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Subject: EUROPEAN UNION COMMON POSITION
- Chapter 17: Economic and monetary policy

EUROPEAN UNION COMMON POSITION

Negotiating chapter 17: Economic and monetary policy

This position of the European Union is based on its general position for the Accession Conference with Montenegro (AD 23/12 CONF-ME 2) and is subject to the negotiating principles endorsed therein, in particular:

- any view expressed by either party on a chapter of the negotiations will in no way prejudice the position which may be taken on other chapters;
- agreements - even partial agreements - reached during the course of the negotiations on chapters to be examined successively may not be considered as final until an overall agreement has been established;
- the requirements set out in points 24, 28, 41 and 44 of the Negotiating Framework.

The EU encourages Montenegro to continue the process of alignment with the EU *acquis*, noting that additional *acquis* may enter into force before accession, to ensure its effective implementation and enforcement, and develop already before accession, policies, and instruments as close as possible to those of the EU.

The EU notes that Montenegro, in its negotiating position AD 21/17 CONF-ME 8 + ADD 1 and the addendum AD 64/26 CONF-ME 28, accepts the *acquis* under chapter 17 as in force on 28 August 2026, and that it declares that it will be ready to implement it by the date of its accession to the European Union.

Monetary Policy

The EU acknowledges significant progress made by Montenegro in aligning its legislation with the EU *acquis* to ensure functional, institutional, personal and financial independence of the Central Bank.

The EU notes that the Law on the Central Bank of Montenegro (CBM) ensures and implements all four principles of the central bank independence (functional, institutional, personal and financial independence) in accordance with the Treaty on the Functioning of the European Union (TFEU) and the Statute of the European System of Central Banks (ESCB) and the European Central Bank (ECB). The Law explicitly defines the CBM's primary objective as maintaining price stability. Without prejudice to this core mandate, the CBM also supports the EU economic policies.

The EU notes that the CBM operates independently in pursuing its objectives, with the Law prohibiting any external influence, including from government bodies or other entities, on its decision-making processes and bodies. This principle extends to the CBM's decisions, which cannot be approved, annulled, cancelled or any other way altered by external authorities, except by judicial review.

The EU observes that the Law on the CBM establishes a six-year term for the Governor, Vice-Governors, and other Council members, with strong safeguards against their arbitrary dismissal, as the conditions for removal from office are fully aligned with the ESCB/ECB Statute. The EU also notes that the Law also defines eligibility criteria, incompatibility rules, and post-term employment restrictions to prevent any conflicts of interest.

On the financial independence, the EU notes that the Law on the CBM is aligned with the ESCB and ECB Statute. The EU further notes that CBM independently generates its own income, adopts its financial plan, annual statements, determines profit and losses and the distribution of profits according to the Law on CBM. The CBM has audit mechanisms in place, including by appointment of an independent external auditor. The EU expects that these safeguards contribute to the CBM's financial sustainability and operational independence and shield the CBM against political influence. To preserve the financial autonomy of the CBM it is important that the government of Montenegro upholds the agreement reached with the CBM on service fees, which are an important source of revenue and contribute to the CBM's financial independence and operational autonomy.

The EU welcomes the amendment to Article 143 of Montenegro's Constitution, adopted on 24 August 2026, which further reinforces the central bank's functional independence.

The EU notes that Montenegro's legal framework prohibits monetary financing of the public sector and is aligned with Article 123 TFEU and the ESCB/ECB Statute.

The EU further notes that a series of legal amendments to, *inter alia*, the sectoral legislation on credit institutions, pension funds, deposit protection and insurance addressed the issue of prohibition of privileged access by public authorities to financial institutions, as required by Article 124 TFEU. The EU notes that these amendments, applicable upon accession, will provide for full compliance with the EU *acquis* in this area.

The EU underlines that it is of utmost importance that Montenegro preserves the independence of the CBM and safeguards it from undue political influence, notably by fully adhering to and implementing the Law on the Central Bank of Montenegro and other, relevant legislation.

The EU observes that Montenegro has achieved significant progress on the integration of its central bank into the ESCB, that it has developed an integration roadmap and that it continues to strengthen the necessary administrative, technical, and operational capabilities to fulfil ESCB-related tasks upon accession.

Application of the TFEU's euro adoption framework to Montenegro

The EU repeatedly underlined that unilateral euroisation of Montenegrin economy runs counter to the underlying reasoning of the TFEU, which provides a clear institutional path towards euro adoption. In order to adopt the euro, EU Member States are required to have achieved a high degree of sustainable convergence, which is measured by the fulfilment of four nominal convergence criteria (price stability, fiscal sustainability, exchange rate and long-term interest rate) while also taking account of other factors relevant to economic integration and convergence, as set out by Article 140(1) TFEU and Protocol (No 13) on the convergence criteria.

The EU recalls the general position for the Accession Conference with Montenegro (AD 23/12 CONF-ME 2), which stated that Montenegro's use of the euro, decided by the Montenegrin authorities in exceptional circumstances, was fully distinct from euro area membership and that the issue would need to be addressed during the negotiations. It further added that Montenegro would participate in the Economic and Monetary Union from accession as a Member State with a derogation and should join the euro area, following a Council decision to this effect, on the basis of an evaluation of its fulfilment of the necessary conditions.

The EU also recalls the EU Common Position for chapter 17 (AD 4/18 CONF-ME 2), which specified that the EU would determine how to apply the EU's framework for the adoption of the euro prior to the provisional closure of this chapter. As a result, the EU developed and presented to Montenegro a solution that addresses the exceptional situation of Montenegro and ensures that the convergence assessment applied to Montenegro is equivalent, in economic terms, to that applied to other Member States and duly allows assessment of Montenegro's compliance with the high degree of sustainable convergence required by Article 140 TFEU.

The EU acknowledges that Montenegro has formally accepted the proposed solution for the adjusted convergence assessment framework for euro adoption and fulfilled the fifth benchmark set in the EU Common Position AD 4/18 CONF-ME 2.

The adjusted convergence assessment framework for Montenegro will become part of the Accession Treaty.

Economic Policy

The EU notes that Montenegro has achieved substantial progress in preparing for the coordination of economic policies of the EU Member States in accordance with the TFEU. The EU welcomes the critical milestone achieved in statistical alignment with the 2010 European System of National and Regional Accounts (ESA 2010) requirements, in particular on the submission of Government Finance Statistics (GFS) and Excessive Deficit Procedure (EDP) data, tables and inventories, which is key for the monitoring of national budgets under Article 126 of the TFEU. The EU invites Montenegro to further align with statistical and transparency requirements for the national budgetary frameworks and notes Montenegro's commitments in this regard under Chapter 18 (Statistics) of the accession negotiations.

The EU observes that Montenegro has broadly aligned with Directive 2011/85/EU by adopting the Law on Budget and Fiscal Responsibility on 24 August. The Law covers the main elements required by the EU rules on budgetary frameworks, including fiscal rules, a Medium-Term Budgetary Framework, stronger budget planning and execution, performance budgeting, public debt management, fiscal risk monitoring, and establishment of an independent Fiscal Council.

The EU welcomes the appointment of all members of the Fiscal Council on 31 July 2026 but calls on Montenegro to accelerate the operationalisation of the council, which needs to start delivering independent and expert opinions on the government's budgetary plans well before the date of accession.

The EU further notes that Montenegro continues to participate in the annual Economic and Financial Dialogue between the EU and Regional Partners (Economic Reform Programme) and regularly commits to implement the annual policy guidance. The Economic Reform Programme serves as the central mechanism for macroeconomic and fiscal planning, ensuring alignment with the European Semester process.

The EU underlines that continued efforts and sustained implementation of structural reforms — especially those prioritised in the country report accompanying the annual Communication on EU enlargement policy, in the Reform Agenda under the Growth Plan for the Western Balkans and in the annual Economic and Financial Dialogue between the EU and Regional Partners — remain necessary to maintain and further strengthen Montenegro's capacity to function as a market economy and to safeguard the competitive capacity of Montenegro within the Union upon accession.

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In view of the above considerations, the EU notes that, at this stage, this chapter does not require further negotiations.

Monitoring of progress in the alignment with and implementation of the EU *acquis* will continue throughout the negotiations. The EU underlines that it will devote particular attention to monitoring all specific issues mentioned above with a view to ensuring Montenegro's administrative capacity, its capacity to implement and enforce the *acquis* in this chapter, including a strengthened capacity to function as a market economy, as well as the completion of the legislative alignment. Particular consideration needs to be given to the links between the present chapter and other negotiation chapters. A final assessment of the conformity of Montenegro's legislation with the *acquis* and of its implementation capacity in all areas can only be made at a later stage of the negotiations. In addition to all the information the EU may require for the negotiations in this chapter, and which is to be provided to the Conference, the EU invites Montenegro to provide regularly detailed written information to the Stabilisation and Association Council on progress in the implementation of the *acquis* and in the strengthening of its administrative capacity.

In view of all the above considerations, the EU will, if necessary, return to this chapter at an appropriate moment.

The EU notes that Montenegro, in its negotiating position AD 21/17 CONF-ME 8 + ADD 1 and the addendum AD 64/26 CONF-ME 28, accepts the *acquis* under chapter 17 as in force on 28 August 2026.

The EU acknowledges that Montenegro declares it will continue the alignment process with the *acquis* and that it will be ready to implement it by the time of its accession to the European Union.

Furthermore, the EU recalls that there may be new *acquis* between 28 August 2026 and the conclusion of the negotiations.

**DRAFT - LEGAL AMENDMENTS ARISING FROM
THE EUCP**

**PART [XX]
PRINCIPLES**

Article [X]

Montenegro shall participate in the Economic and Monetary Union from the date of accession as a Member State with a derogation within the meaning of Article 139 of the TFEU.

- Without prejudice to paragraph 1, upon accession to the Union, Montenegro shall be exceptionally authorised to continue to use the euro as its sole legal tender, as a matter of its national law.
- The euro shall not be legal tender in Montenegro pursuant to Union law until the abrogation of the derogation, in accordance with Article 140(2) TFEU.
- Until the abrogation of the derogation, the use of the euro by Montenegro shall not confer on it any of the rights or obligations deriving from the status of a Member State whose currency is the euro.
- In view of the exceptional circumstances of Montenegro, the requirements set out in the third and fourth indent of the first subparagraph of Article 140(1) TFEU and further detailed in Article 3 and 4 of the Protocol (No 13) to the Treaties shall be adjusted as set out in Protocol No [xx].

Protocol No [xx] on certain adjustments to the convergence assessment framework for Montenegro [to be annexed to the Treaty of Accession]

Recitals:

The use of the euro by Montenegro is justified by exceptional historical circumstances. Following hyperinflation after the wars in the 1990s, Montenegro started using the German Deutsche Mark de facto in the 1990s. To stabilise its economy, Montenegro officially started to use the Deutsche Mark as legal tender in 1999, in parallel with the Yugoslav Dinar, and by 2000, it became Montenegro's sole legal tender. There was no agreement with the Federal Republic of Germany governing Montenegro's use of the Deutsche Mark. In March 2002, after euro banknotes and coins entered circulation in the euro area, Montenegro replaced the Deutsche Mark with the euro as its sole legal tender. Similarly, there is no agreement with the European Union governing Montenegro's use of the euro.

- In October 2007, the Council stated that unilateral euroisation was incompatible with the Treaties, which foresee euro adoption as the outcome of a structured, multilateral convergence process and that the Treaties' implications for Montenegro's monetary regime would be detailed in due course, at the latest during any future European Union accession negotiations.
- Montenegro's use of the euro creates difficulties for the application of two of the four convergence criteria provided for in Article 140(1) TFEU and further detailed in Protocol (No 13) to the Treaties¹, namely the exchange rate and, to a lesser degree, the long-term interest rate criteria. This reduces their actual economic relevance to assess the requirement of a high degree of sustainable convergence as set out in Article 140(1) TFEU.

¹ Protocol (No 13) on the convergence criteria (OJ C 202, 7.6.2016, pp. 281–282, ELI: http://data.europa.eu/eli/treaty/tfeu_2016/pro_13/oj)

- In view of the use of the euro in Montenegro, the exchange rate and long-term interest rate criteria cannot be used fully as a market test of the risks to macroeconomic and financial stability, as intended by Article 140(1) TFEU and Protocol (No 13) to the Treaties. In particular, a critical difficulty for the assessment is the test on the absence of severe exchange rate tensions, which is not applicable when there is no exchange rate. Therefore, given the impossible substantive use of the exchange rate criterion, and the weakening of the usefulness of the long-term interest rate criterion, an in-depth examination of ‘other factors’ relevant to economic integration and convergence, as mentioned in the last subparagraph of Article 140(1) TFEU should replace the exchange rate criterion and complement the interest rate criterion in order to allow for a proper assessment of the requirement of a high degree of sustainable convergence.
- The choice of other relevant factors as replacement and complementary elements is guided by a principle of functional equivalence, with the aim of compensating for the lack of relevant information to assess the achievement of a high degree of sustainable convergence, information that would otherwise have been provided by the reflection of severe tensions in the exchange rate and a high long-term interest rate. This should also ensure that the convergence assessment applied to Montenegro is equivalent, in economic terms, to the one applied to other Member States with a derogation.

- In particular, the examination of: (i) the situation and development of the balance of payments (current, capital and financial accounts), including of the external financial asset and liability positions; and (ii) the situation and development of price and cost competitiveness, should have the aim of determining possible external or internal vulnerabilities, which could have led to severe exchange rate tensions if Montenegro had its own currency. This assessment should aim to evaluate the sustainability of the external position of Montenegro. It should also examine possible internal imbalances, which may lead to external imbalances. In line with Article 140(1) TFEU and Protocol (No 13) to the Treaties, Montenegro should have a sustainable external position during its participation in the exchange-rate mechanism (ERM II) for at least two consecutive years.
- The analysis of those elements, as referred to in the preceding recital, should be as relevant for the assessment of the achievement of a high degree of sustainable convergence as that of the other convergence criteria. The analysis could lead to a positive assessment, if the other criteria are also fulfilled and a high degree of sustainable convergence is established, or to a negative assessment, in the event of risks to the sustainability of the external position.
- The assessment should consider Montenegro's macroeconomic fundamentals and whether the current account is supported by stable sources of external funding as measured in the financial account. A complementary analysis of the external financial asset and liability positions should provide a measure of the country's exposure to risks of possible changes in foreign investors' sentiment and the related risks of an abrupt correction in the external position. This analysis should consider also the breakdown of the external liabilities into foreign direct investment and debt. While prices and costs should be examined as part of the price stability criterion, an analysis of external competitiveness indicators should help understand whether accumulated changes in prices and costs pose risks to the external performance, as measured for instance by gains in export market shares.

- The analysis should also endeavour to identify possible internal imbalances, which, if left unaddressed, could ultimately require an external adjustment. These should, in particular, include the assessment of developments in households or firms' indebtedness, taking into consideration both the dynamic of debt and its level. Both dimensions should be evaluated in the light of the country's macroeconomic fundamentals. The analysis of possible internal imbalances should be complemented by an examination of possible vulnerabilities in the financial sector, as such vulnerabilities can act as a powerful amplifier of other macroeconomic imbalances. In addition, while fiscal imbalances are a well-documented possible source of external imbalance, their assessment should be captured under the fiscal criterion and therefore left out of the analysis of 'other factors'.
- The two dimensions of the sustainability assessment, external and internal, should be carried out by examining a range of indicators. Cross-dimensional interactions should be taken into account to identify possible sources of vulnerability that might mutually reinforce their effects. The analysis should draw closely on the methods and quantitative instruments developed in the context of the Macroeconomic Imbalance Procedure (MIP) established by Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances² and Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area³. The analysis should notably consider the findings of possible MIP In-Depth Reviews. In line with past convergence reports, the assessment of 'other factors' should also take into account institutional quality, given its role in shaping macroeconomic resilience and the adjustment capacity of the economy.

² Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25) ELI: <https://eur-lex.europa.eu/eli/reg/2011/1176/oj>

³ Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area (OJ L 306, 23.11.2011, p. 8–11), ELI: <https://eur-lex.europa.eu/eli/reg/2011/1174/oj>

- The convergence criteria on price stability and fiscal sustainability should apply to Montenegro as set out in Article 140(1) TFEU and Protocol (No 13) to the Treaties. The requirement of compatibility of national legislation with Articles 130 and 131 TFEU and the Statute of the ESCB and of the ECB should also apply to Montenegro as set out in Article 140(1) TFEU.
- In addition, in line with the current framework for ERM II participation, set out by the ERM II parties in 2018 for Bulgaria and 2019 for Croatia, Montenegro and the ERM II parties should agree on a number of prior policy commitments, to be implemented by the Member State before joining ERM II, in policy areas which are of high relevance for a smooth transition to, and participation in, ERM II. The prior commitments should, at a minimum, include close cooperation with the Single Supervisory Mechanism, an appropriate macroprudential framework and a suitable Anti-Money Laundering and Countering the Financing of Terrorism framework.
- In line with past practices, Montenegro should also take further commitments at the moment of joining ERM II ('post entry commitments') with the aim of achieving a high degree of sustainable convergence as required by Article 140(1) TFEU.
- The prior and post-entry commitments should, amongst other factors, take into account the need for reforms to address macroeconomic vulnerabilities and any additional challenges stemming from Montenegro's earlier unilateral euroisation.
- Montenegro should also take the necessary measures to strengthen the operational and analytical capacities of its central bank in the field of monetary policy to ensure the effective participation of the central bank of Montenegro in the Eurosystem, upon the abrogation of the derogation.

Article 1

Scope

This Protocol establishes an adjusted convergence assessment framework for the adoption of the euro by Montenegro pursuant to Article 140 TFEU, as regards the third and fourth indents of the first subparagraph of Article 140(1) TFEU, as further detailed in Articles 3 and 4 of Protocol (No 13) to the Treaties. The elements of those Articles for which this Protocol does not contain any adjustment shall not be affected by this Protocol.

Article 2

Application of the Convergence Criteria

The exchange rate criterion laid down in the third indent of the first subparagraph of Article 140(1) TFEU and further detailed in Article 3 of Protocol (No 13) to the Treaties shall not apply to Montenegro as a substantive economic criterion and shall be replaced by Articles 4 to 6.

- The long-term interest rate criterion laid down in the fourth indent of the first subparagraph of Article 140(1) TFEU and further detailed in Article 4 of Protocol (No 13) to the Treaties shall remain applicable to Montenegro, complemented by Articles 4 to 6.

Article 3

Participation in ERM II

Notwithstanding Article 2(1), Montenegro shall apply for participation in the exchange-rate mechanism (ERM II) as provided for by the third indent of the first subparagraph of Article 140(1) TFEU.

- Montenegro shall participate in ERM II for at least two consecutive years before the adoption of a positive convergence assessment pursuant to Article 140 TFEU and Article 3 of Protocol (No 13) to the Treaties.
- Montenegro shall have a sustainable external position during its participation in ERM II for a period of at least two consecutive years.
- Prior to participation in ERM II, Montenegro and the ERM II parties shall agree on a number of prior policy commitments to be implemented by Montenegro before joining ERM II. Montenegro shall also take further commitments at the moment of joining ERM II (post-entry commitments).

Article 4

Other Relevant Factors

With the aim of assessing whether Montenegro has achieved a high degree of sustainable convergence, particular importance shall be attached to the examination of the other relevant factors referred to in the last subparagraph of Article 140(1) TFEU.

Article 5

External Sustainability Assessment

The examination referred to in Article 4 shall include, in particular, the assessment of:

- (i) the situation and development of the balance of payments (current, capital and financial accounts), including the external financial asset and liability positions; and
- (ii) the situation and development of price and cost competitiveness.

1. The examination shall determine the existence of possible external or internal imbalances, which could have led to severe exchange rate tensions if Montenegro had its own currency, and the sustainability of the external position.
2. The existence of risks to the sustainability of the external position may lead to conclude that a high degree of sustainable convergence has not been achieved.

Article 6

Internal Imbalances and Financial Sector

For the purposes of Article 5(2), the assessment of possible internal imbalances, which may lead to external imbalances, includes:

- (i) developments in household and corporate indebtedness;
- (ii) vulnerabilities in the financial sector.

Article 7

Central Bank Capacity

Montenegro shall take the necessary measures to strengthen the operational and analytical capacities of its central bank in the field of monetary policy.

Such measures shall ensure the effective participation of the central bank of Montenegro in the Eurosystem upon the abrogation of the derogation.
