

# ORGANIC LAW OF GEORGIA

## ON THE NATIONAL BANK OF GEORGIA

### Chapter I – General Provisions

#### Article 1 – The National Bank of Georgia

1. The National Bank of Georgia ('the National Bank') is the central bank of Georgia, the bank of banks, the banker and the fiscal agent of the Government of Georgia. It is a legal entity under public law. In its activity, the National Bank is guided by the Constitution of Georgia, this Organic Law, and the legislation of Georgia and relies on the procedures and customs accepted in international banking practice. It has the right to independently enter into contracts, independently purchase immovable and movable property, own and dispose of it, appear as a plaintiff and a defendant, and independently perform the functions assigned to it.

2. (Deleted).

3. The National Bank shall be founded by the highest representative body of Georgia.

4. The National Bank shall be located in Tbilisi.

*Organic Law of Georgia No 2828 of 23 March 2010 – LHG I, No 19, 13.4.2010, Art. 102*

#### Article 2 – Definition of terms

The terms used in this Law have the following meanings:

a) financial sector representative – a commercial bank, non-bank depository institution, brokerage company, independent securities registrar, asset management company, central depository, specialised depository, stock exchange, microfinance organisation, founder of a non-state pension scheme, payment system operator, payment service provider, publicly accountable enterprise, foreign currency exchange office;

b) financial sector – a unity of financial sector representatives;

c) commercial bank – a legal person licensed by the National Bank of Georgia that accepts deposits and uses them to conduct on its behalf banking activities defined by the legislation of Georgia;

d) inflation target – an inflation rate target index to be reached by the National Bank;

e) official exchange rate – an exchange rate established by the National Bank with regard to different currencies, which is used for accounting and other official purposes;

f) state loan – the public debt of Georgia defined under the Law of Georgia on Public Debt, and issued state credit guarantees of Georgia;

g) deposit – monetary funds or other means of payment placed on deposit by a person in a commercial bank or a non-bank depository institution, for which a commercial bank or a non-bank depository institution acquires the right of ownership. Funds received in exchange for electronic money shall not be a deposit;

h) currency – banknotes and coins issued by the National Bank and other country's issuing institutions as a legal tender;

i) counterfeit money – banknotes and coins manufactured in a fraudulent and illegal way, as well as falsified banknotes on which traces of altering the face value can be noticed;

j) emission – putting, by the National Bank, lari banknotes and coins, or securities into circulation;

k) reproduction – producing, in full or parts of, banknotes and coins issued by the National Bank, including producing their individual design elements, colour, size, symbols, or producing an image, by modifying them, in material or non-material form, which might resemble authentic money, or create an impression of authentic money;

l) numismatic value – lari banknotes and coins, reproduced by the National Bank, which are intended for sale or exhibition, as well as banknotes and coins, withdrawn from circulation, or not emitted due to their improper characteristics, and historical banknotes and coins, and their replicas;

m) credit – any commitment related to disbursing monetary funds, based on the principles of redemption, valuation, securing and maturity;

n) clearing (clearing agreement) – a system of cashless settlement, which is based on the mutual offset of assets and liabilities and is used in both domestic and international settlement;

o) (deleted);

p) (deleted);

q) (deleted);

r) fiscal agent – a person who supports the implementation of the State fiscal policy by organising a payment system and circulation of securities and who represents the State in relations with central banks of other countries and international financial institutions;

s) administrative and capital expenditures – all expenditures, except for those that are directly related to the implementation of monetary policy and exchange rate policy and to provision of cash to the economy;

t) statistics of the financial sector of Georgia – statistics reflecting the stocks and flows of financial assets and liabilities of



the national economy, as well as of financial and non-financial assets and liabilities of financial corporations;

u) person – a natural or a legal person, as well as an organisational unit under the legislation of Georgia, which is not a legal person;

v) non-bank depository institution – a legal person, which is not a commercial bank and which is authorised to accept deposits and use them to conduct on its behalf a part of banking activities under the legislation of Georgia;

v<sup>1</sup>) (deleted – 23.12.2018, No 1894);

w) interim bank – an interim commercial bank set up directly or indirectly by the Ministry of Finance of Georgia and licenced by the National Bank, established for the purposes of transferring the shares, assets, liabilities and/or critical functions of a commercial bank in the resolution mode fully or partly to achieve resolution determined by Article 55<sup>1</sup> of this Law;

w<sup>1</sup>) resolution – the application of a resolution mode to a commercial bank by the National Bank within the framework of resolution mandate and the implementation of the resolution powers determined by this Law and the Law of Georgia on Commercial Bank Activities and the application of resolution tools for the purpose of achieving resolution determined by Article 55<sup>1</sup> of this Law;

x) control – exercising a strong influence, directly or indirectly, independently or jointly with others, by using voting shares (stock, share) or by any other means;

y) controlling person – a person, who exercises control;

z) family member – a person's spouse, minor child or stepchild, as well as a person permanently residing with him/her;

z<sub>1</sub>) close relative – a person who is a relative falling under the category of first or second heir, according to the Civil Code of Georgia;

z<sub>2</sub>) public register – a departmental public register of the National Bank in which legal acts of the National Bank are registered and systematised;

z<sub>3</sub>) external sector statistics – statistics on the balance of payments, international investment climate, foreign debt and official international reserves;

z<sub>4</sub>) inflation – change in the consumer price index, published by the official agency that produces price statistics;

z<sub>5</sub>) reserve money – cash issued by the National Bank (excluding the balance of funds at the cash desk of the National Bank), funds in the accounts of commercial banks (including banks with revoked licences) at the National Bank, denominated in the national currency;

z<sub>6</sub>) free industrial zone – a zone established according to the Law of Georgia on Free Industrial Zones;

z<sub>7</sub>) duty-free shop – a customs control zone, for activities of which a permission issued by the Revenue Service is required, and where it is permitted to sell any goods without tariff measures, except for the goods, whose import, export, and sale on the territory of Georgia is prohibited;

z<sub>8</sub>) bank group – a unity of members of the group that consists of legal persons, such as a commercial bank, its head enterprise(s), a subsidiary, affiliated and joint enterprise(s) of a commercial bank and its head enterprise(s) within and outside the country, which are meanwhile financial institutions and/or legal persons engaged in activities related to banking activities, and/or bank holding companies;

z<sub>9</sub>) bank holding company – a legal person which directly or indirectly owns more than 50% of stocks/shares of a commercial bank, or controls a commercial bank;

z<sub>10</sub>) affiliated enterprise – an enterprise, which is under major influence of an investor, which implies the right to participate in a decision making related to the financial and operations policy of the enterprise. An affiliated enterprise also involves subsidiaries to the affiliated enterprise;

z<sub>11</sub>) consolidated supervision – a process of supervision which involves the setting of supervision requirements towards any member of the bank group individually and/or together (jointly) with other members of the bank group for the purpose of facilitating the stability of the banking sector and the process of supervision over a commercial bank(s) included in the bank group and the exercise of supervision powers/actions;

z<sub>12</sub>) credit information bureau – an entrepreneurial entity which gathers, keeps, processes and transfers credit information of a person;

z<sub>13</sub>) administrator – a member of the supervisory board of the representative of the financial sector, a member of the directorate (board), also a person who is authorised to undertake liabilities independently and/or jointly with several persons, on behalf of the representative of the financial sector;

z<sub>14</sub>) loan holding entity – any person or a group of affiliated persons, to which more than 20 natural persons (including individual entrepreneurs) have loan/credit liabilities simultaneously;

z<sub>15</sub>) joint enterprise – an enterprise in which parties with joint control powers have access to net assets. A joint enterprise



also involves subsidiaries to the joint enterprise. For the purpose of this sub-paragraph, joint control involves the joint control under the relevant agreement, which exists only when the making of decision regarding the relevant activities requires joint consent of parties who hold joint control powers.

Z<sub>16</sub>) a group of affiliated persons – a group of persons who hold 50% or more than 50% of shares in the same enterprise and/or in the enterprise of each-other, and /or own head enterprises (head organisations) of each-other, and/or their subsidiary enterprises and/or affiliated enterprises and/or joint enterprises, and/or shall include the persons who are the first and second degree heirs of each-other by law;

Z<sub>17</sub>) pension agency – a legal entity under public law called the Pension Agency determined by the Law of Georgia on Funded Pensions.

*Organic Law of Georgia No 3702 of 12 October 2010 – LHG I, No 56, 20.10.2010, Art. 363*

*Organic Law of Georgia No 5001 of 1 July 2011 – website, 15.7.2011*

*Organic Law of Georgia No 5946 of 27 March 2012 – website, 12.4.2012*

*Organic Law of Georgia No 6320 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 6305 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 353 of 20 March 2013 – website, 4.4.2013*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 3264 of 21 July 2018 – website, 6.8.2018*

*Organic Law of Georgia No 3320 of 21 July 2018 – website, 7.8.2018*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

*Organic Law of Georgia No 5687 of 20 December 2019 – website, 31.12.2019*

### **Article 3 – Objectives and functions of the National Bank**

1. The main objective of the National Bank shall be to ensure price stability.

2. The National Bank shall ensure stability and transparency of the financial system and facilitate sustainable economic growth in the country, if this is possible without posing a threat to attaining its main objective.

3. The functions of the National Bank shall be to:

a) develop and implement a monetary policy and exchange rate policy, according to basic directions defined by the Parliament of Georgia;

b) implement supervision of the financial sector;

c) ensure the functioning of the monetary system;

d) own, keep and dispose of the official international reserves;

e) act as a banker and a fiscal agent of the Government of Georgia;

f) facilitate secure, sustainable and effective functioning of the payment system;

g) issue currency of Georgia;

h) produce and disseminate the financial and external sector statistics of the country, according to the international standards and methodologies;

i) (deleted – 29.5.2014, No 2465);

i<sup>1</sup>) carry out the resolution of a commercial bank;

i<sup>2</sup>) participate in the preparation for the crisis situations and crisis management;

j) perform other functions defined by this Organic Law.

*Organic Law of Georgia No 6305 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 2465 of 29 May 2014 – website, 2.6.2014*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

### **Article 4 – Independence of the National Bank**

1. The National Bank shall be independent in its activity. Legislative, executive and other bodies may not intervene in its activity or monitor it except as provided under the Constitution of Georgia and this Organic Law.

2. The National Bank shall be economically independent and shall provide for all its expenses. The National Bank shall not be liable for the obligations of the State of Georgia. The State of Georgia shall not be liable for the obligations of the National Bank except as provided in this Organic Law.

3. The National Bank, its assets, property and income, as well as activities and transactions it carries out, shall be exempt from all state taxes, state charges, fees and state duties.

*Organic Law of Georgia No 2828 of 23 March 2010 – LHG I, No 19, 13.4.2010, Art., 102*

*Organic Law of Georgia No 5001 of 1 July 2011 – website, 15.7.2011*

*Organic Law of Georgia No 6017 of 10 April 2012 – website, 30.4.2012*



## **Article 5 – International cooperation**

1. The National Bank shall, within the scope of its authority, represent Georgia at international meetings, all boards and organisations.
  2. The National Bank shall, within the scope of its authority, cooperate with the bodies of another countries which have the similar functions as the National Bank. Such cooperation may comprise the coordination of the measures related to the supervision and resolution, as well as the exchange of information (including confidential information) provided that the parties keep the information, obtained in this way, confidential.
  - 2<sup>1</sup>. When the grounds for resolution exist, the National Bank may carry out resolution powers for the purpose of supporting the resolution or its equivalent process carried out by the relevant body of another country. The National Bank shall not carry out the resolution powers provided for by this paragraph if they may pose a threat on the financial stability, fiscal system, and public interest and/or if the interests of the creditors of a commercial bank are not protected equally.
  3. The National Bank may provide banking services to a foreign government, central bank, and monetary authorities, as well as an international organisation whose member the National Bank or the State of Georgia is.
  4. Being the representative of Georgia, the National Bank may undertake obligations and carry out operations related to participation of Georgia in the activities of international organisations.
- Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*  
*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*  
*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

## **Chapter II – Organising and Managing the National Bank**

### **Article 6 – Organising the National Bank**

1. The National Bank is a unified centralised system.
  2. The National Bank shall, on the basis of this Law, define procedures for establishing, functioning and abolishing its structural units.
- Organic Law of Georgia No 2465 of 29 May 2014 – website, 2.6.2014*  
*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*  
*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

### **Article 7 – Managing the National Bank**

1. The supreme body of the National Bank shall be the Board of the National Bank which consists of nine members. If there are fewer than five members on the Board, the Board of the National Bank shall not be authorised to perform its functions. In this case, the vacancy (vacancies) shall be filled not later than two months after occurrence of this fact.
2. Members of the Board of the National Bank shall be citizens of Georgia or of a foreign country, professionals in economics, finance or other appropriate fields, and shall be distinguished by their integrity. The number of professionals in other relevant fields (except for economics and finance) on the Board of the National Bank shall not exceed two.
- 2<sup>1</sup>. A member of the Board of the National Bank may not be a person who is convicted of a serious or grave crime (including for terrorism financing and/or illicit income legalisation), or of other economic crimes.
3. The chairperson of the Board of the National Bank shall be the President of the National Bank. Apart from the chairperson of the Board, three Vice-presidents of the National Bank and other members shall be on the Board of the National Bank.
4. The Parliament of Georgia shall, on the recommendation of the President of Georgia, elect members of the Board of the National Bank for a period of seven years, in accordance with procedures provided for by the rules of procedure of the Parliament of Georgia.
5. A member of the Board of the National Bank may be dismissed only under Article 48 of the Constitution of Georgia, by decision of the Parliament of Georgia.
6. A member of the Board of the National Bank may be re-elected. In the case of the termination of the Board member's term of office ahead of time, a new member to replace him/her shall be elected for the full term of office of a Board member.
7. President of the National Bank shall be appointed from among the Board members of the National Bank, and dismissed by the President of Georgia upon recommendation of the Board of the National Bank. Vice-presidents of the National Bank shall be appointed and dismissed by the Board of the National Bank upon recommendation of the President of the National Bank.
8. The President of the National Bank shall be dismissed if he/she:
  - a) is not a member of the Board of the National Bank anymore;
  - b) has lost the right to hold the position of a Board member of the National Bank according to Article 13 of this Organic Law;
  - c) is unable to perform his/her duties due to his/her health status;



d) dies.

9. Vice-presidents of the National Bank shall be dismissed according to the rule defined in paragraph 8 of this article.

10. A member of the Board of the National Bank, except for the President and Vice-presidents of the National Bank, shall not be a public servant.

*Organic Law of Georgia No 6017 of 10 April 2012 – website, 30.4.2012*

*Organic Law of Georgia No 3359 of 20 March 2015 – website, 31.3.2015*

*Organic Law of Georgia No 101 of 16 December 2016 – website, 20.12.2016*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 3380 of 5 September 2018 – website, 21.9.2018*

*Organic Law of Georgia No 3904 of 6 December 2018 – website, 14.12.2018*

*Organic Law of Georgia No 6492 of 25 June 2020 – website, 2.7.2020*

## **Article 8 – Board of the National Bank**

The Board of the National Bank shall manage and supervise the activity of the National Bank.

## **Article 9 – Powers of the Board of the National Bank**

The Board of the National Bank shall be authorised to:

a) review and approve the key principles of managing and disposing of international reserves;

b) establish the procedure for determining the official exchange rate of the national currency to foreign currencies;

c) approve the budget of administrative and capital expenditures of the National Bank;

d) create special reserves;

e) review, approve and submit to the Parliament of Georgia an annual report and financial statements of the National Bank;

f) issue legal acts;

g) (deleted – 3.9.2015, No 4188);

g<sup>1</sup>) determine main fields of supervision and regulation of activities of the financial sector;

h) approve the organisational structure and the Regulations of the National Bank;

i) perform other functions set forth in this Organic Law.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

## **Article 10 – Determination of the amount of an extra salary for a Board member of the National Bank**

The amount of an extra salary for a Board member of the National Bank may not be smaller than an average salary in the National Bank. The amount of an extra salary for a Board member of the National Bank shall be determined by the Parliament of Georgia.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 101 of 16 December 2016 – website, 20.12.2016*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

## **Article 11 – Resignation of a member of the Board of the National Bank**

1. A member of the Board of the National Bank may resign, if he/she submits a written application to the Chairman of the Parliament of Georgia at least two months before resigning.

2. A member of the Board of the National Bank shall be considered to have resigned from the date indicated in the application.

## **Article 12 – Meeting of the Board of the National Bank**

1. The President of the National Bank, and in his/her absence – the Acting President, shall conduct meetings of the Board of the National Bank.

2. As a rule, the President or the Acting President of the National Bank shall convene meetings of the Board of the National Bank. Meetings may be convened at any time on the basis of the written request of two members of the Board.

3. Each member of the Board of the National Bank shall have one vote. A meeting shall be authorised if attended by more than half of the Board members of the National Bank, of which one shall be the President or the Acting President of the National Bank.

4. A resolution of the Board of the National Bank shall be adopted at a meeting of the Board by a simple majority of those present and voting. Only Board members participating in the meeting shall have the right to vote. In the case of equal votes, the vote of the President of the National Bank shall be decisive, and in the case of his/her absence – the vote of the Acting President.

5. The Board of the National Bank shall determine the rules and procedures for holding a meeting of the Board of the National Bank.

6. A meeting of the Board of the National Bank shall be held at least quarterly.



7. A meeting of the Board of the National Bank may also be held by means of electronic communication.

8. The Board of the National Bank may take a decision to declare a meeting closed.

### **Article 13 – Conflict of interests of the Board members of the National Bank**

1. A member of the Board of the National Bank (except for the President and Vice-presidents) may not at the same time be a state employee, a state political official, a political official, a public servant, head of a legal entity, an employee of a representative of the financial sector of Georgia or of a related legal entity.

2. The President and Vice-presidents of the National Bank are state employees.

3. A member of the Board of the National Bank and his/her family members may not be a partner of a representative of the financial sector of Georgia or of a legal entity related to it.

*Organic Law of Georgia No 4387 of 27 October 2015 – website, 11.11.2015*

*Organic Law of Georgia No 101 of 16 December 2016 – website, 20.12.2016*

### **Article 14 – Further employment of the Board member of the National Bank**

1. In the case of expiration of the term of membership in the Board of the National Bank, or dismissal from the membership with the Board of the National Bank, the President and Vice-presidents of the National Bank may not work in the financial sector of Georgia for six months.

2. In the case of expiration of the term of membership with the Board of the National Bank or dismissal from the membership in the Board of the National Bank, the President and Vice-presidents of the National Bank shall retain their official salaries for six months.

### **Article 15 – Powers of the President of the National Bank**

1. The President of the National Bank shall:

a) manage the activity of the National Bank;

b) represent the National Bank before third parties;

c) appoint and dismiss employees of the National Bank;

d) distribute duties between the President and Vice-presidents of the National Bank, as well as among the officers of the National Bank;

e) be authorised to attend the meetings of the Government of Georgia without the right to vote;

f) determine the staff list of the National Bank and amounts of employees' official salaries, as well as the amount of fringe benefits of any kind;

f<sup>1</sup>) define a unified procedure for record-keeping at the National Bank;

g) issue legal acts;

g<sup>1</sup>) determine the volume of additional benefits for the partial compensation of the life and health insurance of a member of the Board of the National Bank;

h) set up advisory and consultative bodies (committee, commission);

h<sup>1</sup>) (deleted – 10.3.2017, No 436);

i) perform other functions defined by this Organic Law.

2. One of the Vice-presidents shall perform the duties of the President of the National Bank in his/her absence.

*Organic Law of Georgia No 5001 of 1 July 2011 – website, 15.7.2011*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 4498 of 17 April 2019 – website, 24.4.2019*

### **Article 15<sup>1</sup> – Human resources management powers**

1. Only the National Bank shall be empowered to:

a) determine basic, special and additional qualification requirements for being employed by the National Bank; select a person for the appointment to a position in the National Bank and appoint him/her to a position; promote a person to a higher position, determine the period of prior notification of the National Bank, which shall not exceed 30 working days, in the case of the release of an employee of the National Bank on the basis of his/her personal application;

b) determine procedures for sending employees of the National Bank to official missions, for compensation of expenses related to official missions, and determine the amount of compensation within the standards existing in the public service;

c) determine general codes of conduct and ethics of the National Bank.

2. Procedures and conditions for organising a competition for the employment in the National Bank, and procedures for the creation of competition commission and its rules of activities shall be determined by a legal act of the National Bank.

3. Procedures for the promotion of employees of the National Bank, professional skills and qualification raising, for incentives, premiums, for moving to another position, and for the release of employees from occupied positions on the basis of the personal application, shall be determined by a legal act of the National Bank.

4. The legal acts related to matters referred to in this article shall be issued by the President of the National Bank.



## **Article 16 – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

## **Article 16<sup>1</sup> – Financial sector supervision committee of the National Bank**

1. The financial sector supervision committee of the National Bank shall be established on the basis of an order of the President of the National Bank. The members of the financial sector supervision committee of the National Bank shall be the President of the National Bank, respective Vice-president, and the heads of the relevant structural units of the National Bank. On the basis of a decision of the President of the National Bank, the members of the financial sector supervision committee may be other employees of the National Bank, as well as invited persons.

2. The function of the financial sector supervision committee shall be the development and implementation of the policy for supervising and regulating activities of the financial sector.

3. The financial sector supervision committee shall be authorised to:

a) review and develop legal acts related to the regulation of financial supervision;

b) review comments from the representatives of the financial sector regarding the measures taken by the relevant structural units of the National Bank;

c) review specific cases under the supervision of financial sector and make relevant decisions;

d) request the structural units of the National Bank and obtain information related to the issues of the field of the activity of the Financial Sector Supervision Committee.

4. A decision of the financial sector supervision committee shall be provided to the President of the National Bank as recommendation, and on the basis of the final decision of the president, the National Bank shall issue legal acts.

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

## **Article 16<sup>2</sup> – Resolution Committee of the National Bank**

1. The Resolution Committee of the National Bank ('the Resolution Committee') shall be established upon the order of the President of the National Bank. The Resolution Committee shall consist of the President of the National Bank and the Vice Presidents of the National Bank. By the decision of the Resolution Committee, the Resolution Committee may also include the chairpersons of the relevant structural units of the National Bank. In addition, the meeting of the Resolution Committee may be attended by other employees of the National Bank and/or invited persons if their attendance is necessary to make an informed decision on the matter. Only the President of the National Bank and the Vice-Presidents of the National Bank shall be entitled to vote in the decision-making process of the Resolution Committee. The Resolution Committee shall be chaired by the President of the National Bank. The composition and procedure for activity of the Resolution Committee shall be determined by the legal act of the President of the National Bank.

2. The Resolution Committee shall approve the resolution plans developed by the National Bank, makes decisions on the application of the resolution mode to a commercial bank, as well as on exercising the resolution powers determined by this Law and the Law of Georgia on Commercial Bank Activities against a commercial bank in the resolution mode. For this purpose the legal act of the President of the National Bank shall be issued.

3. The Resolution Committee shall report to the Board of the National Bank once a year and/or upon the request of Board, on decisions made related to the resolution, resolution powers exercised and the current situation.

4. The National Bank shall ensure the operational independence from the resolution functions, supervisory functions and other functions, including organizational arrangements, for the purpose of the elimination of the conflict of interests.

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

## **Article 17 – Monetary Policy Committee of the National Bank**

1. The President of the National Bank shall, by an order, set up the Monetary Policy Committee of the National Bank. Members of the Monetary Policy Committee shall be the President of the National Bank, three Vice-presidents, and heads of the respective structural units of the National Bank. By decision of the President of the National Bank, other employees of the National Bank and invited persons may be members of the Monetary Policy Committee.

2. The function of the Monetary Policy Committee shall be to develop and implement the monetary policy and the exchange rate policy.

3. The Monetary Policy Committee shall be authorised to:

a) develop the monetary policy and the exchange rate policy of the country;

b) define procedures for the open market and for other monetary, credit and currency operations, for calculation and observance of the emission and circulation of own securities, and the minimum reserve requirements;

c) set interest rates on loans, deposits and other monetary operations of the National Bank, except for loans of last resort;

d) (deleted – 3.9.2015, No 4188);

d<sup>1</sup>) determine norms of minimum reserve requirements;



e) perform other duties related to the monetary policy and the exchange rate policy.

4. The decision of the Monetary Policy Committee regarding the monetary policy shall be based on maintaining the inflation target over the medium term, while achieving short-term goals, that might affect the price stability over the medium term, shall not be decisive.

5. The decision of the Monetary Policy Committee shall be submitted to the President of the National Bank as a recommendation, and, based on the final decision of the President, the National Bank shall issue legal acts.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 6492 of 25 June 2020 – website, 2.7.2020*

### **Article 17<sup>1</sup> – Audit committee within the Board of the National Bank**

1. An audit committee within the Board of the National Bank shall consist of three non-executive members of the Board of the National Bank. A member of the audit committee shall be elected during the term of office of the member of the Board of the National Bank.

2. The members of the audit committee and the chairperson of the audit committee shall be approved by the Board of the National Bank.

3. The audit committee shall, within the powers delegated by the Board of the National Bank, review and supervise the matters related to financial reporting, risks management, internal control system, internal and external audit activities of the National Bank.

4. Activities of the audit committee shall be determined by the regulation of the audit committee within the Board of the National Bank of Georgia, which shall be approved by the Board of the National Bank.

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

### **Article 18 – Internal Audit Service of the National Bank**

1. The Board of the National Bank shall appoint and dismiss the Head of the Internal Audit Service of the National Bank by majority of members present and voting at a meeting. The Head of the Internal Audit Service shall be appointed for a period of seven years. He/she may be reappointed.

2. The Head of the Internal Audit Service of the National Bank shall be a citizen of Georgia, a professional in the field of economy and/or finances, and/or banking activities and shall be highly honoured.

3. The Head of the Internal Audit Service of the National Bank may not be a person who is convicted of serious or grave crime (including of terrorism financing and/or illicit income legalisation), or of other economic crime.

4. The Head of the Internal Audit Service of the National Bank shall resign if:

a) his/her 7-year term of office has expired;

b) he/she has resigned from the position on the basis of the personal application, upon one month's notice to the President of the National Bank;

c) he/she has been affected by the conflict of interest referred to in Article 20 of this Law;

d) he/she has died.

5. The Head of the Internal Audit Service of the National Bank may be released from the position if he/she fails to exercise his/her authority for four consecutive months due to his/her health condition.

6. The Head of the Internal Audit Service of the National Bank shall be accountable before the Board of the National Bank and the Audit Committee within the system of the Board of the National Bank.

7. The functions of the Internal Audit Service shall be to:

a) periodically audit internal control systems and operations of the National Bank;

b) prepare a progress report and develop recommendations on budget and accounting procedures and internal control systems, to report to the Board of the National Bank;

c) audit periodical financial statements and related documents of the National Bank.

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

### **Article 18<sup>1</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

### **Article 19 – Remuneration of labour of the personnel of the National Bank**

1. The amount of remuneration of labour of the employees of the National Bank shall be in line with the level of remuneration across the banking system of Georgia. The amount of remuneration of temporary employees shall be set on the basis of a contract.

<sup>1</sup>. (Deleted – 10.3.2017, No 436).

2. The amount of official salaries, bonuses and other payments to be paid by the National Bank shall not depend on the





net income of the National Bank.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

## **Article 20 – Professional secrecy and conflict of interests**

1. Present or former members of the Board of the National Bank, employees or auditors of the National Bank may not allow the access of an unauthorised person to confidential information, as well as disclose, disseminate or use such information for personal purposes.

2. (Deleted – 29.5.2014, No 2465).

3. Information on accounts and/or transactions of natural and legal persons, or on third parties, may be provided only based on a court decision, except for the provision of information to the legal entity under public law called the Deposit Insurance Agency in the case provided for by the Law of Georgia on Deposits Insurance System, and except for the cases provided for by this Law.

4. Information under paragraph 3 of this article shall be provided to persons who are authorised to implement the acts subject to enforcement under the Law of Georgia on Enforcement Proceedings, during their enforcement.

5. Based on the monetary policy, statistical objectives and/or the objectives of the stability of financial sector, by the decision of the Board of the National Bank, any information available at the National Bank may be declared confidential for a certain reasonable period of time. The Board of the National Bank shall define the list of such information, the time frame of restriction and the procedures for providing such information.

5<sup>1</sup>. (Deleted – 10.3.2017, No 436).

5<sup>2</sup>. (Deleted – 10.3.2017, No 436).

6. The President of the National Bank, the Vice-President of the National Bank, and an employee of a structural unit of the National Bank supervising the financial sector under this Law or carrying out the resolution or liquidation of a commercial bank, may not be an employee of a financial sector representative or of a related legal entity, a direct or indirect shareholder, a member of the supervisory board or of the board of directors. An employee of a structural unit of the National Bank may be appointed as a temporary administrator, liquidator or special manager. If a family member or a close relative of an employee of a structural unit of the National Bank, who supervises the financial sector under this Law, is a holder of more than 10 % of the shares of a person under supervision and regulation of the National Bank or of a related person, or is a member of the supervisory board or the board of directors, he/she shall submit a written statement to the National Bank under the procedure established by the National Bank. He/she may not participate in resolving issues related to such person. An employee of the National Bank may not be charged with supervision or resolution of a person whose shareholder or whose member of the supervisory board or the board of directors is his/her family member or a close relative.

7. An employee of the National Bank may not receive any material or other benefits, by abusing his/her office, from a person under the supervision and regulation of the National Bank, or from a person related to it, on his/her behalf or on behalf of another person, with whom he/she is connected as a close relative, or through work or financial relations.

8. A member of the Board of the National Bank, an employee of the National Bank shall, under the procedure established by the National Bank, be obliged to notify the National Bank about his/her or his/her family member's as a natural person's loan or another material liability, which in total exceeds GEL 10 000, to a financial sector representative.

9. The members of the Board of the National Bank and employees of the National Bank shall not be entitled to act on the basis of the instructions related to official activities that have been taken from any other party except for the National Bank.

*Organic Law of Georgia No 2465 of 29 May 2014 – website, 2.6.2014*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 858 of 17 May 2017 – website, 2.6.2017*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

## **Chapter III – Financial Provisions**

### **Article 21 – Capital of the National Bank**

1. The capital of the National Bank shall consist of the charter capital and the general reserve fund.

2. The charter capital of the National Bank shall be GEL 15 000 000.

3. The source of the growth of the National Bank charter capital shall be its net profits.

### **Article 22 – General reserve fund of the National Bank**

1. The general reserve fund of the National Bank shall be formed from the annual net profits, according to the distribution provided in Article 25 of this Organic Law.

2. The general reserve fund of the National Bank may be used only to counteract the National Bank's net loss.

3. In order to facilitate the stability and transparency of the financial system, and sustainable economic growth in the



country, the Board of the National Bank of Georgia shall be authorised to decide on the distribution of sums in the reserve fund.

*Organic Law of Georgia No 2186 of 1 December 2009 – LHG I, No 40, 7.12.2009, Art., 287*

### **Article 23 – Special reserves of the National Bank**

1. By decision of the Board of the National Bank, the National Bank's net profits may be used to form:

- a) a reserve for counteracting losses expected due to a change in the national currency exchange rate against foreign currencies;
- b) a reserve for counteracting losses caused by a change in the price of assets;
- c) other special reserves.

2. Special reserves shall be used for counteracting the respective loss.

### **Article 24 – Calculation of the net profits of the National Bank**

The net profits of the National Bank for each financial year shall be calculated according to international accounting standards and financial reporting standards as the sum of net unrealised profit or loss, as a result of net operating profits or losses and revaluation. The net operating profit or loss shall be calculated by deducting operating expenses intended for conducting the main activity from the amount of income of the reporting year.

### **Article 25 – Distribution of the net profits of the National Bank**

If the National Bank has net profits at the completion of a financial year, it shall be distributed in the following sequence:

a) If net profits consist of net operating profits and net unrealised profits obtained as a result of revaluation, the unrealised profits obtained as a result of revaluation shall be transferred to the revaluation reserve. If net profits include revaluation of unrealised losses, it shall be compensated from the revaluation reserve account. If net profits consist of net operating losses and net unrealised profits obtained as a result of revaluation, net profits shall be transferred to the revaluation reserve.;

b) The remaining amount of net profits shall be used to fill the general reserve fund of the National Bank, until its volume equals 15% of the amount of the reserve fund at the end of the financial year. The Board of the National Bank of Georgia shall be authorised to decide to use the remaining net profits to fill the general reserve fund of the National Bank, until its volume is less than 15% of the amount of the reserve fund at the end of the financial year.

c) The remaining net profits for the financial year must be transferred to the account of the Ministry of Finance of Georgia within six months after completion of the financial year of the National Bank.

*Organic Law of Georgia No 2186 of 1 December 2009 – LHG I, No 40, 7.12.2009, Art., 287*

### **Article 26 – Distribution of net losses of the National Bank**

1. If the National Bank incurs a net loss in any financial year, it shall be distributed as follows:

a) If the net loss consists of net operating losses and net revaluation unrealised losses, the amount of net operating losses shall be added to the general reserve fund, and the amount of revaluation unrealised losses shall be distributed among the revaluation reserve accounts. If after such distribution the revaluation reserve accounts become negative, the negative balance shall be distributed to the general reserve fund.

b) If a net loss consists of the sum of net operating profits and a greater net revaluation unrealised losses, the revaluation loss shall be compensated from the revaluation reserve accounts. The remaining losses shall be distributed to the general reserve fund.

c) If the net loss consists of net operating losses and net revaluation unrealised profits, the losses shall be added to the general reserve fund.

d) If after the above distribution the capital of the National Bank becomes smaller than the charter capital, in order to cover the deficit (to fill the charter capital of the National Bank) the Ministry of Finance of Georgia shall transfer to the ownership of the National Bank the circulating (market) government bearer bonds, under terms and conditions similar to those of other government securities.

2. The Ministry of Finance of Georgia shall unconditionally issue the securities defined by paragraph (1)(d) of this article, within five months after the completion of the financial year of the National Bank. After having been issued, these securities shall be reflected in the State Budget of Georgia.

## **Chapter IV – Monetary Credit Functions and Operations of the National Bank**

### **Article 27 – Own securities of the National Bank**

In order to implement monetary policy, the National Bank shall be authorised to issue its own securities under procedures and terms established by it.

### **Article 28 – Open market operations**

When implementing monetary policy, the National Bank shall be authorised to perform open market operations with



government securities and by way of direct purchase or sale of securities issued by the National Bank, or under the condition of their further alienation or repurchase (repo and reverse repo operations).

### **Article 29 – Minimum reserve requirements**

1. The National Bank may set for commercial banks and non-bank depository institutions the minimum reserve requirements that are defined by a percentage ratio of attracted funds, and, by decision of the National Bank, may be subject to mandatory retention by the National Bank.
2. The norms of minimum reserve requirements, the procedures for their calculation and compliance, as well as the sanctions for their violation shall be established by the National Bank. A pecuniary penalty imposed as a sanction for the violation of the norms of minimum reserve requirements shall be transferred to the State Budget of Georgia.
3. If minimum reserve requirements are placed in the National Bank, it may decide to pay an interest on the amount of the minimum reserve requirements.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

### **Article 29<sup>1</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

### **Article 30 – Discount transactions of the National Bank**

1. The National Bank shall be authorised, by way of purchasing the securities of the Government of Georgia and of the National Bank, to carry out discount transactions with commercial banks and non-bank depository institutions, under procedures and conditions established by it.
2. The National Bank shall be authorised to alienate securities purchased through discount transactions at its own discretion.

### **Article 31 – Loan and deposit operations of the National Bank**

1. Under the procedures and terms set by the National Bank, the National Bank may issue loans to commercial banks and non-bank depository institutions that have accounts at the National Bank, secured by respective collateral.
2. The Board of the National Bank shall approve the list of assets to be pledged as collateral for loans.
3. The National Bank shall be authorised to accept deposits under the procedures and conditions set by it.
4. The National Bank may, based on the decision of the board of the National Bank, disburse loan in accordance with the terms set by the National Bank for the legal entity under public law called the Deposit Insurance Agency.
5. The loan under paragraph 4 of this article shall be disbursed only in the case of strong deficit of liquidity, with the relevant security. Such loan shall be maximally short-term and its term shall not exceed six months, and the interest rate for such loan shall be approximated to the interest rate prevailing on the market and shall be no less than the overnight standing credit rate of the National Bank.

*Organic Law of Georgia No 2828 of 23 March 2010 – LHG I, No 19, 13.4.2010, Art., 102*

*Organic Law of Georgia No 858 of 17 May 2017 – website, 2.6.2017*

### **Article 32 – Accounts of commercial banks, non-bank depository institutions, other financial institutions, the Resolution Fund and the Pension Agency at the National Bank**

The National Bank shall be authorised to have accounts of commercial banks, non-bank depository institutions, significant system participants, and the Pension Agency, and accept deposits from them under the procedures and conditions established by it. The National Bank shall be authorised to open a bank account – the Resolution Fund – for the resolution purposes of a commercial bank.

*Organic Law of Georgia No 6305 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 3264 of 21 July 2018 – website, 6.8.2018*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

### **Article 33 – Lender of the last resort**

1. Except for the loans permitted under Article 31 of this Organic Law, the National Bank may issue a last resort loan to a commercial bank.
2. The term of the last resort loan, provided in paragraph 1 of this article, shall not be longer than three months, the interest rate shall exceed the interest rate set by the National Bank for the loans determined by Article 31(1) of this Law and shall be secured by assets determined by the Board of the National Bank.
3. Except for the cases provided for by paragraph 1 of this article, the National Bank shall, in exceptional cases, for the purpose of ensuring financial stability, be authorised to issue a last resort loan for a commercial bank whose solvency is under question. The loan referred to in this paragraph may be issued only if the following conditions are met simultaneously:



- a) subsequent charges, including penalty, shall be provided for the loan;
- b) the loan shall be issued for a maximum of 91 calendar days. In the exceptional cases, by the decision of the National Bank, this term may be extended for not longer than 91 calendar days. If the financial crisis has not been eliminated or cannot be fully eliminated within the time limit set by this paragraph, the Board of the National Bank shall be authorised to issue a loan or extend its term for a longer period than the term provided for by this subparagraph;
- c) the improvement of the financial standing of a commercial bank shall be possible within the adequate recapitalisation/resolution conditions that shall be proved by an appropriate plan, including a financing plan;
- d) the loan shall be secured by an unconditional and irrevocable guarantee of the Ministry of Finance of Georgia. In addition, the National Bank may request a commercial bank to provide additional collateral;
- e) The National Bank shall impose additional requirements on a commercial bank which takes loan in accordance with this paragraph.

4. The Board of the National Bank shall define the procedures and terms for issuing a last resort loan provided for by paragraphs 1 and 3 of this article.

*Organic Law of Georgia No 2828 of 23 March 2010 – LHG I, No 19, 13.4.2010, Art. 102*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

### **Article 33<sup>1</sup> – Information support for performing monetary and statistics functions of the National Bank**

1. In order to provide information support for performing monetary and statistical functions, the National Bank shall be authorised to request a financial sector representative to submit statistical and accounting reports necessary for maintaining monetary, financial and external sectors statistics.

2. The National Bank shall be authorised to request confidential information from a financial sector representative for the sole purpose of performing its statistical functions.

*Organic Law of Georgia No 5001 of 1 July 2011 – website, 15.7.2011*

## **Chapter V – Means of Payment**

### **Article 34 – Currency unit**

1. The currency unit of Georgia shall be the lari. The lari consists of 100 tetri.

2. The lari shall be the only legal tender on the territory of Georgia, except for free industrial zones, duty-free shops and/or cases defined by the National Bank.

2<sup>1</sup>) When offering and/or advertising property for sale, and/or provision of services by an entrepreneur in the territory of Georgia, the price shall be indicated only in laris.

2<sup>2</sup>) A regulation different from the one provided for in paragraph 2<sup>1</sup> of this article may be determined by an appropriate legal act of the National Bank.

2<sup>3</sup>) Cash settlement in the territory of Georgia shall be carried out on the basis of the principle of cash rounding. The principle of cash rounding shall involve rounding up and down to the nearest 5 currency value.

2<sup>4</sup>) The method of cash rounding and procedures for its use shall be determined by the legal act of the Board of the National Bank.

3. The lari banknotes and coins put into circulation or realised by the National Bank shall be the unconditional liability of the National Bank at face value, except for the lari banknotes and coins that have been withdrawn from circulation and/or are a store of numismatic value.

*Organic Law of Georgia No 2828 of 23 March 2010 – LHG I, No 19, 13.4.2010, Art., 102*

*Organic Law of Georgia No 3702 of 12 October 2010 – LHG I, No 56, 20.10.2010, Art., 363*

*Organic Law of Georgia No 5001 of 1 July 2011 – website, 15.7.2011*

*Organic Law of Georgia No 238 of 29 December 2016 – website, 13.1.2017*

*Organic Law of Georgia No 3313 of 21 July 2018 – website, 31.7.2018*

### **Article 35 – Emission**

1. Only the National Bank shall have the right to produce lari banknotes and coins intended for circulation, collection and/or for other purposes and issue them on the territory of Georgia. The National Bank shall be the copyright holder for lari banknotes and coins.

2. The Board of the National Bank shall define the face value, size, weight, volume, material and other characteristics of lari banknotes and coins.

2<sup>1</sup>. The Board of the National Bank shall develop the design of lari banknotes and coins and approve it in accordance with procedures provided for by its own normative acts.

3. If the design and material of a lari banknote or coin of an existing face value, and/or the year designated on it is changed, or a lari banknote or coin of a new face value is introduced, they shall be put into circulation by decision of the



Board of the National Bank.

4. Emission of lari banknotes and coins directly for covering the deficit of the State Budget of Georgia shall be prohibited.
5. The National Bank may sell lari banknotes and coins, as well as numismatic valuables, both inside and outside the country.
6. The Board of the National Bank shall determine the procedures for production and realisation of lari banknotes and coins.
7. The Board of the National Bank shall define criteria for determining the fitness of lari banknotes and coins for use and the procedures for their acceptance and replacement.

*Organic Law of Georgia No 2828 of 23 March 2010 – LHG I, No 19, 13.4.2010, Art., 102*

*Organic Law of Georgia No 4315 of 22 February 2019 – website, 7.3.2019*

#### **Article 36 – Storage and destruction of currency and other valuables**

1. The National Bank shall ensure reliable storage of both currency and original materials necessary for producing lari banknotes and coins, and other valuables.
2. Only the National Bank shall ensure the destruction of lari banknotes and coins and original materials necessary to produce them.
3. The Board of the National Bank shall set the procedure for destruction or further use of lari banknotes and coins.

#### **Article 37 – Withdrawal from circulation and replacement of lari banknotes and coins**

1. The National Bank may withdraw from circulation and replace issued lari banknotes and coins.
2. The Board of the National Bank shall establish the procedures for withdrawal from circulation and replacement of lari banknotes and coins.
3. As soon as the time for the replacement of lari banknotes and coins set by the Board of the National Bank expires, lari banknotes and coins to be replaced shall become ineffective as legal tender.

#### **Article 38 – Stock of currency and emission plan**

The National Bank shall directly control the stock of cash, plan the emission of money, and provide the economy of Georgia with lari banknotes and coins.

#### **Article 39 – Counterfeit banknotes and reproduction of money**

1. Making counterfeits of monetary notes shall be prohibited and shall be punishable by law.
2. Counterfeit money shall be withdrawn from circulation and shall not be reimbursed.
3. The Board of the National Bank shall set the procedure for responding to the facts revealing counterfeit money on the territory of Georgia.
4. The National Bank shall be the key expert in establishing the authenticity of lari banknotes and coins and the expert of foreign currency banknotes and coins on the territory of Georgia.
5. Lari banknotes and coins may be reproduced on the territory of Georgia only under procedures set by the Board of the National Bank.

### **Chapter VI – International Reserves**

#### **Article 40 – Official international reserves**

1. The National Bank shall own, store and manage the official international reserves which may consist of the following assets:

- a) monetary gold;
- b) foreign currency in the form of coins and banknotes;
- c) foreign currency balances available in bank accounts in a foreign country;
- d) special drawing rights (SDR) for loans of the International Monetary Fund and the reserve position in the International Monetary Fund;
- e) bills of exchange and deposit certificates denominated and payable in a foreign currency;
- f) debt instruments issued by foreign countries, central banks, international financial institutions, and private companies;
- g) derivatives and agreements on purchase of securities, denominated and payable in foreign currency, under the condition of their further alienation (reverse repo operations);
- h) any other universally recognised international reserves.

2. To perform the tasks of managing the official international reserves, the National Bank shall be authorised to borrow foreign currency on its own behalf, for a term of up to one year, which will be secured by assets within the international reserves, or to enter into agreements on alienation of securities under the condition of the further repurchase of them or their equivalent securities for the price agreed upon in advance (repo operations).

*Organic Law of Georgia No 5687 of 20 December 2019 – website, 31.12.2019*



#### **Article 41 – Banker and fiscal agent**

1. The National Bank shall perform the role of a banker and a fiscal agent of the Government of Georgia.
2. The National Bank shall be obliged to provide advisory assistance to the President of Georgia and the Government of Georgia on all issues related to the activity of the National Bank or falling within the scope of its authority.

#### **Article 42 – Consultations on a draft State Budget of Georgia**

1. Before submitting to the Parliament of Georgia a draft State Budget of Georgia or draft changes to the State Budget of Georgia, the Minister of Finance of Georgia shall consult with the President of the Bank regarding the main parameters of the State Budget of Georgia that include:
  - a) the volume and structure of total revenues;
  - b) the volume and structure of the surplus of the State Budget of Georgia;
  - c) the change in financial assets;
  - d) the structure of expenditures of the State Budget of Georgia.
2. The consultations shall necessarily take into consideration information on plans regarding attracting domestic and foreign loans for the state sector for the following financial year, including information on lending amounts of credit facility agreement, their acceptance and allocation and expected loan conditions. The central and local self-government bodies of Georgia shall notify the National Bank about the debt instruments issued.
3. After consultations, the President of the National Bank shall send to the Parliament of Georgia and the Government of Georgia an opinion on basic parameters of the State Budget of Georgia.

#### **Article 43 – Depository functions**

1. The National Bank shall accept the deposits of the Treasury Service of the Ministry of Finance of Georgia. As a depository, the National Bank shall accept and issue monetary funds, register accounts and provide other related financial services. On the basis of payment documents, the National Bank shall issue an amount within the limits of the amounts deposited on the above accounts. The National Bank may decide to pay interest on such deposits.
2. The National Bank may permit other financial institutions to accept such deposits under terms established by the National Bank.

#### **Article 44 – Functions of a financial agent**

The National Bank may perform the role of a financial agent of state institutions on the following issues:

- a) realisation of debt instruments issued by them, including performing the functions of a transfer agent, or other necessary administrative functions;
- b) issuance of principal amounts and interest, performing other payments on securities;
- c) performing payment transactions from their accounts;
- d) other issues pertaining to the National Bank's functions.

#### **Article 45 – Information to be submitted to the National Bank**

The National Bank shall be authorised to require and receive from state institutions and any other person all the statistical, accounting and other information (including confidential information) necessary to perform functions assigned to it.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 46 – Right of the National Bank to provide financial assistance**

1. The National Bank shall not assist the Government of Georgia and state institutions financially, except in the case of paying dividends, provided in Article 25 of this Organic Law. Based on the purposes of the monetary policy, the National Bank shall purchase government securities only on the secondary market.
2. The National Bank of Georgia may purchase government securities on the primary market only in exchange for securities already existing in its portfolio, if the day of payment for them coincides with the day of issuance of new securities. They shall be purchased at the volume-weighted average price fixed at the auction. The volume of securities purchased by the National Bank at each auction shall be the additional emission of securities offered for sale at the auction and shall not exceed 20% of the total volume of securities sold at this auction.

### **Chapter VIII – Supervisory Powers of the National Bank**

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

#### **Article 47 – Objectives and functions of the National Bank in terms of supervision of the financial sector**

The objective of the National Bank shall be to facilitate the financial sustainability and transparency of the financial



sector, and to protect the rights of customers and investors. For this purpose, the National Bank shall facilitate stable and effective functioning of the financial system, contribute to the creation of competitive environment, the control of the systemic risk, and the mitigation of potential risks.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 47<sup>1</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 47<sup>2</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 47<sup>3</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Record of session No 3/6/668 of the Preliminary Session of the Plenum of the Constitutional Court of Georgia of 12 October 2015 – website, 23.10.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 47<sup>4</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Record of session No 3/6/668 of the Preliminary Session of the Plenum of the Constitutional Court of Georgia of 12 October 2015 – website, 23.10.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 47<sup>5</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 47<sup>6</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 47<sup>7</sup> – (Deleted)**

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

#### **Article 48 – Supervisory powers of the National Bank**

1. The National Bank has been granted full authority to supervise the activities of commercial banks, banking groups, non-bank depository institutions, micro-finance organisations, independent securities registrars, brokerage companies (except for insurance brokerage companies), stock exchange, central depository, specialised depository, asset management companies, publicly accountable enterprises, foreign currency exchange offices, investment funds, payment system operators, payment service providers, credit information bureaus and loan holder entities, on the basis of this Law and other normative acts.

2. (Deleted – 23.12.2018, No 1894).

3. To perform supervisory duties, the National Bank shall be authorised to issue appropriate decrees and orders, implement relevant measures, give written instructions, set additional requirements and limitations, apply supervisory measures and/or sanctions.

4. Except for the grounds provided for by the legislation of Georgia, the National Bank shall also be authorised to refuse a person registration as/granting a licence of a subject under paragraph 1 of this article, or acquisition of a significant share of a subject under the same article in the case provided for by the legislation of Georgia, if:

a) the registration of a person as a subject/granting a licence to a person or the acquisition of a significant share of a subject by a person may pose a threat to the stability of the Georgian financial sector;

b) the registration of a person as a subject/licensing of a person or the acquisition of a significant share of a subject by a person may cause the violation and/or non-fulfilment of the requirements provided under the compulsory decisions and/or recommendations of international organisations;

c) the registration of a person as a subject/licensing of a person or the acquisition of a significant share of a subject by a person may cause the breach of an agreement signed between Georgia and a foreign country;



- d) an interested person failed upon request of the National Bank to submit to the National Bank full information on the origin of funds necessary to comply with minimum capital requirements set under the legislation of Georgia for commencing a subject's activity, or to acquire a significant share in the cases provided for by the legislation of Georgia;
- e) based on information available for the National Bank, an interested person (a subject, an administrator, a holder of a significant share, a beneficial owner) violates the entrepreneurial, banking and/or financial legislation, and/or carries out such business practice that poses or may pose a threat to healthy functioning of a particular subject and/or the financial sector;
- f) the structure of the group of an interested legal person, the structure of ownership and the governance structure, and/or the banking activities/environment are not transparent enough, which may impede the implementation of effective individual or consolidated supervision, and/or may pose a threat to the stability and healthy functioning of the financial sector.

4<sup>1</sup>. The National Bank shall be entitled to:

- a) request and obtain information from a representative of the financial sector on the origin of funds of the representative of the financial sector, the ownership structure, direct owners of a significant share, and on beneficial owners (including on the origin of property and/or financial resources);
- b) in the case of violation of the legislation of Georgia on facilitating the prevention of money laundering and the financing of terrorism, cease or limit certain type of operations, impose a ban on the distribution of profits, accrual and issuance of dividends, the increase of remuneration, the issuance of premiums and other similar payments, impose monetary fines, make deregistration and deprivation of a licence in relation to the representative of the financial sector;
- c) in the case of violation of the legislation of Georgia on facilitating the prevention of money laundering and the financing of terrorism, suspend the right to sign in relation to the administrators of the financial sector, impose monetary fines, and request their dismissal;
- d) provide commercial banks with a list of those persons whose activities involve or may involve the risk of money laundering or the financing of terrorism;
- e) in the case of failure to submit requested information within the determined time frame, or if requested information is submitted incompletely, impose sanction on the representative of the financial sector in accordance with the procedure established by the National Bank.

4<sup>2</sup>. Information on sanctions imposed by the National Bank on a representative of the financial sector for violation of the requirement of the prevention of money laundering or the financing of terrorism shall be published on the official website of the National Bank in accordance with procedures established by the National Bank.

4<sup>3</sup>. For the purposes of preventing and combatting money laundering and the financing of terrorism, the National Bank shall supervise the activities of a representative of the financial sector on the basis of the risk-based approach.

4<sup>4</sup>. The National Bank shall be authorised to publish on the official website of the National Bank the information on the sanctions imposed by the National Bank because of the violation of the requirements of legislation on securities in the manner established by the National Bank.

5. To perform supervisory functions, the National Bank shall be authorised to request and receive, within its authority, any information (including confidential information) from persons defined in paragraph 1 of this article.

6. To facilitate the prevention of money laundering and the financing of terrorism, the National Bank shall be authorised to cooperate with local supervisory and law enforcement bodies.

7. This Law, the Law of Georgia on Commercial Bank Activities, or a normative act of the National Bank may determine the terms and conditions for the use of an electronic document and an electronic signature (including the electronic documents and electronic signatures that are different from those determined by the Law of Georgia on Electronic Documents and Electronic Trust Services) differently from the Law of Georgia on Electronic Documents and Electronic Trust Services, and their legal force.

7<sup>1</sup>. Correspondence between the subject of supervision and the National Bank can be conducted in a material or electronic form. They shall have equal legal force. The National Bank shall be authorised to define procedures for the use of electronic signature during the conduct of communication with the subject of supervision. The electronic signature used in accordance with procedures defined by the National Bank shall have the legal force which is equal to the personal signature on the tangible document.

8. The National Bank shall be authorised to receive, from the subject of supervision, a document sent in accordance with the procedures established by the National Bank and/or an electronic document with a qualified electronic signature. The issue of use of the qualified electronic signature shall be regulated under an agreement signed between the National Bank and the subject of supervision.

9. If a material and/or an electronic document cannot be delivered to the subject of supervision, the President or the Vice-President of the National Bank may decide to publicly disseminate an official document. The official document shall be publicly disseminated by publishing it on the official website of the National Bank or through another means of information dissemination. A public notice shall be deemed delivered on the 15<sup>th</sup> day after it has been publicly disseminated.

10. The subjects provided for by paragraph 1 of this article shall have the right to prepare and submit to the National Bank





for approval the security policy of the use of the electronic signature while rendering services. During the rendering of particular services agreed with the National Bank, the electronic signature used during the rendering of services on the basis of the security policy for the use of the electronic signature while rendering services, shall have the legal force which is equal to the personal signature on the tangible document. The electronic document certified by the said electronic signature may be used in all cases, where the tangible form of a document is required by the legislation of Georgia.

11. If a subject intends to use the electronic signature and the legal force of such signature is acknowledged on the basis of law, but the security policy for the use of such signature has not been agreed with the National Bank, the subject shall send a prior notification to the National Bank with regard to the use of such electronic signature.

12. The National Bank shall be authorised to establish for a representative of the financial sector procedures for providing necessary information to consumers during the rendering of services.

13. The National Bank shall be authorised to publish a draft normative act of the National Bank in relation to the financial sector for obtaining comments from interested parties before its approval. Such requirement shall not apply to a draft normative act, which needs to be adopted for maintaining the stability of the financial sector and/or for resolution purposes and/or which shall be immediately put into force.

14. The National Bank shall be authorised to provide any information (including confidential information) directly or indirectly related to subjects provided for by paragraph 1 of this article to evaluator and auditor (an auditing company) of the said subjects. Such authority shall be exercised by the National Bank for the purpose of facilitating the proper meeting of supervisory requirements and/or resolution requirements and/or for making assessment as well as within the framework of exercising resolution powers. No one shall have the right to require from the National Bank to provide information determined by this paragraph. Any provision/non-provision of information by the National Bank as provided for by this paragraph shall not become the basis for the improper fulfilment of evaluation by an evaluator or audit by an auditor (an audit company) of the said subjects. An evaluator and auditor (an audit company) is obliged to keep the confidentiality of information retrieved from the National Bank, except for the cases provided for by law.

15. The National Bank shall be authorised to implement appropriate measures provided for by the Law of Georgia on Financial Collateral Agreement, Mutual Offset and Derivatives, including the issuance of the legal acts, giving written directions, establishing additional requirements, relevant restrictions and/or sanctions.

*Organic Law of Georgia No 5527 of 20 December 2011 – website, 28.12.2011*

*Organic Law of Georgia No 6017 of 10 April 2012 – website, 30.4.2012*

*Organic Law of Georgia No 6320 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 6305 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 262 of 6 March 2013 – website, 20.3.2013*

*Organic Law of Georgia No 353 of 20 March 2013 – website, 4.4.2013*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 668 of 21 April 2017 – website, 10.5.2017*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 5240 of 30 October 2019 – website, 30.10.2019*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

*Organic Law of Georgia No 5687 of 20 December 2019 – website, 31.12.2019*

*Organic Law of Georgia No 6674 of 29 June 2020 – website, 7.7.2020*

#### **Article 48<sup>1</sup> – (Deleted)**

*Organic Law of Georgia No 6320 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 4468 of 28 October 2015 – website, 11.11.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

#### **Article 48<sup>2</sup> – Registration and supervision of a payment system operator and a payment service provider**

1. The National Bank shall exercise supervision of a payment system operator and a payment service provider in accordance with the legislation of Georgia by registration and revocation of registration, establishment of the minimum requirements, and by imposition of restrictions and sanctions.

2. Procedures for registration and revocation of registration of a payment system operator and a payment service provider by the National Bank, sanctions to be applied to them, including the amount of a monetary penalty and the procedures for imposing it shall be defined by normative acts of the National Bank. The amount of a monetary penalty shall be transferred to the State Budget of Georgia.

3. The National Bank shall define the issue of granting and revoking the status of a significant system and the status of a significant payment service provider in accordance with the legislation of Georgia.

4. The National Bank shall exercise supervision of a significant system and a significant payment service provider in



accordance with the legislation of Georgia through inspection, establishment of minimum capital and additional requirements, and imposition of restrictions and sanctions.

4<sup>1</sup>. The National Bank shall be authorised to determine the eligibility criteria for the administrator of a payment service provider and the administrator of the payment system operator on the basis of the legal act.

5. The National Bank may, under the procedures established by the National Bank, verify fulfilment by a payment system operator and a payment service provider of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA).

*Organic Law of Georgia No 6305 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 4468 of 28 October 2015 – website, 11.11.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

### **Article 48<sup>3</sup> – Credit activities and banking activities**

1. No one shall have the right to receive deposits and issue credits using such deposits without the banking licence issued by the National Bank.

2. A business entity, or a group of affiliated persons shall have no right to attract repayable funds (*inter alia*, to take loans) from more than 20 natural persons (including from individual entrepreneurs), and/or to carry out the advertising of the attraction of repayable funds from a wider circle of persons without their registration as a micro-finance organisation by the National Bank, without the licence for non-bank depository and crediting activities, or the licence for banking activities.

3. (Deleted – 21.7.2018, No 3320).

4. The restriction referred to in paragraph 2 of this article shall not apply to:

- a) the public offering of securities;
- b) the private offering of securities for a sophisticated (experienced) investor provided for by the Law of Georgia on Securities Market;
- c) the insurance activities provided for by the Law of Georgia on Insurance;
- d) the non-state pension scheme provided for by the Law of Georgia on the Provision of Non-State Pensions and Non-State Pensions Insurance;
- e) the activities of brokerage companies provided for by the Law of Georgia on Securities Market;
- f) the issuance of a loan by a natural person to another non-entrepreneurial natural person;
- g) the issuance of a loan by a partner/shareholder of an enterprise to the same enterprise;
- h) the contribution to the capital of an enterprise by the partner/shareholder of the enterprise;
- i) the services related to electronic money provided for by the Law of Georgia on Payment Systems and Payment Services;
- j) the cases determined by the National Bank.

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 3320 of 21 July 2018 – website, 7.8.2018*

### **Article 49 – Supervision of a commercial bank and a non-bank depository institution**

1. The National Bank shall be authorised to:

a) exercise supervision over the activity of a commercial bank and a non-bank depository institution. The supervision shall include the issuance and revocation of licences, inspection and regulation, the issuance of written instructions, and the imposition of additional requirements and limitations, the application of supervisory measures and sanctions;

b) require and receive information on the sources of the capital of a commercial bank and on both direct and beneficiary owners of its significant shares;

b<sup>1</sup>) within the scope of authority, request and obtain any information (including confidential information) on direct owners and beneficiary owners of a commercial bank, and set additional requirements for such commercial bank on the basis of the legal act;

c) exercise supervision and inspect a commercial bank and a non-bank depository institution, inspect their subsidiaries, audit the components of accounting documents and financial statements, and other materials, and receive any information from them in a form defined by itself, within the scope of its authority; in the case of detecting, as a result of an audit, signs of a crime, the materials shall be handed over to the appropriate bodies;

d) increase reserve requirement norms for commercial banks and non-bank depository institutions, terminate their active operations, prohibit distribution of profit, accrual and payment of dividends, raises in salaries, payment of bonuses and other similar compensations, require attracting additional capital and increasing reserve norms against possible losses from assets and conditional obligations;

e) suspend the signature right of administrators of commercial banks and a non-bank depository institutions; impose monetary penalties on them and require their dismissal; require a commercial bank and non-bank depository institution



- to pay a monetary penalty; revoke a license of a commercial bank and a non-bank depository institution;
  - f) determine, by a normative act, the procedures for issuance and revocation of a license for a commercial bank and a non-bank depository institution, establish the amount of a monetary penalty and the procedures for imposing it. The sum of a monetary penalty shall be transferred to the State Budget of Georgia;
  - g) exempt a commercial bank, for a certain period of time and/or under certain conditions, from compliance with the norms established by itself;
  - h) (deleted);
  - h<sup>1</sup>) review and evaluate the financial recovery plan developed and submitted by a commercial bank, as well as request a commercial bank to make changes and/or additions to the financial recovery plan in accordance with the procedure established by the legislation of Georgia;
  - h<sup>2</sup>) apply an early intervention measure determined by the Law of Georgia on Commercial Bank Activities to a commercial bank;
  - i) (deleted);
  - i<sup>1</sup>) (deleted);
  - j) in special cases, for the purpose of stable functioning of the financial system, immediately take appropriate measures for commercial banks: set additional days off for banks apart from public holidays under the Organic law of Georgia – the Labour Code of Georgia; announce days off under the Organic law of Georgia – the Labour Code of Georgia as banking days; set certain restrictions and/or exempt from such restrictions, and perform other actions necessary to maintain sustainability of the financial system;
  - j<sup>1</sup>) for the purpose of achieving resolution determined by Article 55<sup>1</sup> of this Law and for the purpose of effective resolution, set up simplified supervisory requirements;
  - k) under the procedures established by the National Bank, verify fulfilment by a commercial bank and a non-bank depository institution of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act ( FATCA);
  - l) exercise the supervision over the activities of a commercial bank on the basis of the risk-based approach.
2. The National Bank shall appoint a liquidator and a temporary administrator of a commercial bank and a non-bank depository institution. They shall be accountable to the National Bank. The full authority of all organs (including the general meeting of shareholders) of a commercial bank and a non-bank depository institution shall be transferred to a liquidator and a temporary administrator.
3. The National Bank shall be authorised to set, for a commercial bank and a non-bank depository institution, a minimum capital requirements and the procedures for their calculation.
4. (Deleted – 23.12.2017, No 1894).
5. Only by the decision of the National Bank, a commercial bank and a non-bank depository institution may be declared insolvent and bankrupt under procedures established by the National Bank.
6. The National Bank shall audit an international financial company under special procedures established by the National Bank only to check the observance of restrictions set under the legislation of Georgia for international financial companies.
- Organic Law of Georgia No 5001 of 1 July 2011 – website, 15.7.2011*
- Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*
- Organic Law of Georgia No 4468 of 28 October 2015 – website, 11.11.2015*
- Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*
- Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*
- Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

#### **Article 49<sup>1</sup> – Supervision of the activities of a banking group**

1. Supervision over the activities of a banking group shall aim to facilitate the stability of the financial sector and the healthy functioning of a commercial bank(s) included in the banking group.
2. When exercising supervision over the activities of a banking group, the National Bank shall be authorised to:
  - a) audit a banking group and carry out its inspection on the place of its activity, as well as through its remote supervision, and audit accounting documents, reporting components and other materials individually and in consolidated manner;
  - b) have unlimited access to the data and documents of the supervisory board, management and employees of each member of the banking group;
  - c) assess the risks profile, the risks management framework, and the efficiency of the internal control mechanisms of the banking group. Within the scope of assessment the National Bank shall be authorised to request and obtain from a member of the banking group, and from any person related to the banking group any available information (including confidential information) on the banking group and other persons related to the banking group, individually and in consolidated manner, for the purpose of assessing the risks related to them and their effect on the banking group;
  - d) determine the requirements related to the establishment of the structure of a banking group, *inter alia*, request the



change (simplification) of the ownership structure of a commercial bank and/or the structure a banking group, where the complexity of the structure impedes the exercise of efficient supervision and/or poses or may pose a threat to the stability of a commercial bank and/or the financial sector, and to their healthy functioning;

e) set the following requirements for a commercial bank(s) included in the banking group, and/or for a member and/or for several members of the banking group jointly:

e.a) the minimum capital requirements;

e.b) the liquidity requirements;

e.c) the requirements relevant to significant risks and conflict of interests;

e.d) the ratio of different type of capital with classified assets;

e.e) the requirements related to the disclosure of information;

e.f) the requirements related to the corporate management;

e.g) the requirements related to reporting and audit;

e.h) the eligibility criteria of an administrator;

e.i) other additional requirements.

3. The National Bank shall be authorised, depending on the risks of the banking group, to set the requirements and/or issue written instructions for a commercial bank in the case of violation of the requirements and/or restrictions determined by this article.

4. The National Bank shall be authorised to set procedures for consolidated supervision of the banking group on the basis of the normative act.

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

## **Article 50 – Supervision of activities of micro-finance organisations and foreign currency exchange offices**

1. The National Bank shall be authorised to:

a) exercise supervision of the activities of a micro-finance organisation. Supervision envisages registration, revocation of registration, auditing and regulation of a micro-finance organisation, issuance of written instructions, and setting of additional requirements, restrictions and imposition of sanctions;

b) request and obtain information on the origin of funds of a micro-finance organisation, its direct owners and beneficial owners of its significant share, (including on the origin of property and/or financial resources);

c) establish requirements for the owners of significant share of a micro-finance organisation on the basis of the legal act;

d) carry out inspection of a micro-finance organisation, audit the accounting documents, reporting components and other materials, and obtain from them any information (including confidential information) in the form determined by it and within its scope of authority;

e) terminate or restrict certain type of transactions and/or the attraction of funds for a micro-finance organisation, impose a ban on the distribution of profits, accrual and issuance of dividends, the increase of remuneration, the issuance of premiums and other similar payments, and request the attraction of additional capital;

f) determine the eligibility criteria for the administrator of a micro-finance organisation on the basis of the legal act;

g) suspend the authority to sign in relation to an administrator of a micro-finance organisation, impose monetary fines, and request his/her resignation;

h) determine the norms of classification of assets and the norms of reserves of a micro-finance organisation in the case of possible loss, on the basis of the legal act;

i) determine the minimum amount and procedures of formation of the supervisory capital of a micro-finance organisation on the basis of the legal act;

j) determine procedures for liquidation of a micro-finance organisation on the basis of the legal act.

2. The National Bank shall exercise supervision over the activities of a foreign currency exchange office through its registration and revocation of the registration, inspection, issuance of written instructions, by way of setting requirements and imposing sanctions.

3. Procedures for registration and revocation of registration of a micro-finance organisation and a foreign currency exchange office, the amount of monetary fine and the rules for its imposition shall be determined by the National Bank on the basis of its normative acts. The monetary fine shall be addressed to the State Budget

4. The National Bank shall be authorised to request and obtain from a foreign currency exchange office any information (including confidential information) in accordance with the procedure determined by the National Bank.

5. The National Bank shall be authorised, under the procedures established by the National Bank, verify fulfilment by a micro-finance organisation of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act ( FATCA).

*Organic Law of Georgia No 5527 of 20 December 2011 – website, 28.12.2011*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 4468 of 28 October 2015 – website, 11.11.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*



**Article 50<sup>1</sup> – Protection of consumer rights during the rendering of services by a foreign currency exchange office**

1. A foreign currency exchange office shall provide complete information to a consumer during the rendering of services on the foreign currency exchange rate and the amount of service commissions (if any).
2. A foreign currency exchange transaction may be revoked and the exchanged currency may be retrieved in accordance with procedures determined by paragraph 3 of this article.
3. The National Bank shall determine procedures for providing information to consumers during the rendering of services by a foreign currency exchange office, and for the revocation of a foreign currency exchange transaction.

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

**Article 51 – (Deleted)**

*Organic Law of Georgia No 353 of 20 March 2013 – website, 4.4.2013*

**Article 52 – Supervision over securities market**

The National Bank shall be authorised to:

- a) regulate relations arising from the issuance and circulation of securities by issuers; ensure detection, prevention and elimination of violations in the field of issuance and circulation of securities;
- b) issue and revoke licenses of regulated participants in the securities market;
- c) set minimum capital requirements for regulated participants in the securities market;
- d) approve an issue prospectus;
- e) monitor, audit and research regulated participants in the securities market;
- e<sup>1</sup>) in case of a possible violation of this law, the rules established by the National Bank of Georgia or the requirements of the legislation on securities and/or creating a possible threat to the interests of investors, as well as on the basis of a written appeal received from the body of another country, which has functions similar to the functions of the National Bank, within the framework of the relevant memorandum of understanding, request and receive in an established manner an explanation in written and/or oral form from any person;
- f) verify, under the procedures established by it, fulfilment by a participant in the securities market of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act ( FATCA).
- g) under the legislation of Georgia, adopt, amend and cancel the procedures related to the regulation of the securities market, and supervise their performance;
- h) impose sanctions, including a monetary penalty on regulated participants and other persons in the securities market. The amount of a monetary penalty and the procedure for imposing it shall be defined by a normative act of the National Bank. The sum of the monetary penalty shall be transferred to the State Budget of Georgia.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 4468 of 28 October 2015 – website, 11.11.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 6674 of 29 June 2020 – website, 7.7.2020*

**Article 52<sup>1</sup> – Supervision over the activities of the Credit Information Bureau**

1. The National Bank shall be authorised to exercise supervision over the activities of the Credit Information Bureau. Such supervision involves the inspection and regulation of the Credit Information Bureau for the purposes of ensuring financial stability, the protection of consumers' rights, the security/safety of information, and the continuity of activities, it also involves the issuance of written instructions, requirements (including financial and operational requirements), restrictions (including those for service fees) and the imposition of sanctions, and for this purpose, the issuance of relevant legal acts.
2. A business entity intending to carry out the activities of the Credit Information Bureau, shall register with the National Bank and meet the requirements established by the National Bank. Procedures for registration of the Credit Information Bureau with the National Bank, for deregistration and those for regulating the Credit Information Bureau shall be established by the legal act of the National Bank.
3. A loan holder organisation shall provide the Credit Information Bureau with information on loans/credits, in accordance with procedures provided for by the National Bank.
4. The National Bank shall establish procedures for providing to and registering with the Credit Information Bureau of information in the territory of Georgia, and procedures for the availability of such information.
5. The National Bank shall be authorised to impose monetary penalty on a subject determined by Article 48(1) of this Law in accordance with procedures determined by the National Bank, for violation of the requirements on provision of information to the Credit Information Bureau as provided for by the legal acts of the National Bank and/or this Law.

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*



## **Article 52<sup>2</sup> – Supervision over the activities of a loan holding entity**

1. The National Bank shall be authorised to supervise the activities of a loan holding entity. Such supervision involves registration and deregistration of a loan holding entity, its inspection and regulation, the issuance of written instructions, and the imposition of requirements, restrictions and sanctions.
2. A loan holding entity shall register with the National Bank and meet the requirements established by the National Bank. Procedures for registration of a loan holding entity with the National Bank, for deregistration and regulation shall be determined by the legal act of the National Bank.
3. The National Bank shall be authorised to impose sanction (including the monetary penalty) on a loan holding entity for violation of this Law and legal acts and/or requirements of the National Bank, in accordance with procedures determined by the National Bank. The amount of the monetary penalty shall be directed to the State Budget of Georgia.
4. The obligation to register provided for by paragraph 2 of this article shall not apply on:
  - a) a representative of the financial sector;
  - b) the issuance of a loan by a business entity to a partner/shareholder and/or an employee of an enterprise.
5. A loan holding entity (a business entity) is obliged to meet the requirements determined by an order of the Minister of Internal Affairs of Georgia with regard to the security and the possession and operation of special software for recording movable things received as a means of security for monetary claim.

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 3320 of 21 July 2018 – website, 7.8.2018*

## **Article 52<sup>3</sup> – Supervision over the activities of the Pension Agency**

The National Bank shall be authorised to:

- a) carry out prudential regulation of investment activities of the Pension Agency, in accordance with the Law of Georgia on Funded Pensions;
- b) periodically inspect the compliance of the investment activities of the Pension Agency with limits determined by the investment policy document;
- c) determine the minimum admissible rating of financial and non-financial instruments and additional requirements with respect to issuers of financial instruments, in which the Pension Agency may make investments;
- d) within the competence determined by the Law of Georgia on Funded Pensions, and where there is significant defect identified, give a compulsory instruction to the Pension Agency and/or public recommendation on the elimination of the mentioned defect, specifying the reasonable time frames;
- e) carry out a temporary regime of a special administration of the Pension Agency in accordance with the Law of Georgia on Funded Pensions and procedures determined by it;
- f) determine additional regulating procedures for a specialised depository serving the Pension Agency. The procedures may apply to the assets of the specialised depository, the experience of personnel, technical and software provision, or any other matters that are deemed necessary by the National Bank;
- g) acknowledge a specialised depository and an assets management company licensed by the other state in accordance with procedures determined by it;
- h) determine the minimum admissible rating and additional requirements for the assets management company(ies) registered in Georgia or abroad;
- i) carry out the audit of the Pension Agency, the specialised depository and assets management company(ies) on the place of their business activities in accordance with the Law of Georgia on Funded Pensions and other legislative and subordinate normative acts of Georgia;
- j) review and issue legal acts related to the prudential regulation of the investment activities of the Pension Agency in accordance with the legislation of Georgia;
- k) exercise other powers determined by the Law of Georgia on Funded Pensions.

*Organic Law of Georgia No 3264 of 21 July 2018 – website, 6.8.2018*

## **Chapter IX – (Deleted)**

*Organic Law of Georgia No 2465 of 29 May 2014 – website, 2.6.2014*

## **Article 53 – (Deleted)**

*Organic Law of Georgia No 1274 of 20 September 2013 – website, 2.10.2013*

*Organic Law of Georgia No 2465 of 29 May 2014 – website, 2.6.2014*

## **Article 54 – (Deleted)**

*Organic Law of Georgia No 1274 of 20 September 2013 – website, 2.10.2013*

*Organic Law of Georgia No 2465 of 29 May 2014 – website, 2.6.2014*

## **Article 55 – (Deleted)**



## **Chapter IX<sup>1</sup> – Resolution and Liquidation of a Commercial Bank, Coordination of Crisis Situation and Crisis Management**

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

### **Article 55<sup>1</sup> – Resolution purposes of a commercial bank and the resolution powers of the National Bank**

1. The National Bank shall, directly or through a special manager, be authorised to carry out the resolution of a commercial bank licenced in Georgia or of a foreign bank branch. During the resolution process the National Bank shall be guided by the following purpose of resolution:

- a) the protection of the continuity of the critical functions of a commercial bank;
- b) the avoidance of negative impact on the stability of the financial system;
- c) the protection of the budgetary and state funds;
- d) the protection of the insured deposits in accordance with the Law of Georgia on Deposits Insurance System;
- e) the protection of the consumer funds and assets.

2. The National Bank shall be authorised to establish a list and/or criteria of the critical functions of a commercial bank provided for by paragraph 1(a) of this article by a legal act.

3. The resolution purposes determined by paragraph 1 of this article shall be of equal importance. The National Bank shall take all measures to achieve the purposes for resolution within the framework of the resolution mode, taking into account specific conditions characteristic to each case. In accordance with the resolution purposes, the National Bank, as far as possible, shall ensure the minimisation of resolution costs and creditor losses.

4. The National Bank shall, in order to achieve the resolution purposes determined by paragraph 1 of this article, be authorised to issue legal acts, issue the direction of the National Bank, establish additional requirements, develop resolution plans for a commercial bank, administer the Resolution Fund, apply the resolution mode to a commercial bank and exercise resolution powers within the framework of this mode in accordance with the legislation of Georgia.

5. The National Bank shall, within the scope of its competence, be authorised to request any person to provide and obtain any information (including confidential information) for the purpose of exercising resolution powers.

6. A commercial bank and other person shall be obliged to fulfil the instructions, directions, requirements and limitations established within the framework of the resolution mode by the National Bank as well as support the National Bank in achieving resolution purposes. When necessary, law enforcement agencies shall provide appropriate assistance to the National Bank.

7. The National Bank shall publish the decision on the application of the resolution mode on the website of the Legislative Herald of Georgia. Other information on the above decision shall be published on the official website of the National Bank with the observation of confidentiality.

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

### **Article 55<sup>2</sup> – Exercising the resolution powers of the National Bank**

1. The National Bank shall be authorised to make a decision on the application of the resolution mode. After this decision is made, the National Bank shall be authorised to exercise all resolution powers that are necessary to achieve the resolution purposes, including:

- a) to carry out a full control of a commercial bank in the resolution mode in accordance with the procedure established by this Law and the Law of Georgia on Commercial Bank Activities, including exercising full powers of a commercial bank;
- b) in the cases provided for by the Law of Georgia on Commercial Bank Activities, to not observe the resolution principles determined by Article 32(b) and (c) of the same Law;
- c) to carry out the evaluation of the assets and liabilities of a commercial bank in the resolution mode;
- d) to dismiss an employee or administrator of a commercial bank and appoint other persons;
- e) to make a decision on the suspension of any operation, transaction or other activities of a commercial bank;
- f) to temporarily introduce a moratorium on commercial bank overdue liabilities and/or limit the party's ability to apply early termination powers to a qualified financial contract with a commercial bank provided for by the Law of Georgia on Financial Collateral Agreement, Mutual Offset and Derivatives;
- g) to apply to the court for suspension of the proceeding against a commercial bank in accordance with the procedure established by the Civil Procedure Code of Georgia;
- h) to carry out the merger of a commercial bank with another commercial bank or transfer ownership of commercial bank shares to another person;
- i) to transfer the assets and liabilities of a commercial bank to the third party(parties). While exercising these powers, the National Bank shall ensure that the deposits are transferred only to another commercial bank or an interim bank;
- j) to write off shares and/or other supervisory capital instruments and/or convert the supervisory capital instruments (except for shares) into the ordinary shares or other property instruments of a commercial bank;



- k) to request a commercial bank in the resolution mode to emit new shares, other property instruments and/or other supervisory capital instruments;
- l) to write off liabilities of a commercial bank and/or convert them into the ordinary shares of a commercial bank or other property instruments;
- m) except for the use of the termination power of an agreement by a commercial bank on the basis of the agreement, to terminate any agreement entered into by a commercial bank (including by mutual offset) as well as derivative contracts;
- n) to cancel debt instruments and other liabilities emitted by a commercial bank (except for the secured liabilities) or change their due date, interest rate and/or time limit for interests;
- o) in accordance with the procedures established by the legislation of Georgia, to request the compensation for damage, including obtained premium, variable remuneration or similar income, from the shareholder, administrator or other employee whose actions harmed a commercial bank;
- p) except for the action carried out on the basis of the Law of Georgia on Financial Collateral Agreement, Mutual Offset and Derivatives, by applying to the court, to challenge the action or transaction of an administrator of a commercial bank during 1 year prior to application of the resolution mode and request its voidness if, as a result, the person concerned received material benefits at the expense of a commercial bank or enjoyed any advantage, privilege or benefit that harmed a commercial bank or its creditors;
- q) for the purpose of the effective resolution, to enter into agreement with an independent auditor, evaluator, lawyer, accountant, consultant and/or other person at the expense of a commercial bank. The National Bank shall cover the costs of the services rendered by this person before the application of the resolution mode;
- r) to take all necessary measures for the effective management of an interim bank, develop instructions for the plan of withdrawal from the market of an interim bank and agree with the developed plan;
- s) to issue a legal act on the application of the resolution-related requirements established by this Law to a foreign bank branch;
- t) to issue legal acts for the purpose of exercising powers provided for by this paragraph.

2. The National Bank shall, for the purpose of resolution, be authorised to exercise resolution powers determined by this Law and the Law of Georgia on Commercial Bank Activities jointly or individually, taking into account specific conditions characteristic to each case.

3. Notwithstanding the requirements established by the legislation of Georgia and the founding documents of a commercial bank, and procedures established by agreements and emission prospect, the National Bank and a special manager appointed by the National Bank shall exercise resolution powers without a consent of shareholders, creditors and debtors of a commercial bank/interim bank. This rule shall also apply to the requirements of the approval of notification, issuance, the registration of document and emission prospect by the National bank and other requirements established by the legislation of Georgia.

4. For the purpose of ensuring the principle of continuity of critical functions of a commercial bank, any third person providing critical service to a commercial bank, on the request of the National Bank, shall be obliged to continue providing this service with the same condition to a commercial bank in the resolution mode, to its successor in title, as well as to the purchaser of a commercial bank and/or an interim bank on the basis of the decision of the National Bank. For this purpose the National Bank may provide the services of the third person to a purchaser or successor bank or an interim bank on the expenses of a commercial bank.

5. The National Bank shall, for resolution purposes, be authorised to change founding documents/statute of a commercial bank and request the registration authority to register these changes. The registration authority shall comply with this requirement immediately.

6. The expedited/simplified procedure shall apply if, for the resolution purpose, there is a necessity of the withdrawal of shares or securities from the stock exchange/temporary suspension of the securities on the stock exchange, allowing new shares on the stock exchange, re-admission of the securities reduced to zero to the stock exchange or giving a consent on purchasing a significant share. By the decision of the National Bank, the requirements for disclosure and reporting provided for by the Law of Georgia on Securities Market may not be observed or delayed for a certain period of time.

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

*Organic Law of Georgia No 5687 of 20 December 2019 – website, 31.12.2019*

### **Article 55<sup>3</sup> – Liquidation of a commercial bank**

1. After the cancellation of a banking licence the National Bank shall begin the liquidation process of a commercial bank in accordance with the Law of Georgia on Commercial Bank Activities or procedures established by the National Bank.

2. The function of the liquidator of a commercial bank shall be carried out by a person appointed by the National Bank in accordance with the procedure established by the National Bank. The liquidator of a commercial bank is accountable to the National Bank. The commercial bank liquidator shall have full authority over all commercial bank bodies.

3. A commercial bank liquidator shall be authorised to sell the shares of a commercial bank in the liquidation mode at the public auction or choose another form of realisation with the agreement of the National Bank, transfer the right of requesting these assets to the creditors in a sequence, as well as transfer these assets and/or liabilities and/or a part of them to the third parties.





4. The liquidation process of a commercial bank shall not prejudice the resolution powers applied to a commercial bank (if any) and the resolution purposes.

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

#### **Article 55<sup>4</sup> – Temporary state financing**

1. For the purpose of financing the resolution process, the Ministry of Finance of Georgia shall provide temporary state financing if this is necessary for ensuring the stability of a financial system and it is impossible to find a non-state financing source or this financing is not/will not be enough. The temporary state financing shall be provided after the shareholders and the creditors determined by Article 37<sup>12</sup>(10)(m-r) of the Law of Georgia on Commercial Bank Activities receive first loss in the reverse order of satisfaction of the requirements set for liquidation, taking into account resolution purposes and principles.

2. The National Bank shall refer to the Ministry of Finance of Georgia with the request of temporary state financing determined by paragraph 1 of this article. This requirement shall include the review of the planned resolution tools to be applied and the substantiation of the necessity of temporary state financing, including the amount, form and terms of financing with consideration of the resolution purposes and principles determined by the legislation of Georgia.

3. If the Ministry of Finance of Georgia agrees with the requirement established by paragraph 2 of this article, it shall provide temporary state financing in one or more of the following forms:

a) participation in the capital of an interim bank;

b) purchasing of a share of a commercial bank in the resolution mode or taking the liabilities arisen from the supervisory capital instruments of a commercial bank;

c) allocation of funds in favor of the Resolution Fund in accordance with the procedure established by Article 55<sup>5</sup> of this article;

d) issuance of loan and/or guarantee and/or financing in a required form for resolution purposes, including direct financing.

4. If the Ministry of Finance of Georgia, directly or indirectly, purchases a share in a commercial bank, it shall take all measures in order to manage a commercial bank in an adequate and professional manner. After purchasing shares and other supervisory capital instruments of a commercial bank by the Ministry of Finance of Georgia, a commercial bank shall be obliged to develop an action plan containing the measures necessary for a financial stability of a commercial bank in a log-term period which shall be approved by the National Bank.

5. The procedure for issuing temporary state financing shall be determined by a joint legal act of the National Bank and the Ministry of Finance of Georgia.

6. The National Bank and the Ministry of Finance of Georgia shall, within the framework of the temporary state financing, for the purpose of the compensation of the allocated funds, determine for commercial banks licenced in Georgia and foreign bank branches the obligation of contributions by transferring them to the Resolution Fund. The above contributions shall be determined for each commercial bank on the basis of objective and proportional criteria. The proportionality criteria concern the implementation of those contribution obligations proportionally which do not involve the obligations which are simultaneously the supervisory capital instruments or insured deposit. The objective criteria involve the risk profile of a commercial bank.

7. The criteria for imposing contribution and its implementation shall be determined by the joint legal act of the Ministry of Finance of Georgia and the National Bank which among other issues shall establish: the grounds for imposing a contribution, exceptions, risk profile details, the upper limit of contribution, its periodicity and terms. The upper limit of a contribution shall be determined with consideration of the principle that the contribution does not pose a threat on the liquidity or solvency of a commercial bank.

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

#### **Article 55<sup>5</sup> – Resolution Fund**

1. For the purpose of effective resolution the National Bank shall open a bank account – the Resolution Fund – determined by Article 32 of this Law. The Resolution Fund may be used within the frame of temporary state financing, including issuing loan or guarantee for a commercial bank in the resolution mode or an interim bank, transferring or the alienation of the shares, assets and/or liabilities of a commercial bank or in the case of the application of banking instrument, with the purpose of compensating the difference between transferred liabilities and assets, as well as for the purposes of Article 37<sup>10</sup>(12) and/or 37<sup>11</sup>(4) of the Law of Georgia on Commercial Bank Activities. When necessary, a loan and/or guarantee may be issued to a purchaser of shares, assets and/or liabilities of a commercial bank within the framework of alienation of shares, assets and/or liabilities of a commercial bank or application of the resolution tools.

2. The National Bank shall manage and administer the Resolution Fund. The National Bank shall not be liable for the liabilities arisen from the use of the Resolution Fund. The application of legal restrictions on the assets of the Resolution Fund shall not be permitted under the laws of Georgia, including lien, seizure and/or enforcement.

3. The National Bank shall be obliged to prepare the financial report of the Resolution Fund separately from the financial report of the National Bank. An independent auditor shall verify the financial report. The value of the assets of the



Resolution Fund shall be recorded in accordance with the international financial reporting standards.

4. The Resolution Fund includes loans, guarantees and grants to be issued by the Ministry of Finance of Georgia, as well as funds received from other sources within the limits set by the State Budget Law of Georgia. The guarantee issued by the Ministry of Finance of Georgia may be used to secure the liabilities of the Resolution Fund.

5. The procedure for establishing, cancelling and administering the Resolution Fund shall be determined by the legal act provided for by Article 55<sup>4</sup>(5) of this Law. This legal act may also set out the procedures for obtaining the consent required for certain transactions, establishing their reporting requirements, investing funds in the Resolution Fund, and requesting such funds by the Ministry of Finance of Georgia.

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

#### **Article 55<sup>6</sup> – Preparation for crisis situations and crisis management**

1. For the purpose of facilitating the stable functioning of the financial system an Interagency Financial Stability Committee ('the Committee') shall be established that is responsible for developing mechanisms for managing crisis situations and financial crisis. The Committee shall consist of the Minister of Finance of Georgia, the president of the National Bank, the chairpersons of the Legal Entities under Public Law called Deposit Insurance Agency of Georgia and Insurance State Supervision Service of Georgia. By the decision of the Committee, representatives of other state/administrative bodies may also be included as members of the Committee. The Committee shall be chaired and represented by the Minister of Finance of Georgia, when absent – a person performing his/her the functions. A member of the Committee may delegate to another person the authority to attend the Committee.

2. The Committee shall meet at least once a year or on the request of the National Bank.

3. The functions of the Secretariat of the Committee shall be performed by the National Bank. Unless otherwise provided by the statute of the Committee, the members of the Committee shall decide unanimously.

4. For the purpose of achieving a goal provided for by paragraph 1 of this article, the members of the Committee shall cooperate with each other to the fullest extent possible within the scope of the powers conferred by the legislation of Georgia with the observation of the principle of independence.

5. The National Bank shall be obliged to:

- a) notify the Committee on the potential stability threats and risks and provide with all necessary information it possesses;
- b) notify the Committee in a timely manner on the necessity of the resolution of a commercial bank, temporary state financing and/or the last resort loan provided for by Article 33(3) of this Law.

6. The members of the Committee shall provide the Committee with all necessary information (including confidential information), including information on identified risks that may be important to the functioning of the Committee. The members of the Committee shall keep confidentiality in accordance with the procedure established by the legislation of Georgia.

7. The activities of the Committee shall be governed by the statute adopted by the Committee on the basis of a joint agreement of all its members. The statute of the Committee regulates the procedural issues of information exchange by the members of the Committee, as well as the joint identification of the systematic risks and analysing them, the procedure for the evaluation of the systematic risk scenarios, the procedure for the pre-evaluation of crisis situations and management of operational planning, the procedures for conducting appropriate simulations and other issues related to the functioning of the Committee.

8. The Committee/ Secretariat of the Committee shall, together with the annual report of the National Bank, publish annual activity report of the Committee.

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

### **Chapter X – Reports, Financial Reporting, Audit and General Reporting of the National Bank**

#### **Article 56 – Financial year of the National Bank**

The financial year of the National Bank shall begin on the first day of January and end on the last day of December.

#### **Article 57 – Accounting**

The National Bank shall keep its accounts, operations and other documentation necessary to present its financial status, according to international accounting standards and international financial reporting standards.

#### **Article 58 – Financial reporting of the National Bank**

The National Bank shall draw up a financial statement for each financial year. A financial statement shall cover a balance sheet, a profit and loss report, a report on the change of its own capital, a report on cash flows, and explanatory notes related to the above.

#### **Article 59 – Audit of reports of the National Bank**

- 1. Reports of the National Bank shall be audited by an independent auditing firm appointed by the Parliament of Georgia.
- 2. To carry out an external audit of the reports of the National Bank, the Parliament of Georgia shall select one auditing



firm (external auditor) from the world's four largest auditing firms, not later than 1 November, for a period of at least two but not to exceed four years.

3. The State Audit Office shall audit only administrative and capital expenses of the National Bank.

*Organic Law of Georgia No 6551 of 22 June 2012 – website, 29.6.2012*

*Organic Law of Georgia No 2465 of 29 May 2014 – website, 2.6.2014*

*Organic Law of Georgia No 2795 of 27 November 2014 – website, 2.12.2014*

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 3904 of 6 December 2018 – website, 14.12.2018*

## **Article 60 – Submission and publication of the balance sheet and documents of the National Bank**

1. The National Bank shall prepare as soon as possible, but not later than within 10 working days, submit to the Parliament of Georgia and publish a non-audited balance sheet as of the last working day of the reporting month.

2. Within not later than four months after completion of a financial year, the National Bank shall publish and submit for approval to the Parliament of Georgia the previous year's audited financial statement and a report provided in Article 61 of this Organic Law.

3. In addition to financial statements and documents under paragraphs 1 and 2 of this article, the National Bank may publish other reports and studies on financial and economic issues, which the National Bank considers appropriate to publish.

## **Article 61 – Determining basic directions of monetary and exchange rate policies and reporting**

1. The National Bank shall independently set an inflation target.

2. Not later than 1 October of each year, the National Bank shall submit to the Parliament of Georgia draft basic directions of monetary and exchange rate policies for the following three years.

3. By the end of the current year, the Parliament of Georgia shall approve the basic directions of monetary and exchange rate policies.

4. Unless the Parliament of Georgia approves the draft basic directions of monetary and exchange rate policies submitted by the National Bank of Georgia, the National Bank shall act within the framework of the draft it has developed.

5. The draft basic directions of monetary and exchange rate policies shall contain an inflation target, key instruments of monetary policy that the National Bank will use to achieve the inflation target, and an overview of potential risks.

6. Annually, not later than four months after the end of a financial year, the National Bank shall submit to the Parliament of Georgia a report on the implementation of a monetary and credit, and currency and supervision policy. The National Bank shall reflect in the annual report the compliance of the investment activities of the Pension Agency with the Law of Georgia on Funded Pensions and the requirements of the National Bank. The Parliament of Georgia shall approve the submitted report.

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 3264 of 21 July 2018 – website, 6.8.2018*

## **Article 62 – Clearing and payment agreements**

The National Bank shall be authorised to make clearing and payment agreements or any other contracts for the same purpose with public and private central clearing institutions of a foreign country both on its own behalf and for and on behalf of the State.

## **Article 63 – Mechanism of clearing, settlement, payment services and payment systems**

1. The National Bank shall be authorised to develop and issue, at its own discretion, legal acts regulating clearing, settlement, payment services and payment systems, establish procedures and requirements, organise the formation and introduction of payment systems in Georgia, manage and ensure servicing and administration of these systems, assist other banks in formation of payment systems, and provide supervision of payment systems and payment services existing in Georgia.

2. The National Bank shall be authorised to register securities issued in Georgia in the own securities settlement system, ensure appropriate settlement using such system, and for the purpose of maintaining securities and settlement, to open accounts for the Government of Georgia, the government of a foreign country, the Central Bank, the Central Depository, the person rendering custodian services, and for other financial institutions, and for this purpose, to determine appropriate procedures and criteria.

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

## **Chapter XI – Additional Rights and Basic Prohibitions of the National Bank**

## **Article 64 – Preferential and unconditional right of the National Bank**



1. At maturity, the National Bank shall have the preferential and unconditional right to satisfy any of its demands from funds available in a debtor's accounts, from cash balances, or from tangible assets owned by a debtor. This procedure shall not apply to funds available in the reserve requirements account at the National Bank.
  2. The National Bank may exercise a preferential right to place the available funds in its account and, by selling other assets at an auction, withhold the amount due from the proceeds, after deduction of the costs associated with the sale of assets. The National Bank shall determine the procedures for holding auctions. If an auction is declared failed, the National Bank shall be authorised to satisfy its requirement by directly obtaining the title to property. The relevant bodies shall be obliged to issue a document to the National Bank confirming its title to such property.
  3. By decision of the Board of the National Bank, the powers provided for by paragraphs 1 and 2 of this article may or may not be applied to a commercial bank in the liquidation or resolution mode.
- Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

#### **Article 64<sup>1</sup> – Consumer rights protection**

The National Bank may, by an appropriate legal act, determine the following in relation to representatives of the financial sector and a loan holding entity:

- a) regulations different from those provided for in Article 625(4), Article 625(5) (except for interest earnings), Article 625(7-8) (for an advance payment interest), and Article 868(8) of the Civil Code of Georgia;
- b) in the case of granting of a loan or a bank credit, or attraction of funds, the procedure for providing necessary information to consumers;
- c) regulations different from those provided for in Article 276(3), Article 300(2<sup>1</sup>) and Article 301(1<sup>2</sup>) of the Civil Code of Georgia, or additional regulations.

*Organic Law of Georgia No 238 of 29 December 2016 – website, 13.1.2017*

*Organic Law of Georgia No 3320 of 21 July 2018 – website, 7.8.2018*

#### **Article 65 – Activity prohibited for the National Bank**

Except for cases directly provided in this Organic Law, the National Bank shall be prohibited to:

- a) provide financial assistance in any form, including by granting a direct loan, buying a gratuitous loan or a conditional loan, or by undertaking loan or conditional obligations by equity participation loan, or by other commitments;
- b) implement commercial activity, purchase shares;
- c) acquire, by purchasing, leasing or otherwise, the full or partial right to immovable property, except when it is necessary or expedient to use the building for administrative activities, for execution of operations, or for other situations related to the implementation of the objectives provided in this Organic Law;
- d) issue a loan to the Government of Georgia and state institutions, except for the legal entity under public law called the Deposit Insurance Agency.

*Organic Law of Georgia No 858 of 17 May 2017 – website, 2.6.2017*

#### **Article 66 – Exclusive powers of the National Bank**

The National Bank shall be authorised to:

- a) issue loans, acquire the right to equity participation, or otherwise participate in the activity of any organisation, whose operation is related to performing the functions and attaining the objectives of the National Bank;
- b) define a list of employees of the National Bank system, who have the right to carry firearms, as provided for by law;
- c) ensure manufacturing, procurement and sale of gold bars;
- d) execute operations with gold and/or financial instruments related to gold under procedures it has established. The Law of Georgia on Securities Market shall not apply to these financial instruments, and they shall be registered and circulated under procedures established by the National Bank;
- e) ensure production, purchase and sale of articles necessary for the popularisation of the national currency;
- f) manage deposits insurance fund;
- g) where necessary, ensure logistical support to the legal entity under public law called the Deposit Insurance Agency, on the basis of the decision of the board of the National Bank.

2. For the purposes of paragraph (1)(g) of this article, logistical support shall not be deemed financial support, except for a loan under Article 31(4) of this Law.

*Organic Law of Georgia No 2828 of 23 March 2010 – LHG I, No 19, 13.4.2010, Art., 102*

*Organic Law of Georgia No 5001 of 1 July 2011 – website, 15.7.2011*

*Organic Law of Georgia No 5527 of 20 December 2011 – website, 28.12.2011*

*Organic Law of Georgia No 6320 of 25 May 2012 – website, 12.6.2012*

*Organic Law of Georgia No 858 of 17 May 2017 – website, 2.6.2017*

#### **Article 67 – Regulatory provisions**

1. When performing its duties, the National Bank shall enjoy autonomous (independent) regulatory power. The National



- Bank shall keep a public register of normative acts, directives and instructions.
2. The formats and standards defined in the issues of electronic settlement of accounts and information security, which are established under an appropriate procedure by the National Bank within the scope of its authority, shall be forwarded to commercial banks and non-bank depository institutions individually. They shall be effective from the date defined by the National Bank.
3. Unless immediate entry of a normative act into force is needed, the National Bank shall send a draft normative act to the Ministry of Justice of Georgia for a legal expertise, except for cases defined by a normative act of the Minister of Justice of Georgia.
4. An adopting (issuing) body (official) shall determine the need for the immediate entry into force of a normative act. A normative act issued by the National Bank, in order to be assigned a state registration code, shall, immediately, but not later than the following working day, be submitted to the Ministry of Justice of Georgia. A normative act, which is to enter into force immediately, shall become effective from the date specified in it.
5. If the norm of immediate entry into force of a normative act is applied, this normative act shall include a separate article to specify the reasons of its immediate entry into force.
6. The National Bank, during the course of its activities, shall be authorised to create, receive, send, keep and issue any document in a material and/or electronic form (including, in the form of archive materials), which may have legal consequences, as well as to use an electronic document management system and an electronic and/or qualified electronic signature. An electronic document and its printed version shall have the same legal force as a material document. For the purposes of this article, the National Bank shall be authorised to determine a policy, on the basis of a legal act, for the use of an electronic document management system and an electronic signature for the purposes of its own activities.
- Organic Law of Georgia No 5527 of 20 December 2011 – website, 28.12.2011*
- Organic Law of Georgia No 6017 of 10 April 2012 – website, 30.4.2012*
- Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*
- Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*
- Organic Law of Georgia No 668 of 21 April 2017 – website, 10.5.2017*
- Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

#### **Article 68 – Administration standards**

1. The National Bank shall exercise powers granted to it under this Law on the basis of the principles of equality and impartiality and in compliance with accepted administration standards.
2. The National Bank shall refrain from using the powers specified in paragraph (1) of this article to achieve such a goal that is not in line with these powers, or shall exercise its rights to the extent exceeding the necessary measures to achieve a respective legitimate goal.
3. To fulfil the provisions of this Law, the decisions of the National Bank shall be subject to the principles of impartiality. Their motivation must be objective and rational. All decisions shall be executed in compliance with legal standards and shall serve the goals set.
4. If an individual administrative-legal act of the National Bank is being appealed to court, the plaintiff shall bear the burden of proof according to Article 17(2) of the Administrative Procedures Code of Georgia.
5. If an administrative act of the National Bank is being appealed to court, the effect of such administrative act may not be suspended until the final judgement on appeal is made, unless otherwise decided by the National Bank.
- 5<sup>1</sup>. When appealing a decision of the National Bank, the court relies on qualitative and quantitative evaluations made by the National Bank, except where the evaluation contains a clear error/deficiency.
- 5<sup>2</sup>. By the decision of the National Bank, after the application of the resolution mode, if the decisions made by the National Bank during the resolution mode or the decision of the cancellation of banking licence are appealed in the court, when revoking this decision the court may impose only the compensation of the actual damage on the National Bank that shall not be paid from the Resolution Fund.
6. No current or former employee of the National Bank shall be personally responsible for his/her act or inaction with regard to any person, if he/she performed this act or refrained from it in good faith, in the course of performing his/her duties, according to the legislation of Georgia. The National Bank shall be obliged, where an act or the refraining from carrying out such act by a current or a former employee is related to the performance of official duties, to protect the interests of an employee (except for the case where the dispute against an employee is initiated by the National Bank) in the dispute related to the performance of official duties, which may be reflected in rendering legal services to the employee, the compensation of expenses related to the dispute, and in other measures that may be deemed necessary by the National Bank for the protection of the interests of the employee. This paragraph shall apply to the temporary administrator, special manager, liquidator of a commercial bank, as well as on the administration of an interim bank only within the scope of the powers conferred by the National Bank.
- 6<sup>1</sup>. (Deleted – 10.3.2017).
- 6<sup>2</sup>. (Deleted – 10.3.2017).
7. The President, Vice-presidents, an officer of the National Bank authorised by them, or, in a special case, another



person, shall represent the National Bank in court, before other bodies and persons.

8. (Deleted – 10.3.2017).

*Organic Law of Georgia No 4188 of 3 September 2015 – website, 10.9.2015*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 1894 of 23 December 2017 – website, 11.1.2018*

*Organic Law of Georgia No 5654 of 20 December 2019 – website, 31.12.2019*

## **Chapter XII – Transitional and Final Provisions**

### **Article 69 – Indebtedness of the Government of Georgia to the National Bank of Georgia**

Indebtedness (credits obtained and re-registered debt obligations) of the Government of Georgia to the National Bank of Georgia, which is the domestic public debt, shall be covered by 16 March 2030, on the basis of the agreement signed between the Government of Georgia and the National Bank of Georgia, so that to annually re-register one part of the debt as a one-year, annually renewable public debt obligation – as a government bond intended for the National Bank of Georgia, and to re-register another part as government bonds with various terms for open market operations, which shall be covered from the State Budgets of Georgia for respective years.

### **Article 70 – Transitional provisions**

1. A Legal Entity under Public Law – the Georgian Financial Supervision Agency set up by the National Bank of Georgia shall be liquidated on 1 December 2009.

2. The National Bank of Georgia shall be reorganised.

3. The reorganised structural units of the National Bank of Georgia shall exercise the powers of the Georgian Financial Supervision Agency.

4. The National Bank of Georgia shall be the legal successor of the Georgian Financial Supervision Agency.

5. Buildings, technical means and other property on the balance sheet of the Georgian Financial Supervision Agency shall be transferred to the National Bank of Georgia.

6. Normative acts regulating the financial sector of Georgia shall remain in force until new normative acts are issued by the National Bank of Georgia.

7. Licenses and permits issued and registrations made with regard to the activity of the financial sector, which have not been revoked, shall remain in force.

8. After entry of this Organic Law into force:

a) the National Bank of Georgia shall ensure the compliance of legal acts falling within the scope of its authority with this Organic Law;

b) the Government of Georgia shall ensure compliance of the legislation of Georgia with this Organic Law.

9. Article 25 of this Organic Law shall not apply to the distribution of net profits of the National Bank for the 2008 financial year, which shall be disposed of according to the legislation effective in 2008.

10. From 1 March 2014 through 1 June 2015, the National Bank of Georgia shall exercise, with regard to investment funds, the power of a supervisory body provided under the Law of Georgia on Collective Investment Undertakings.

11. Before the amount of an extra salary for a Board member of the National Bank is determined under an appropriate legal act of the Parliament of Georgia, the Board of the National Bank may determine the extra salary for a Board member of the National Bank.

12. Legal acts regarding the approval of the amount of an extra salary for a Board member of the National Bank issued before the legal act under paragraph 11 of this article becomes effective shall remain valid.

13. From 1 January 2019 the matters related to the circulation of 1 tetri and 2 tetri nominal value coins shall be regulated by the legal act of the Board of the National Bank.

*Organic Law of Georgia No 1828 of 24 December 2013 – website, 28.12.2013*

*Organic Law of Georgia No 2211 of 4 April 2014 – website, 8.4.2014*

*Organic Law of Georgia No 2954 of 12 December 2014 – website, 23.12.2014*

*Organic Law of Georgia No 101 of 16 December 2016 – website, 20.12.2016*

*Organic Law of Georgia No 436 of 10 March 2017 – website, 22.3.2017*

*Organic Law of Georgia No 3313 of 21 July 2018 – website, 31.7.2018*

### **Article 71 – Entry into force of this Law**

1. This Organic Law, except for Articles 1-69 and Article 70(3-8), shall enter into force upon its promulgation.

2. Articles 1-69 and Article 70(3-8) of this Organic Law shall enter into force on 1 December 2009.

3. The Organic Law of Georgia on the National Bank of Georgia of 23 June 1995 shall be declared void from 1 December 2009 (The Parliamentary Gazette, 1994-1995, No 27-30, Art. 642).



