In addition to the above, in the part related to the Evolution of the legal framework, current amendments to the Law on Company, the Corporate Governance Code is also prescribed by the Law on Accounting. In Law on Accounting⁵ the provisions of

⁵Law on Accounting ("Official Gazette of Montenegro", No. 145/21 dated 31.12.2021, 152/22 dated 30.12.2022)

Article 13 (paragraph 4) and Article 15 (paragraph 1 items 3 and 4) stipulate that issuers of securities on regulated capital markets in the audit report and the annual management report include a section on the application of the Corporate Governance Code. All of these efforts indirectly contribute to meeting the final benchmarks from Chapter 6 related to Montenegro's EU accession process.

3. Description

3.1 Background and justification:

The European Commission in the Report for Montenegro 2023 specifies that in the coming period, Montenegro is invited to focus on the following areas, inter alia, alignment with the EU acquis governing standardization and finalize the revision of the Corporate Governance Code⁶ as it was concluded that there is no progress in the revision of the Corporate Governance Code. The Capital Market Authority of Montenegro has also included in its work program for 2024⁷ as a task the drafting a revised Corporate Governance Code in accordance with EU best practice.

The Twinning Light Project is important for fulfilling the closing benchmarks for chapter 6 as it indirectly contributes to the fulfillment of closing benchmark 1, which is that Montenegro has adopted the Law on the Capital Market and the relevant regulations for implementation, especially in compliance with the Directive on Transparency which, among other things, regulates reporting of joint stock companies that are on the regulated market, an integral part of which is the application of the Corporate Governance Code.

The Corporate Governance Code requires the commitment of all stakeholders (management, supervisory board, executives, shareholders) to create preconditions for the issuer to act in accordance with the highest ethical standards, as well as with good corporate governance standards.

The Corporate Governance Code should be revised so as to oblige issuers on the regulated market to include in their management report the information necessary to understand their performance of their company on sustainability

⁶https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_694%20Montenegro%20report.pdf

⁷ https://www.scmn.me/images/sjednica/Programa_rada_2024.pdf

issues and the information necessary to understand how sustainability issues affect their development, business results and position of their company.

The purpose of the Corporate Governance Code should be to ensure a transparent business environment, define detailed procedures for the work of the management and supervisory board of the issuer, avoid conflicts of interest of relevant persons in the issuer (members of the management board, supervisory board, and senior management) and establish an effective internal control and an effective accountability system. These principles of good corporate governance are achieved primarily through the responsible conduct of key persons within the issuer.

The purpose of the new, revised, innovated Corporate Governance Code should be to promote effective management and accountability in companies, such as managing jobs and purpose of governance, that are included in the regulated market at the Montenegroberza stock exchange. Managing jobs refers to daily decision-making of listed companies while the purpose of governance includes establishing a vision and standards that influence those decisions.

Companies with good governance and transparency are more likely to attract capital because of greater investor confidence. The benefit comes not only for individual companies, but for the market and the economy as a whole. Companies with good governance have a better chance of long-term success, as do those who invest in the company, those who work for the company, and the economy of the state.

Key assumptions are related to the full commitment and support to the Project by the Capital Market Authority of Montenegro and Montenegroberza stock exchange as well as maintaining adequate key staff with appropriate skills in both the beneficiary institutions.

The Capital Market Authority is an independent regulatory body established by the law⁸ to regulate and supervise the issue of securities and their trading in accordance with the rules of the European Securities and Markets Authority (ESMA), the legal framework of the European Union in this area (EU Acquis) and

⁸ LAW ON SECURITIES ("Official Gazette of the Republic of Montenegro", no. 059/00, 010/01, 043/05, 028/06, Official Gazette of Montenegro", no. 053/09, 073/10, 040/11, 006/13) and LAW ON CAPITAL MARKET ("Official Gazette of Montenegro", No. 001/18 as of 4.01.2018)

with the international rules and principles of the International Organization of Securities Commissions (IOSCO).

The operation of the regulated market in Montenegro is managed by Montenegroberza stock exchange, established as a joint-stock company in accordance with the law governing the organization of economic activities⁹, on the basis of a work permit issued by CMA, in accordance with the Capital Market Law.

Montenegroberza stock exchange, which performs operations on the basis of a license issued in accordance with the Securities Law ("Official Gazette of the Republic of Montenegro", No. 59/00, 43/05 and 28/06 and "Official Gazette of Montenegro", No. 6/13), continues to perform the duties as a market organizer, in accordance with the provisions of the Law on Capital Market¹⁰.

3.2 Ongoing reforms:

The CMA is constantly working on the adoption of the extensive and demanding EU acquis. The constant adoption of new acts increases the burden of harmonization for which Montenegro has set a deadline for the fourth quarter of 2027. In this regard, several laws are planned to be adopted by the Parliament. Three laws are planned to be adopted in IVQ2024: the Law on Voluntary Pension Funds, the Law on Alternative Investment Funds and the Law on Open Investment Funds with Public Offering, while the Amendments to the Law on the Capital Market is planned to be adopted in IVQ2025.

The reason behind delaying the deadlines to 2026 and 2027 was due to the lack of administrative capacity and the outflow of staff from the CMA in the previous period, as well as the intensive work engagement of the existing staff on several "fronts" at the same time. The aforementioned requires an increase in the number of executors for the harmonization and implementation of the demanding regulatory framework in CMA, as well as increased employee motivation.

Bearing in mind the above, we expect that the support within this Twinning Light Project will significantly contribute to the preparation of the Capital Market Authority of Montenegro for the upcoming challenges to finalize the revision of

⁹ COMPANY LAW ("Official Gazette of Montenegro", no. 065/20, 146/21, 004/24)

¹⁰ LAW ON CAPITAL MARKET ("Official Gazette of Montenegro", No. 001/18 as of 4.01.2018)

the Corporate Governance Code with the aim of creating business conditions that will enable domestic business entities to be competitive and treated equally on the EU capital market.

3.3 Linked activities:

The Capital Market Authority of Montenegro, in the process of harmonizing the relevant Montenegrin legislation with the EU *acquis* in the area of Financial Services, was beneficiary of the 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 the financial market and institutions in line with the Union *acquis*. The direct result of that assistance and cooperation was a great advancement in the harmonization of the relevant Montenegrin legislation with the EU *acquis* in the financial sector, preparing 8 new laws and more than 10 new regulations transposing 15 core EU directives.

Previous EU funded assistance also included the IPA 2010 FWC Project “Technical Assistance to the Securities and Exchange Commission of Montenegro” (implemented 2012-2013) aimed to provide technical assistance to The Capital Market Authority of Montenegro (at the time it was the Securities and Exchange Commission of Montenegro) to regulate and supervise the capital market under which following services were provided: technical assistance in drafting the Law on Capital Market; technical assistance in the process of composing enabling regulations (by-laws) for the implementation of the Law on Capital Market; technical assistance in reviewing and finalizing of over 30 enabling regulations (by-laws) for the implementation of the Law on Investment Funds and training on legal framework (including its implementation) covering all aspects of drafted regulations.

The most recent EU funded assistance to the Capital Market Authority of Montenegro includes the Twinning project “Support to Regulation of Financial Services”, under IPA 2014 national program, with a duration of 27 months, also in area of Financial Services from April 2018 to July 2020. This Project contributed to the implementation of activities envisaged by the Montenegrin Program for Accession 2014-2020, particularly Chapter 9 – Financial Services.

During the implementation process, the Beneficiary Institutions had the chance to learn the best practices of the EU Member States in the field of preparation of legislation according to the EU standards, preparation and delivery of training, administrative management of human resources.

3.4 List of applicable *Union acquis*/standards and national laws:

In the context of the EU accession negotiations, Montenegrin corporate governance framework needs to be harmonized with the following EU regulations and directives and provisions of national laws:

- Green paper: The EU corporate governance framework /* COM(2011) 164 final */
- A corporate governance framework for European companies, P7_TA(2012)0118, European Parliament resolution of 29 March 2012 on a corporate governance framework for European companies (2011/2181(INI)), 2013/C 257 E/08, Thursday 29 March 2012
- Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Action Plan: European company law and corporate governance - a modern legal framework for more engaged shareholders and sustainable companies /* COM/2012/0740 final */
- Directive (EU) 2022/2464 of the European parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC (Article 39) and Directive 2013/34/EU, as regards corporate sustainability reporting (article 2, article 19a, article 33, 29a)
- Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (article 20 p 2-5, article 29 p 2)
- Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting ('comply or explain') (2014/208/EU)
- Communication from the Commission - Guidelines on non-financial reporting (methodology for reporting non-financial information) (2017/C 215/01)

- Communication from the Commission - Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)
- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (article 3, article 9a, article 9b p 1-5, article 9c)
- P8_TA(2018)0215, Sustainable finance, European Parliament resolution of 29 May 2018 on sustainable finance (2018/2007(INI)), (2020/C 76/04)
- Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions – The European Green Deal (COM/2019/640 final)
- Directive 2006/43/EC (Directive 2014/56/EU) – Article 39 – Audit committee
- Directive 2007/36/EC (Directive (EU) 2017/828)
- P8_TA(2018)0215, Sustainable finance, European Parliament resolution of 29 May 2018 on sustainable finance (2018/2007(INI)), (2020/C 76/04)
- Law On Capital Market (“Official Gazette of Montenegro”, No. 001/18 as of 4.01.2018);
- Company Law (“Official Gazette of Montenegro”, No. 065/20 as of 03.07.2020, 146/21 as of 31.12.2021, 004/24 as of 23.01.2024);
- Accounting Law (“Official Gazette of Montenegro”, No. 145/21 as of 31.12.2021, 152/22 as of 30.12.2022);
- Rules on the detailed content and method of financial reporting (“Official Gazette of Montenegro”, no. 083/18 of 25.12.2018);
- Current Corporate Governance Code adopted in 2009¹¹

3.5 Components and results per component

Component 1: Increasing the capacity of the Capital Market Authority in drafting a new and updated Corporate Governance Code.

Result 1: Corporate Governance Code finalized and ready for adoption and enforcement by issuers on regulated market.

- Sub-Result 1.1. – Detailed analysis of the current Corporate Governance Code.

¹¹ <https://www.mnse.me/upload/documents/CorporateGovernanceCode.pdf>

- Sub-Result 1.2. – Proposal of *amendments*¹² to the Corporate Governance Code.
- Sub-Result 1.3. - Completed the Corporate Governance Code ready for adoption by Montenegroberza stock exchange.

Component 2: Strengthening the capacity of Capital Market Authority of Montenegro for the supervision of issuers on regulated market in terms of corporate governance.

Result 2: Prepared implementing provisions and operating procedures for performing supervisory activities of issuers on regulated market as well as strengthening the capacities of the Capital Market Authority of Montenegro staff based on the identified training needs.

- Sub-result 2.1. – Prepared implementing provisions and operating procedures related to the supervision of issuers on regulated market.
- Sub-result 2.2. – Drafted a manual for the supervision of corporate governance in joint stock companies on the regulated market in accordance with the best EU practice.
- Sub-result 2.3. – Delivered training needs analysis (TNA) for Capital Market Authorities staff.
- Sub-result 2.4 - Strengthened capacities of the Capital Market Authorities staff based on the TNA delivered in sub-result 2.3.

3.6 Expected activities:

The below activities are the minimum indicative requirements to achieve the above results. The Member State will consider these when developing its own methodology and complement them with its own and other relevant best practice experience and examples so that the above results can be sustainably achieved.

Component 1 – Result 1:

➤ **Activity 1.1.** (sub-result 1.1.)

Analyzing of the existing Corporate Governance Code, including identifying all challenges and bottlenecks and proposing recommendations for strengthening its framework and harmonizing domestic Corporate Governance Code with EU regulations and standards.

¹² Depending of the experts assesment if Corporate Governance Code is upgradeable this result will qualifited as a amendment. Alternativly a new Corporate Governance Code will be drafted

- Activity 1.2. (sub-result 1.2.)
Providing support in drafting amendments to the Corporate Governance Code.
- Activity 1.3. (sub-result 1.3.)
Providing support in preparation of the final draft Corporate Governance Code for adoption by Montenegroberza stock exchange and enforcement by issuers on the regulated market.

Component 2 – Result 2:

- Activity 2.1. (sub-result 2.1.)
Conducting an analysis of current regulations in terms of corporate governance in joint stock companies on the regulated market and preparing implementing provisions and operating procedures related to the supervision of issuers on the regulated market.
- Activity 2.2. (sub-result 2.2.)
Providing support in composition of a manual on the supervision of corporate governance in joint stock companies on the regulated market in accordance with the best EU practice.
- Activity 2.3. (sub-result 2.3)
Conducting an analysis of the training needs of Capital Market Authority of Montenegro staff and delivery of TNA.
- Activity 2.4. (sub-result 2.4)
Developing, organizing and implementing 3 events based on TNA delivered under activity 2.3 (which can be in the form of training, workshop, conference or similar), for a minimum of 20 participants, each with the duration of 2 days (including one lesson learning one day seminar for the all stakeholders for minimum 100 people).

3.7 Means/input from the EU Member State Partner Administration:

The project will be implemented in the form of a Twinning Light contract envisaged to provide exchange of experience and know-how with a MS Institution with good practice in the stated project activities.

The project requires one Project Leader (PL) and two Component Leaders (CL). In addition, the project will require and a group of short-term experts for specific assignments. It is essential that the team has a broad enough expertise to cover all areas involved in the project description. The interested state institution will include

in its proposal the CV's of the appointed project leader, component leader as well as the proposed key short-term experts.

The MS Project Leader 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. Both should also ensure close cooperation with the Delegation of the European Union to Montenegro and coordination with other ongoing and linked projects.

At the beginning of the Project implementation the Initial Rolling Work plan should be presented and agreed with the BC counterparts. All visibility actions, proposed in the project, should be in accordance with the visibility guidelines of the European Commission and Twinning Manual.

3.7.1. Profile and tasks of the PL

Profile and tasks of the PL:

Profile:

- University degree or equivalent professional experience of 8 years
- Minimum three years of specific experience in area of:
Corporate Governance,
Capital Market Supervision with a focus on Issuers Supervision,
Drafting the legal framework for the supervision of issuers on the regulated market, including by-laws, procedures, or Corporate Governance Code.

Skills and Competencies:

- Extensive experience in the field of project management;
- Fluency in English (written and spoken);
- Demonstrated experience in preparing, managing and/or implementing Twinning Projects;
- Prior experience from the Western Balkans will be an asset, and
- Knowledge of local language will be an asset

Tasks:

- Overall management of the project;
- Development and implementation of the detailed work plan;
- Coordination of the MS experts and quality control of the input delivered;
- Co-chairman in the Steering Committee Meetings;
- Process the final report in cooperation with BC counterpart.

3.7.1.1 Profile and tasks of Component Leaders:

The Component 1 Leader should have the following qualifications and experience:

- Relevant university degree (university degree in law or equivalent) or equivalent professional experience of 8 years;
- At least 3 years of specific work experience in drafting the legal framework for the supervision of issuers on the regulated market, including by-laws, procedures or corporate governance code;
- Computer-literate;
- Fluent in English, both written and spoken.

The Component 2 Leader should have the following qualifications and experience:

- Relevant university degree or equivalent professional experience of 8 years;
- At least 3 years of specific work experience in practical implementation of corporate governance code including capacity building
- Computer-literate;
- Fluent in English, both written and spoken.

If applicants propose one component leader for both components, that component leader should have meet qualifications and experience for both components listed above.

Tasks of the component leaders are incorporated in the description of activities in section 3.6 above.

3.7.2. Profile and tasks of other short-term experts (STEs):

The twinning partners will decide on the profile, number and involvement of short-term experts (STEs) during the drafting of the project work plan. There should be a pool of STEs to ensure smooth implementation of the project during the overall implementation period. STEs should be identified by the Project Leader and have to be agreed with the beneficiary administration in the course of designing and delivery of the project. Team of short-term experts should be mobilized according to agreed work plan.

They should comply with the following general requirements:

- University degree or equivalent professional experience of 8 years;
- Extensive experience and competence in the area (at least 3 years);
- Familiar with best practices in the field;

- Expertise on knowledge transfer and communication in non-EU context;
- Fluency in English;
- Computer skills.

STEs will provide specialized know-how for the individual tasks and individual sectors, needed in the area of corporate governance. Therefore, the team of experts should have a relevant professional experience in an equivalent body and minimum qualifications required, as well as specific skills needed for individual task. As a general approach, the STEs will take the responsibility for the achievement of the results, each for his/her individual mission tasks. They will also prepare the required reports and the output described. They can provide long-standing experience in all relevant fields.

The interested Member State institutions will describe in their proposal to which specific tasks the Short-Term Experts will be assigned.

The Capital Market Authority of Montenegro will provide all necessary organizational support for performing their work during their missions in the country. This means the following: timely allocation of working space and facilities, appointing relevant staff to participate in training activities, organization, selection and appointment of members of working groups, steering and coordination committees, seminars, etc.

4. Budget

Total cost for this Twinning Fiche is **150,000.00 EUR**.

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting (AO/CFCU/PAO/European Union Delegation/Office):

DELEGATION OF THE EUROPEAN UNION TO MONTENEGRO
 DELEGATION-MONTENEGRO-TWINNING@eeas.europa.eu
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 81000 Podgorica
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 Web: www.delmnec.europa.eu.

5.2 Institutional framework

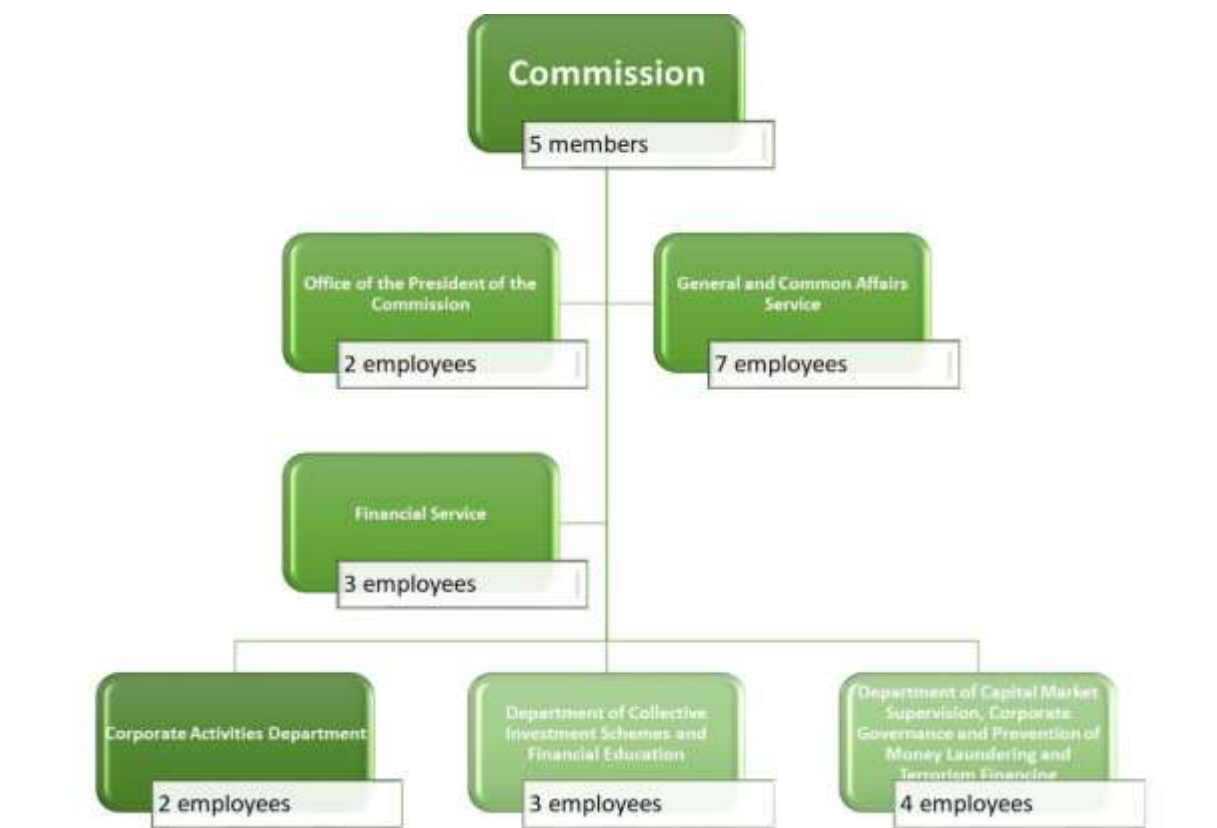
The main beneficiary of the Twinning light project will be the Capital Market Authority of Montenegro and Montenegroberza stock exchange which will be in charge of establishing a coordinating structure and rules for implementation of the Corporate Governance Code and preparation of the annual report on corporate governance as well as the level of compliance of issuers with the recommendations of the Corporate Governance Code.

The Capital Market Authority of Montenegro is an independent regulatory body established by the law in order to regulate and supervises all participants within the securities market.

The Capital Market Authority of Montenegro exercises continuous supervision over operations of persons and entities which are professionally involved in trading of securities, with the aim to promote and encourage high standards of investor protection and market integrity. The Capital Market Authority of Montenegro continuously controls compliance with business operation standards established by business laws and regulations that require the capital market participants, inter alia, to operate in dealing with securities, by application of high standards of market conduct.

The Capital Market Authority of Montenegro is a full member of IOSCO (the International Organization of Securities Commissions), and also a signatory to the Multilateral Memorandum of Understanding that acknowledges the capacity of the Capital Market Authority of Montenegro for equal cooperation and exchange of information between IOSCO members.

Figure: Capital Market Authority of Montenegro organigram

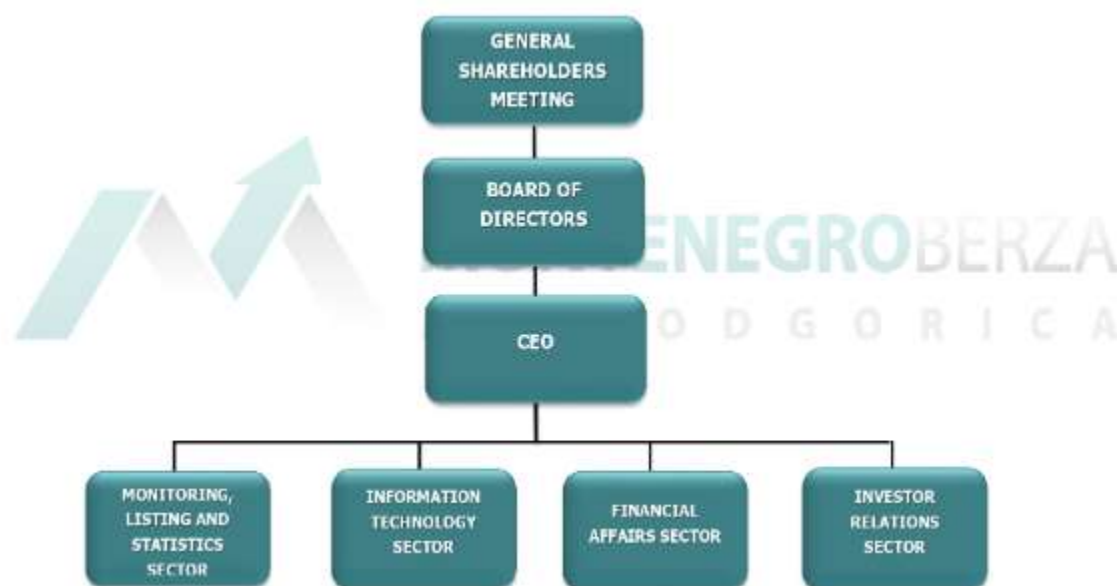


Montenegroberza stock exchange, perform operations on the basis of a license issued in accordance with the Securities Act ("Official Gazette of the Republic of Montenegro", no. 59/00, 43/05 and 28/06 and "Official Gazette of the Republic of Montenegro", no. 6/13), it continued to perform duties as a market organizer, in accordance with the provisions of the Capital Market Law.

Montenegroberza stock exchange operates in a way that enables the efficient connection of supply and demand of securities and the publication of information related to the regulated market, in a way that prevents unfair competition or the introduction of unjustified restrictions on entering the market.

The regulated capital market is a multilateral system managed by the market organizer, which provides the conditions for merging multiple interests of third parties to conclude contracts for the purchase and sale of financial instruments included in trading according to the rules of that system, which operates continuously in accordance with this Capital Market Law.

Figure: Montenegroberza stock exchange organigram



Source: www.mnse.me

5.3 Counterparts in the Beneficiary administration:

5.3.1 Contact person:

Danilo Gluščević, IT officer

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5.3.2 PL counterpart

Ilda Pepić, Msc

Independent Adviser for Department of Capital Market Supervision, Corporate Governance and Prevention of Money Laundering and Terrorism Financing

Capital Market Authority of Montenegro

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Kralja Nikole 27a/III, 81 000 Podgorica

6. Duration of the project

Duration of the implementation period is 8 months.

7. Sustainability

Implementation of this Project should 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 harmonizing legislation, as well as further aligning Montenegro with the EU acquis in capital market sector

This Project will foster a sustainable base for institutional integration in EU-related process. This Project will contribute to enable easier access for the private sector to the wider range of financial services. 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.

Acquired expertise and skills of the staff and increased capability will be continued to be 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 beneficiaries.

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 harmonization of the legislation with the EU acquis.

The achievements of this Twinning Light Project shall become a permanent asset of the Beneficiary administration even after the end of the Twinning Project implementation. This presupposes, inter alia, that effective mechanisms are put in place by the Beneficiary administration to disseminate and consolidate the results of the project.

The Beneficiary administration is fully committed to ensuring a long-term impact of the activities of this Twinning Light Project. The expected combined impact of this

project will bring to: the harmonization of the national legislation and procedures with the EU acquis and the EU best practice related to Corporate Governance and corporate governance code.

The results of the Project should be the adoption of a revised and innovated Corporate Governance Code that will be applied to listed issuers on the regulated market and the creation of a manual for the supervision of corporate governance in joint stock companies on the regulated market in accordance with the EU best practice. The implementation will be monitored by the Montenegroberza stock exchange, which will expand its powers. An additional result of the project should be the training for representatives of the Capital Market Authority, Montenegroberza stock exchange and issuers to understand the performance of the company on sustainability issues and the information necessary to understand how sustainability issues affect the development, business results and position of the company.

Montenegro will continue with its commitment to close the Chapter 6.

The achievements of a Twinning Light Project (from results per component to impacts) should be maintained as a permanent asset to the Beneficiary administration even after the end of the Twinning Light Project implementation. In addition, the Twinning Light Project will further contribute to the achievement of Chapter 6.

A review of key issues affecting sustainability will start from the beginning of project implementation, based on the results and outcomes that should be achieved over time. The improvement of the Corporate Governance Code will most certainly have a positive impact on the protection of the financial interests of the EU.

Staff benefiting from trainings shall transfer knowledge through subsequent training to their colleagues. At the end of the implementation period, lessons learnt seminar will be held to disseminate the results and best practices acquired and to foresee future relevant activities.

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

The activities envisaged under the present Project should not affect negatively the environment nor will tackle any human rights policies. During the design and implementation phase of the Project production of printed materials will be kept to

the strictest minimum and therefore have positive influence on environment. Twinning partners will be expected to comply with EU Equal Opportunity and non-discrimination policies. In view of the specific sector, it is not expected that the gender aspects will be of prime relevance for the outputs of this project. There will be regular monitoring to ensure these issues are given due prominence.

9. Conditionality and sequencing

Not applicable.

10. Indicators for performance measurement

The following indicators must be met to confirm the successful achievement of the project results:

Result 1 Sub-result 1.1 Activity 1.1:

- Detailed analysis of the current Corporate Governance Code;
- Gap report, with the recommendations for the amendments to the Corporate Governance Code, prepared;

Result 1 Sub-result 1.2 Activity 1.2:

- Proposal of amendments to the Corporate Governance Code;

Result 1 Sub-result 1.3 Activity 1.3:

- Final draft of the Corporate Governance Code ready for adoption and enforcement by issuers on the regulated market;

Result 2 Sub-result 2.1 Activity 2.1:

- Analysis of current regulations in terms of corporate governance in joint stock companies on the regulated market;

Result 2 Sub-result 2.2 Activity 2.2:

- Appropriate procedures and working documents related to the supervision of issuers on the regulated market prepared and presented to the Capital Market Authority of Montenegro staff;
- Draft manual on the supervision of corporate governance in joint stock companies on the regulated market in accordance with the best EU practice finalized and introduced to the Capital Market Authority of Montenegro staff;

Result 2 Sub-result 2.3 Activity 2.3:

- Training needs analysis for the Capital Market Authority of Montenegro staff done.

Result 2 Sub-result 2.4 Activity 2.4:

- Conducted minimum 3 training events (which can be in the form of training, workshop, conference or similar), for a minimum of 20 participants, each with the duration of 2 days;
- Conducted one lesson learning one day seminar for the all stakeholders for minimum 100 people.

11. Facilities available

The Beneficiary will provide the Member State experts with the necessary working premises for the implementation of the activities. The premises of Capital Market Authority are located at Kralja Nikole 27a/3, 81000 Podgorica, Montenegro and it has technical and logistical support including meeting rooms, office space and facilities available for training and seminars (except for the lesson learning seminar ref Activity 2.4).

ANNEX TO PROJECT FICHE

1. Logical framework matrix as per Annex C1b;

Annex C1b: Simplified Logical Framework

| | Description | Indicators (with relevant baseline and target data) | Sources of verification | Risks | Assumptions (external to project) |
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| Overall Objective | <i>To contribute to the improvement of the competitiveness of the economy and the business environment through introduction and implementation of the best corporate governance standards.</i> | <i>Montenegro made further progress in relation to the fulfilment of closing benchmark in Chapter 6 Company law</i> | <i>Relevant Capital Market Authority of Montenegro reports Relevant EC reports</i> | <i>Small expert pool</i> | <i>Full commitment of the parties involved Strong cooperation within relevant bodies involved in implementation of project</i> |

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| <p>Specific (Project) Objective(s)</p> | <p><i>Strengthening corporate governance by developing the Corporate Governance Code aligning with EU principles to be adopted by the Montenegroberza stock exchange and enhancing the capacities of the Capital Market Authority of Montenegro staff through training based on the identified needs.</i></p> | <p><i>Improved legislative framework.</i></p> <p><i>Montenegro has prepared for the effective closing of Chapter 6- Company law and the fulfilment of upcoming obligations and responsibilities related in the closure of Chapter 6.</i></p> | <p><i>Twinning project reports</i></p> <p><i>Minutes from steering committee meetings</i></p> <p><i>Twinning project documents</i></p> | <p><i>Small expert pool</i></p> | <p><i>Full commitment of the parties involved</i></p> <p><i>Strong cooperation within relevant bodies involved in implementation of project</i></p> |
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| <p>Mandatory results/outputs by components</p> | <p><i>Component 1:</i></p> <p><i>Increasing the capacity of the Capital Market Authority in drafting new and updated Corporate Governance Code</i></p> <p><u><i>Component 2:</i></u></p> <p><i>Strengthening the capacity of Capital Market Authority of Montenegro for the supervision of issuers on regulated market in terms of corporate governance</i></p> | <p><i>Detailed analysis of the current Corporate Governance Code.</i></p> <p><i>Amendments to the Corporate Governance Code.</i></p> <p><i>Completed Corporate Governance Code.</i></p> <p><i>Appropriate procedures and working documents related to the supervision of issuers on regulated market.</i></p> <p><i>Draft manual for supervision corporate</i></p> | <p><i>Twinning project reports</i></p> <p><i>Minutes from steering committee meetings</i></p> <p><i>Twinning project documents</i></p> <p><i>List of participants</i></p> | <p><i>Fluctuation of trained staff</i></p> | <p><i>Commitment and good and continuous interaction of all stakeholders at all levels</i></p> <p><i>Employment of additional experts in Montenegroberza stock exchange</i></p> |
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| | | <p><i>governance in joint stock companies on the regulated market in accordance with the best EU practice.</i></p> <p><i>Competences of Capital Market Authority of Montenegro staff strengthened, minimum 20 employs trained.</i></p> | | | |
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| <p>Activities</p> | <p><u>Component 1 – Result 1:</u></p> <p>➤ <u>Activity 1.1.</u> Analyzing of the existing Corporate Governance Code, including identifying all challenges and bottlenecks and proposing recommendations for strengthening its framework and harmonizing domestic Corporate Governance Code with EU regulations and standards.</p> <p>➤ <u>Activity 1.2.</u> Providing support in drafting amendments to the Corporate Governance Code.</p> | <p><i>Sub-result 1.1</i></p> <p>➤ Detailed analysis of the current Corporate Governance Code;</p> <p>➤ Gap report, with the recommendation s for the amendments to the Corporate Governance Code, prepared;</p> <p><i>Sub-result 1.2</i></p> <p>➤ Proposal of amendments to the Corporate Governance Code;</p> | <p><i>Twinning project reports</i></p> <p><i>Minutes from steering committee meetings</i></p> <p><i>Twinning project documents</i></p> <p><i>List of participants</i></p> <p><i>Training register</i></p> | <p><i>Fluctuation of trained staff</i></p> | <p><i>Commitment and good and continuous interaction of all stakeholders at all levels</i></p> <p><i>Availability of top and senior management of the Capital Market Authority of Montenegro for contributing to the activity</i></p> <p><i>Adequate absorption capacity and availability of target staff as participants</i></p> <p><i>Employment of additional experts in Montenegroberza stock exchange</i></p> |
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| | <p>➤ <u>Activity 1.3.</u> Providing support in preparation of the final draft Corporate Governance Code for adoption by Montenegroberza stock exchange and enforcement by issuers on the regulated market.</p> <p><u>Component 2 – Result 2:</u></p> <p>➤ <u>Activity 2.1.</u> Conducting an analysis of current regulations in terms of corporate governance in joint stock companies on the regulated market and preparing implementing provisions and operating procedures related to the supervision of issuers</p> | <p><i>Sub-result 1.3</i></p> <p>➤ <i>Final draft of the Corporate Governance Code ready for adoption and enforcement by issuers on the regulated market;</i></p> <p><i>Sub-result 2.1</i></p> <p>➤ <i>Analysis of current regulations in terms of corporate governance in joint stock companies on the regulated market</i></p> | | | |
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| | <p><i>on the regulated market.</i></p> <p>➤ <i><u>Activity 2.2.</u></i></p> <p><i>Providing support in composition of a manual on the supervision of corporate governance in joint stock companies on the regulated market in accordance with the best EU practice.</i></p> | <p><i>Sub-result 2.2</i></p> <p>➤ <i>Appropriate procedures and working documents related to the supervision of issuers on the regulated market prepared and presented to the Capital Market Authority of Montenegro staff;</i></p> <p>➤ <i>Draft manual on the supervision of corporate governance in joint stock companies on the regulated market in accordance with the best EU practice finalized and introduced</i></p> | | | |
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| | <p>➤ <u>Activity 2.3.</u> Conducting an analysis of the training needs of Capital Market Authority of Montenegro staff and delivery of TNA.</p> <p>➤ <u>Activity 2.4.</u> Developing, organizing and implementing 3 events based on TNA delivered under activity 2.3 (which can be in the form of training, workshop, conference or similar), for a minimum of 20 participants, each with the duration of 2</p> | <p>to the Capital Market Authority of Montenegro staff;</p> <p>Sub-result 2.3</p> <p>➤ Training needs analysis for the Capital Market Authority of Montenegro staff done.</p> <p>Sub-result 2.4</p> <p>➤ Conducted minimum 3 training events (which can be in the form of training, workshop, conference or similar), for a minimum of 20 participants, each with the duration of 2 days.</p> | | | |
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| | <i>days (including one lesson learning one day seminar for the all stakeholders for minimum 100 people).</i> | <i>➤ Conducted one lesson learning one day seminar for the all stakeholders for minimum 100 people.</i> | | | |
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