

**LAW OF GEORGIA
ON THE ACTIVITIES OF MICRO-BANKS**

Chapter I – General Provisions

Article 1 – Scope of the Law

1. The purpose of this Law is to legally regulate the activities of micro-banks operating in Georgia, to create a healthy environment for their development and to ensure free competition in the market.
2. A micro-bank shall use the term 'micro-bank' in its company name and contractual relations, apart from the denomination provided for by the Law of Georgia on Entrepreneurs.
3. A micro-bank shall be permitted to use the term 'bank' as its name, except in cases provided for by paragraph 2 of this article.

Article 2 – Definition of terms

1. For the purposes of this Law, the terms used herein shall have the following meanings:
 - a) administrator – a member of the supervisory board of a micro-bank, a member of the directorate of a micro-bank and/or other person who, directly or indirectly, has the power and responsibility to plan, manage and/or control the activities of a micro-bank. The list of the positions of said persons is approved by the supervisory board of a micro-bank;
 - b) micro-bank – a legal person established in the legal form of a joint stock company, which is licensed by the National Bank of Georgia and carries out banking activities as provided for by this Law;
 - c) persons connected to a micro-bank – administrators, shareholders, and their relatives who, according to the Civil Code of Georgia, are first or second line heirs by law, or persons related to them by business interests;
 - d) beneficial owner – a person receiving financial or other benefits under the law or an agreement, and who has no obligation to transfer these benefits to another person; and if a beneficial owner is a legal person established for non-entrepreneurial (non-commercial) purposes, or if an owner is a legal person that has no person with a qualifying holding, a beneficial owner is a member of the management body;
 - e) group of jointly acting partners (shareholders) – a group of closely related partners (shareholders), or partners (shareholders) connected to each other by commercial interests in addition to the micro-bank interest, or partners (shareholders) among whom there is an express or implied agreement in any form on the purchase of a qualifying holding in the micro-bank;
 - f) activities of a micro-bank – activities as provided for by Article 3 of this Law;
 - g) financial institution – a financial institution as defined in the Law of Georgia on Securities Market;
 - h) subsidiary undertaking (subsidiary organisation) – a legal person or an organisational entity with no legal personality controlled by a parent undertaking (parent organisation);
 - i) parent undertaking (parent organisation) – a legal person with one or more subsidiary undertakings (subsidiary organisations);
 - j) control – the direct or indirect ownership of 50% or more than 50% of the shares with voting rights/holding in the undertaking, and/or the authority to manage the activities of the undertaking granted on the basis of a contract entered into with the undertaking, its charter and/or an agreement entered into with other shareholders or partners, enabling the controlling person to receive economic benefit and influence the amount thereof, including the power to appoint or dismiss the majority of administrators;
 - k) controlling person – a person who carries out control;
 - l) affiliate – an undertaking subject to the control of a legal person, as well as its controlling persons and undertakings subject to their control;
 - m) person – a natural or legal person, as well as an organisational formation provided for by the legislation of Georgia which is not a legal person;
 - n) qualifying holding – more than 10% of the micro-bank's paid-up capital or authorised capital and/or shares with voting rights directly or indirectly owned by a person or a group of jointly acting partners (shareholders), and/or the ability of a person or a group of jointly acting partners (shareholders) to exercise a significant influence over the micro-bank, and/or control over the micro-bank, regardless of the amount of holding in the capital and/or shares with voting rights;
 - o) significant influence – the right to participate in decision-making related to the financial and operational policy of an undertaking, which is not control or joint control of this policy;
 - p) indirect participation (holding) – the holding of shares in the capital of a legal person through a relevant third person;
 - q) regulatory capital – a type of capital that is created to carry out the activities of a micro-bank, to offset expected or unexpected financial losses/damage and to protect against various types of risks;
 - r) share capital – the capital of the shareholders of a micro-bank, which is the difference between the total assets and total liabilities of the micro-bank;



- s) authorised capital – the capital determined by the shareholders of a joint stock company and provided for by its charter;
 - t) paid-up capital – the portion of the authorised capital paid up in cash;
 - u) close relative – a close relative as defined by the Organic Law of Georgia on the National Bank of Georgia.
2. Other terms used in this Law shall have the meanings defined by the legislation of Georgia.

Article 3 – Activities of a micro-bank

1. The business model of a micro-bank is based on lending to persons who receive income from entrepreneurial activities (including agricultural activities). In particular, at least 70% of a micro-bank's credit portfolio shall consist of loans issued for entrepreneurial purposes and/or loans whose repayment source is income from entrepreneurial activities.
2. For the purposes of this Law, income from entrepreneurial activities shall be considered a source of repayment of loans if the income exceeds 50% of a borrower's total income.
3. A micro-bank may carry out only the following banking activities:
 - a) grant loans, issue guarantees, letters of credit and leasing agreements, and carry out factoring operations within the limit established by this Law;
 - b) attract interest-bearing and interest-free demand and term deposits only within the limit, and above the limit, established by the Law of Georgia on Deposits Insurance System, service current accounts in compliance with the liquidity requirements established by the National Bank of Georgia, and attract other repayable funds from persons, including natural persons (including individual entrepreneurs), in accordance with paragraph 6 of this article;
 - c) open and service correspondent accounts;
 - d) perform cash and non-cash settlement operations and provide cash-collection services;
 - e) issue payment cards and organise their circulation;
 - f) provide payment services, operate payment systems, and perform the functions of a settlement agent;
 - g) provide interest-free banking services;
 - h) enter into a derivative contract, buy and sell securities with own funds, except where the carrying out of the activities requires a licence for brokerage activities;
 - i) buy and sell foreign currency with own and clients' funds;
 - j) store valuables;
 - k) lease property only for carrying out the activities provided for by this article;
 - l) provide other services related to each activity provided for by this article;
 - m) in accordance with the Organic Law of Georgia on the National Bank of Georgia, provide virtual asset services in favour of another person, in particular, exchange a convertible virtual asset (including through a self-service kiosk) for another virtual asset or a financial instrument in national or foreign currency, transfer and/or store virtual assets or instruments required for the use thereof, which allows the control of the virtual asset, and also carry out support activities required for the provision of said services.
4. A micro-bank shall issue loans only in national currency.
5. A micro-bank may, in addition to the activities provided for by paragraph 3 of this article, with the consent of the National Bank of Georgia, additionally carry out the activities permitted for brokerage companies in accordance with the requirements of the Law of Georgia on Securities Market. The National Bank of Georgia shall establish the procedures and conditions for granting and revoking consent under this paragraph by a normative act.
6. Where repayable funds are raised from natural persons (including individual entrepreneurs), the amount of funds raised from each natural person (including individual entrepreneurs) shall not be less than GEL 100,000 (one hundred thousand) or the equivalent thereof in foreign currency. This limitation shall not apply to public offerings of securities, and granting a loan to a micro-bank or making a contribution to its capital by a shareholder/founder of the micro-bank. Repayable funds may be raised in the amount of more than GEL 100,000 (one hundred thousand) only in relation to the regulatory capital, within the relevant limit as determined by a normative act of the National Bank of Georgia.

Chapter II – Licensing of a Micro-bank

Article 4 – Licensing requirements

1. The National Bank of Georgia shall issue a micro-banking licence to a legal person registered in accordance with the procedures established by the legislation of Georgia, which meets the following requirements:
 - a) the amount of its paid-up capital meets the requirements established by the National Bank of Georgia;
 - b) the administrator meets the requirements defined by this Law and a legal act of the National Bank of Georgia on fit and proper criteria for administrators;
 - c) the shareholder with a qualifying holding meets the requirements defined by this Law and a legal act of the National Bank of Georgia;
 - d) its group structure, ownership structure, governance structure and operational activities/environment are transparent, comply with good corporate governance standards, enable the exercise of effective individual or consolidated supervision and do not threaten the stability and/or sound functioning of the micro-bank and/or the financial sector. If one or more natural persons and/or legal persons provided for by subparagraphs (b) and (c) of this paragraph are subject to the



jurisdiction of another country, the National Bank of Georgia shall, when assessing the criteria defined by this subparagraph, also take into account the influence of the legislation and administrative procedures of the said country on the exercise of effective supervision;

e) taking into account the adequacy and feasibility of the business plan, and its potential position in the banking sector, it will be able to operate sustainably;

f) its head office (the place where the majority of decisions related to the management of a micro-bank are made) shall be in the territory of Georgia, and the area occupied by it to carry out banking activities shall meet the requirements established by the National Bank of Georgia.

2. The procedures and conditions for licensing micro-banks, including additional information to be submitted, shall be determined by a legal act of the National Bank of Georgia.

Article 5 – Submitting a written application to obtain a micro-banking licence

1. To obtain a micro-banking licence, a person authorised by the supervisory board or shareholders of the licence applicant shall submit a written application to the National Bank of Georgia.

2. The following documents and information about the licence applicant shall be attached to a written application submitted to obtain a micro-banking licence:

a) founding documents;

b) a statement from a commercial bank on the authorised capital and paid-up capital, as well as information that includes data on the ownership and origin of the authorised capital and regulatory capital. A branch or subsidiary micro-bank of a foreign bank/micro-bank shall submit information on the amount of resources allocated to it by the parent bank/micro-bank;

c) a bank statement confirming the replenishment of the minimum regulatory capital as defined by a legal act of the President of the National Bank of Georgia;

d) information on the compliance of its administrators and management bodies (the directorate and the supervisory board) with the individual and joint fit and proper requirements as defined by this Law and a legal act of the National Bank of Georgia;

e) a document (receipt) confirming the payment of the licence fee defined by the Law of Georgia on Licence and Permit Fees;

f) information on the group structure/ownership structure of an applicant for a micro-banking licence, as well as information/documents on the acquisition of qualifying holdings as provided for by a legal act of the National Bank of Georgia and paragraph 3 of this article concerning the shareholders, intermediate owners and beneficial owners owning a qualifying holding, and in the absence of such an owner, identification information in respect of the 20 largest shareholders and information on the amount and type of shares owned by them;

g) (deleted – 15.12.2023, No 4018);

h) information on its supervisory board, including the audit committee and the directorate, in accordance with paragraph 4 of this article;

i) documents approved by its supervisory board, including the business plan, in accordance with paragraph 5 of this article;

j) information on past activities, according to a relevant legal act of the National Bank of Georgia;

k) in the case of the licensing of a branch of a foreign micro-bank or a subsidiary micro-bank, additional information, in accordance with paragraph 6 of this article;

l) documents proving the right to use or title to immovable property where the applicant for a micro-banking licence or its branch will be located;

m) any other information that the National Bank of Georgia reasonably requests in a specific case to establish the compliance of the applicant for a micro-banking licence with licence requirements.

3. Information submitted for obtaining a micro-banking licence shall include the information (data) on the group structure/ownership structure of an applicant for a micro-banking licence, as well as the following information/documents on the shareholders, intermediate owners and beneficial owners owning a qualifying holding:

a) in the case of a natural person:

a.a) an identity document;

a.b) information on citizenship and residence;

a.c) a detailed curriculum vitae;

a.d) information on the current or past amount of shares and other business interests in financial institutions in the territory of Georgia;

a.e) a certificate of previous convictions from the administrative bodies of all the countries where this person was a resident during the past 10 years;

a.f) information (data) on his/her financial position, source of income and origin;

a.g) a tax declaration on revenues;

b) in the case of a legal person:

b.a) registration documents;



- b.b) financial statements of the latest period (quarter) audited by an auditor. If a legal person applies to the National Bank of Georgia not later than 6 months after its establishment, it shall submit only the unaudited current balance sheet and relevant notes;
- b.c) certificates of criminal liability/previous convictions of the legal person and its administrators from the administrative bodies of all the countries where these persons were resident during the past 10 years.
4. Information on the supervisory board of an applicant for a micro-banking licence, including the audit committee and the directorate, shall include any information determined by a legal act of the National Bank of Georgia.
5. Documents approved by the supervisory board of an applicant for a micro-banking licence shall include the following:
- a) the organisational structure and job descriptions of the members of the directorate;
 - b) the principles of corporate management;
 - c) a framework of credit, market, operational, money laundering and terrorism financing and other relevant risk management;
 - d) the internal model of assessment of capital adequacy;
 - e) the calculation of capital adequacy in accordance with the requirements established by the National Bank of Georgia, based on the budget plan as provided for by the business plan;
 - f) accounting policy;
 - g) a business plan. It shall correspond to planned activities and contain at least the following information:
 - g.a) a business strategy;
 - g.b) information about the potential impact of the macroeconomic situation of the country on the business strategy;
 - g.c) a description of the target market and an assessment of its own competitiveness;
 - g.d) a budget plan and a financial forecast, including stress scenarios, for the next 3 years;
 - g.e) risk factors related to business and regulatory norms;
 - g.f) the minimum of information technologies to be implemented at the initial stage and the plan for their implementation in the following operational period.
6. In the case of the licensing of a branch of a foreign bank/micro-bank or a subsidiary micro-bank, additional information shall include the following:
- a) a statement of the financial position and a profit and loss statement of the parent bank/micro-bank for the previous 3 years;
 - b) a decision of the supervisory board of the parent bank/micro-bank to submit a written application to the National Bank of Georgia to obtain a micro-banking licence;
 - c) the approval of the supervisory body of the parent bank/micro-bank for the opening of a branch/subsidiary micro-bank in Georgia.
7. A micro-bank, as well as the shareholders, intermediate owners and beneficial owners owning a qualifying holding shall submit relevant updated information under this article to the National Bank of Georgia upon request.
8. A micro-bank shall notify the National Bank of Georgia in advance of such changes in the founding structure as may have an impact on the eligibility of the shareholders and/or administrators of the micro-bank, as well as on compliance with other licensing conditions/criteria of the micro-bank, in accordance with the procedure established by the National Bank of Georgia.
9. Documents under this article shall be submitted in the form of the originals or notarised copies thereof. Documents issued in a foreign country shall also be certified by an apostille and/or legalised. In addition, properly certified translations into Georgian of the said documents shall be submitted.
10. In the case of a non-resident legal person, if the legislation of the relevant country does not provide for the issuance of a certificate of criminal liability, an official document confirming this, issued by an authorised agency, shall be submitted to the National Bank of Georgia.

Law of Georgia No 4018 of 15 December 2023 – website, 28.12.2025

Article 6 – Making a decision on issuing a micro-banking licence

1. Only the National Bank of Georgia shall make a decision on issuing a micro-banking licence.
2. A micro-banking licence shall be issued for an indefinite period. It shall not be transferred to another person.
3. To make a decision on issuing a micro-banking licence, the National Bank of Georgia shall examine the compliance of the submitted information/documents with the licensing requirements established by the legislation of Georgia. The National Bank of Georgia may hold respective consultations with the license applicant before accepting a written application submitted to obtain a micro-banking licence.
4. Within 5 working days after the submission of a written application to obtain a micro-banking licence, the National Bank of Georgia shall verify the formal compliance of the submitted information/documents with the requirements under Articles 4 and 5 of this Law and those established by the National Bank of Georgia. If an applicant for a micro-banking licence fails to submit in full information/documents defined by the legislation of Georgia, the National Bank of Georgia shall establish a gap in the application for a licence and set a time limit of not more than 15 working days to remedy the gap. Where a reasonable time limit set to remedy a gap is missed, the National Bank of Georgia shall refuse to issue a licence to the licence applicant. Where a licence applicant submits a complete written application, the National Bank of



Georgia shall issue a written confirmation of receipt and indicate a deadline for making a decision on issuing a micro-banking licence.

5. The National Bank of Georgia shall review information/documents submitted for obtaining a micro-banking licence within 6 months after the issuance of the confirmation of the receipt of a complete written application. During the review period, to establish the compliance of the applicant for a micro-banking licence with the licensing requirements, the National Bank of Georgia shall have the right to request, within the scope of its authority, the submission of any additional information/documents required in a specific case to make a reasoned decision. In the case of a request to submit additional information/documents, the time limit as provided for by this paragraph shall cease to run and a time limit for submitting additional information/documents (including several times) shall be set. The submission by the licence applicant of information/documents requested by the National Bank of Georgia shall constitute the basis for the renewal of the time limit, and failure to submit it/them within the time limit set shall constitute the basis for a refusal to issue the licence. Following the review of the mentioned information/documents, the National Bank of Georgia shall inform the interested person in writing of the consent to issue the licence, and if the licence applicant fails to meet the licensing requirements established by the legislation of Georgia, a reasoned refusal.

6. The total period for making a decision by the National Bank of Georgia on the issuance of a micro-banking licence shall not exceed 12 months.

7. The National Bank of Georgia may issue a micro-banking licence and establish restrictions for a micro-bank on the carrying out of certain types of permitted activities for a specific or indefinite period.

Article 7 – Fit and proper criteria for administrators

1. An administrator shall meet the following fit and proper criteria:

a) a good reputation, reliability and a conscientious attitude to work, which, among other things, implies that the administrator must not have previous convictions for serious or particularly serious crimes, the financing of terrorism and/or illicit income legalisation or other economic crimes;

b) the appropriate knowledge, skills and experience necessary to carry out the activities of a micro-bank;

c) independent judgment – an administrator shall have the ability to make decisions based on independent and objective judgment, assess decisions made by other members of the management bodies and avoid conflicts of interest;

d) enough time to perform his/her duties properly;

e) the number of simultaneously held positions – an administrator shall not be the administrator of another micro-bank, commercial bank, microfinance organisation and/or non-bank depository institution – a credit union licensed/registered in Georgia, except where the said entity/entities is/are subject to the control of, or is/are the controlling entity/entities of, the micro-bank in which he/she holds the position of administrator. An administrator shall not be a member of the supervisory board and/or directorate of more than 5 undertakings. In addition, one executive position shall be compatible with 2 non-executive positions, or 5 non-executive positions may be held. For the purposes of this subparagraph, positions held in non-entrepreneurial (non-commercial) organisations shall not be taken into account. For the purposes of this subparagraph, the following shall be regarded as one position:

e.a) positions held in one group. For the purposes of this subparagraph, a group means a micro-bank, its parent undertaking and its subsidiary undertaking/undertakings;

e.b) positions held in the undertaking/undertakings in which the micro-bank owns a qualified holding.

2. Decisions on the eligibility of administrators shall be made by the National Bank of Georgia. In assessing the fit and proper criteria, it shall be guided by the principle of proportionality, which implies the assessment of said criteria according to the size, organisational structure, risk profile and complexity of the micro-bank. The principle of proportionality shall not apply when assessing criteria such as a good reputation, reliability and conscientious attitude. The degree of intensity of the assessment, the assessment procedure, and the content of information/documents to be submitted shall be determined in accordance with the principle of proportionality.

3. The assessment of the eligibility of administrators shall involve the assessment of both their individual suitability and the joint suitability of the directorate and the supervisory board of the micro-bank.

4. A diversity policy shall be taken into account when assessing the eligibility of administrators. The policy shall be based on at least the following factors: education, professional experience, age, and sex.

5. Before appointing an administrator, a micro-bank shall submit to the National Bank of Georgia the information/documents defined by a legal act of the National Bank of Georgia on fit and proper criteria for administrators, and shall not appoint a person as an administrator until the National Bank of Georgia makes a decision on the eligibility of the administrator, and where the appointed person does not meet the said fit and proper criteria, shall dismiss him/her.

6. In exceptional cases, the National Bank of Georgia may grant conditional consent to the appointment of an administrator without the information/documents defined by a legal act of the National Bank of Georgia on fit and proper criteria of administrators being fully submitted, and determine the time limit for the complete submission of information/documents of not more than 6 months. Where information/documents are not submitted completely within this time limit, the conditional consent granted for the appointment of an administrator shall be automatically cancelled from the moment of the expiry of the time limit determined by the National Bank of Georgia.

7. The National Bank of Georgia may clarify by a legal act the content of fit and proper criteria for administrators,



determine the assessment rules and procedure, including issues related to the joint suitability of the directorate and the supervisory board of a micro-bank, and the information/documents to be submitted.

Article 8 – Special cases of simplification of licensing procedures

1. The licensing of a subsidiary of a foreign bank can be carried out in a simplified manner if the applicant for a micro-bank activity licence is a subsidiary of an exclusively reliable bank as defined by the Law of Georgia on the Activities of Commercial Bank, which has a high level of popularity, a good reputation, high credit rating, many years of experience in the financial sector, a sustainable financial indicator and a high level of transparency.

2. To facilitate the entry of a reliable foreign bank into the Georgian market, the National Bank of Georgia shall individually determine for a subsidiary of a foreign bank provided for by paragraph 1 of this article the list of information/documents to be submitted to obtain a micro-banking licence.

Article 9 – Revoking micro-banking licences

The National Bank of Georgia shall have the power to revoke the micro-banking licences of micro-banks. The grounds for revoking a micro-banking licence may be:

- a) a written application of a micro-bank regarding the revocation of the micro-banking licence;
- b) a violation of the requirements of Articles 3 and 26 of this Law by a micro-bank;
- c) the submission of forged and/or incorrect information/documents by a micro-bank to obtain a micro-banking licence;
- d) the failure to carry out activities by a micro-bank for 12 months from the date of receipt of a micro-banking licence, and in the case of an operating micro-bank, the termination of said activities for more than 6 months;
- e) a significant deviation from the business plan and business strategy submitted by a micro-bank to obtain a micro-banking licence, without agreement with the National Bank of Georgia;
- f) a merger of a micro-bank with (the acquisition of), or the separation of the micro-bank from, another micro-bank or commercial bank;
- g) the lack of minimum regulatory capital formed by the funds established by the National Bank of Georgia, the loss of confidence in the creditors of the micro-bank in connection with the fulfilment of their obligations, or the inability to ensure the safety of entrusted assets;
- h) a weak risk management model of a micro-bank, or business practices threatening its financial position, or unsound business practices, which may significantly harm or threaten the depositaries of the micro-bank and/or the stability of the financial sector;
- i) existing or expected significant financial difficulties of a micro-bank, which may be manifested in a weak profitability indicator and the disruption of supervisory coefficients or otherwise;
- j) the existing or expected insolvency of a micro-bank;
- k) the complexity and/or non-transparency of the micro-bank group/ownership structure or a change in this structure, which impedes the exercise of effective supervision, and threatens the stability and sound functioning of the financial sector;
- l) a court decision depriving a micro-bank of the right to carry out the activities of a micro-bank;
- m) the non-compliance of the administrator, or the owner of a qualifying holding, with the fit and proper criterion/criteria defined by the legislation of Georgia;
- n) the unsuccessful end of a temporary administration regime;
- o) the revocation of the banking/micro-banking licence of the parent institution of the branch of a foreign bank/micro-bank in the country where the parent institution is located, or where, according to the assessment of the National Bank of Georgia, the foreign bank/micro-bank does not meet the requirements set for branches of foreign banks/micro-banks, and in this country insolvency or bankruptcy proceedings are not initiated or will not be initiated within a reasonable time, or the initiation of insolvency or bankruptcy proceedings in the said country will not be sufficient to ensure financial stability in Georgia, or the equal protection of the interests of the creditors of the branches of the foreign bank/micro-bank in Georgia will not be ensured in the process of insolvency or bankruptcy proceedings in the specified country.

Article 10 – Publication of a decision revoking a micro-banking licence and its consequences

1. A decision revoking a micro-banking licence shall be published in the Legislative Herald of Georgia and on the official website of the National Bank of Georgia. Such decision shall enter into force from the date of its publication on the official website of the National Bank of Georgia or from another date determined by the same decision.

2. Upon the revocation of a micro-banking licence, it is obligatory for the National Bank of Georgia to start the liquidation procedure of the legal person holding the micro-banking licence, except in the cases provided for by Article 18 of this Law.

3. From the date of the revocation of the micro-banking licence, a legal person shall be prohibited from carrying out any activity specified in the licence. The legal person shall fulfil all the obligations defined by the legislation of Georgia within the shortest possible time from the date of the revocation of the micro-banking licence. Before fulfilling these obligations, the legal person shall, in the same way as a licensed micro-bank, comply with the requirements of the legislation of Georgia on micro-banks.



4. Only the National Bank of Georgia shall make decisions on the insolvency and bankruptcy of micro-banks in accordance with the procedure established by it.

Chapter III – Acquisition of Qualifying Holdings

Article 11 – Obligation to submit information/documents and give notification

1. A person or a group of jointly acting partners (shareholders) ('an applicant') who intends to directly or indirectly acquire a holding in a micro-bank in such amount as his/her/its direct/indirect participation in the capital of the micro-bank as a result of the acquisition exceeds 10%, 20%, 30% or 50%, and/or as to acquire significant influence or control over the micro-bank, regardless of the amount of holding in the capital and/or shares with voting rights, shall be obliged to submit to the National Bank of Georgia, personally or through a representative of the micro-bank, the information/documents defined by a legal act of the National Bank of Georgia concerning the acquisition of qualifying holdings. In the case of a group of jointly operating partners (shareholders), the total amount of shares owned by this group shall be taken into account in order to establish the acquisition/change of a qualifying holding.

2. Where an applicant acquires a qualifying holding without prior intention, he/she shall submit relevant information/documents to the National Bank of Georgia immediately upon becoming aware of the said fact. An applicant shall not exercise voting rights and other powers related to the ownership of a qualifying holding until the National Bank of Georgia makes a decision on the eligibility of the owner of a qualifying holding. Where an applicant acquires a qualifying holding without prior intention, he/she shall have the obligation to submit information/documents regardless of whether he/she plans to sell the amount of the holding, as a result of whose sale the holding owned by him/her will return to the threshold number.

3. To make a decision concerning the acquisition of a qualifying holding, the National Bank of Georgia shall examine the compliance of the submitted information/documents with the requirements of the legislation of Georgia and shall take into account the following fit and proper criteria:

- a) the reputation of the applicant, which includes his/her reliability and appropriate competence;
- b) the compliance of the person selected by the applicant as an administrator (if the applicant has the power to select an administrator) with the requirements defined by this Law and a legal act of the National Bank of Georgia on fit and proper criteria for administrators;
- c) the financial stability of the applicant;
- d) compliance with the prudential supervisory requirements of the micro-bank after the acquisition of the holding by the applicant;
- e) the absence of money laundering and terrorist financing risks related to the applicant/operation (transaction).

4. A person shall be prohibited from being an owner of a qualifying holding if he/she has previous convictions for serious or particularly serious crimes, the financing of terrorism and/or illicit income legalisation or other economic crimes.

5. The National Bank of Georgia shall be guided by the principle of proportionality in assessing the eligibility of an applicant, which implies assessing the assessment criteria based on the size, organisational structure, risk profile and complexity of a micro-bank, the amount of holding, the type of acquirer of a holding (a natural person, a legal person, a direct/indirect holder/acquirer of the micro-bank), the purpose of the acquisition of a holding, and the possible impact on the micro-bank. The degree of assessment intensity, the assessment procedure and the content of the information/documents to be submitted shall be determined in accordance with the principle of proportionality. The principle of proportionality shall not apply to the assessment of the reliability of an applicant within the framework of the assessment of the reputation of an applicant.

6. Both direct and indirect acquirers of qualifying holdings shall have the obligation to submit information/documents to the National Bank of Georgia. It shall be permissible for a beneficial owner to submit information/documents on behalf of an intermediate owner, with the consent of the National Bank of Georgia.

7. If the National Bank of Georgia considers that additional information/documents needs/need to be submitted to make a decision, it may, within its competence, request the submission of any other information/documents (including confidential) than the information/documents determined by this Law and a legal act of the National Bank of Georgia on the acquisition of qualifying holdings.

8. A direct/indirect owner of a micro-bank, who intends to directly or indirectly sell the holding in the micro-bank in such amount as his/her holding in the capital of the micro-bank as a result of the sale falls below 10%, 20%, 30% or 50%, shall notify the National Bank of Georgia to this effect in advance. Such notification shall contain as detailed information as possible about the said operation (transaction).

9. A micro-bank shall immediately inform the National Bank of Georgia of any changes in the compliance of the owner of a qualifying holding with the fit and proper criteria, including any changes related to the ownership of the holding that it is aware of.

10. The National Bank of Georgia may determine, by a legal act, the content of fit and proper criteria for owners of qualifying holdings, the rule and procedure of assessment, issues related to the determination of the amount of a qualifying holding, and the information/documents to be submitted.



Article 12 – Assessment of the eligibility of an applicant

1. Within 5 working days from the submission of information/documents by an applicant, the National Bank of Georgia shall check the formal compliance of the submitted information/documents with the requirements defined by this Law and a legal act of the National Bank of Georgia. If an applicant fails to submit in full the information/documents defined by the legislation of Georgia, the National Bank of Georgia shall establish a gap for the applicant and set a time limit of not more than 15 working days to remedy the gap. Where a reasonable time limit set to remedy a gap is missed, the National Bank of Georgia shall refuse the applicant the acquisition of a qualifying holding. Where an applicant submits complete information/documents, the National Bank of Georgia shall issue a written confirmation of receipt and indicate a deadline for making a respective decision.

2. The National Bank of Georgia shall review the submitted information/documents within 60 working days after issuing a written confirmation of the receipt of complete information/documents. During the review period, the National Bank of Georgia shall have the right to request in writing, within the scope of its authority, the submission of any additional information/documents required in a specific case to make a reasoned decision. It shall also have the right to verify the said information or check it directly with the applicant. A request for additional information/documents shall be allowed not later than on the 50th working day after the issuance of a written confirmation of the receipt of complete information/documents. In this case, the time limit for reviewing information/documents shall cease to run until additional information/documents is/are submitted, for not more than 20 working days, and if the applicant is a non-resident, for not more than 30 working days, of which the applicant shall be notified. The submission by the applicant of information/documents requested by the National Bank of Georgia shall constitute the basis for the renewal of the time limit, and failure to submit it/them within the time limit set shall constitute the basis for the refusal of the acquisition of a qualifying holding. The National Bank of Georgia shall have the right to repeatedly request the submission of additional information/documents or the clarification of information. In this case, the time limit for reviewing information/documents shall not be suspended again.

3. Following the review of the information/documents submitted by an applicant, the National Bank of Georgia shall give its consent to carrying out a respective operation, and if the applicant fails to meet the eligibility requirements defined by this Law and a legal act of the National Bank of Georgia, or if the applicant has not submitted the information/documents requested by the National Bank of Georgia, the National Bank of Georgia shall give a reasoned refusal. The National Bank of Georgia may refuse the applicant the carrying out of said operation in the cases provided for by Article 48(4) of the Organic Law of Georgia on the National Bank of Georgia.

4. Consent for, or a reasoned refusal of, carrying out an operation of acquisition of a qualifying holding shall be notified to the applicant within 2 working days after the completion of the assessment of his/her eligibility, without violating the total time limit for the assessment.

5. Where the National Bank of Georgia does not give a response to an applicant within 60 working days after issuing a written confirmation of the receipt of complete information/documents, this shall automatically mean giving consent to carrying out the respective operation. Where necessary, the National Bank of Georgia may extend the time limit for making a decision concerning the acquisition of a qualifying holding to 90 working days, of which the applicant shall be notified prior to the expiry of the time limit provided for by this paragraph.

6. Where an applicant fails to submit information/documents to the National Bank of Georgia, or acquires a holding despite receiving a reasoned refusal from the National Bank of Georgia, the National Bank of Georgia may suspend the voting right of the person concerned and/or require that he/she reduce the holding owned by him/her to 10%/withhold significant influence/control, as well as require that the micro-bank cancel the results of the exercise by the person concerned of the voting right and/or other powers obtained as a result of the acquisition of the holding.

Article 13 – Information to be submitted to the National Bank of Georgia periodically

1. Based on available information, a micro-bank shall submit to the National Bank of Georgia, together with an annual report, information about the owner of a qualifying holding and shall indicate whether it confirms the accuracy of this information.

2. An owner of a qualifying holding shall submit to the National Bank of Georgia in April of each year updated information about changed circumstances, or confirm that the circumstances have not changed.

3. The failure of an owner of a qualifying holding to submit information requested by the National Bank of Georgia shall result in the imposition of liability as provided for by the legislation of Georgia.

4. A micro-bank shall have full information about the identity of each beneficial owner of the micro-bank, who directly or indirectly owns more than 10% of its share (indicating the amount of the share), and provide this information (as well as information about a significant change related to the beneficial owner) to the National Bank of Georgia and publish it in its annual report. The National Bank of Georgia shall determine the procedure for providing and publishing said information, which shall be based on International Financial Reporting Standards and international best practice.

5. The obligation under paragraph 4 of this article shall not be imposed on a beneficial owner whose identity the micro-bank cannot establish, since the nominal ownership in his/her favour is carried out by clearing organisations or international depositaries located in developed countries and having appropriate authority in said countries.



Article 14 – Request for the submission by an owner of a qualifying holding of information/documents and supervisory measures

1. In the case of reasonable doubt, the National Bank of Georgia may request a micro-bank to submit updated or clarifying information/documents about the owner of a qualifying holding.
2. If, in the case provided for by paragraph 1 of this article, the owner of a qualifying holding fails to submit appropriate information/documents or, in the opinion of the National Bank of Georgia, the owner of a qualifying holding no longer meets the fit and proper criteria, the National Bank of Georgia may:
 - a) suspend his/her voting right and require that he/she reduce the holding owned by him/her to 10% within 60 days;
 - b) suspend the voting right for an indefinite period.
3. A person shall have the right to appeal in court a decision of the National Bank of Georgia refusing the acquisition of a holding in a micro-bank, suspending a voting right and/or requiring the reduction of a holding owned by him/her to 10%.
4. If there is a court decision suspending a voting right, the person in question shall have the right to exercise the voting right corresponding to 10% of the holding.

Chapter IV – Ownership and Management

Article 15 – Requirements for micro-bank capital and reserves

1. The National Bank of Georgia shall periodically determine minimum reserve requirements for micro-banks, procedures for meeting them, the minimum amounts of paid-up capital and regulatory capital, and procedures for the formation thereof.
2. A micro-bank shall have no right to reduce the paid-up capital without obtaining prior written approval from the National Bank of Georgia and making appropriate amendments to its charter concerning changes to the declared capital and paid-up capital.

Article 16 – Micro-bank investments

A micro-bank may:

- a) make an investment (including establishing or acquiring a subsidiary undertaking) in a legal person that is a financial institution or whose activities are related to the activities of the micro-bank or the social projects of the micro-bank. The share in each undertaking as provided for by this subparagraph shall not exceed 20% of the micro-bank's share capital, and the total value of investments, 30% of the micro-bank's share capital. The National Bank of Georgia may exempt a micro-bank from meeting the percentage limits determined by this subparagraph for a period not exceeding 1 year;
- b) receive a holding in the undertaking to compensate the amount of credit issued by it. A micro-bank shall immediately notify the National Bank of Georgia to this effect, as well as inform it of the activities of the said undertaking. If the activities of the undertaking whose share the micro-bank has received are not the activities provided for by subparagraph (a) of this article, a micro-bank shall take measures to sell the said share within 6 months. In the case of receiving approval from the National Bank of Georgia, the micro-bank may sell the share within not later than 1 year. In special cases, the National Bank of Georgia may extend this period, which, regardless of how many times it was extended, should not exceed 2 years in total. If the amount of the repossessed share grants the micro-bank the authority to control the undertaking and manage its activities, it shall not be allowed to start new, additional activities without the consent of the National Bank of Georgia, from the moment of repossessing the share until the sale thereof.

Article 17 – Requirements for subsidiary undertakings of micro-banks which carry out outside Georgia activities provided by the legislation of Georgia for obliged entities defined by the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism

1. Within 14 days after the establishment or acquisition of a subsidiary undertaking to carry out outside Georgia activities provided for by the legislation of Georgia for obliged entities as defined by the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism, a micro-bank shall submit to the National Bank of Georgia the micro-bank's decision that in order to comply with the recommendations of the Financial Action Task Force ('the FATF'), the subsidiary undertaking of the micro-bank has developed an internal control system to combat money laundering and the financing of terrorism since the beginning of its operations.
2. If the legislation (laws and subordinate normative acts) of a foreign country where a subsidiary undertaking is located does not provide for the subsidiary undertaking to comply with the FATF recommendations, or if the fight against money laundering and the financing of terrorism is not carried out in that country and the FATF recommendations are not implemented at all or at a sufficient level:
 - a) a micro-bank shall make a written commitment that it will ensure the implementation of the measures established by legislation with regard to combating money laundering and the financing of terrorism by the subsidiary undertaking in accordance with the requirements of micro-banks in Georgia and the FATF recommendations;
 - b) a micro-bank shall provide the National Bank of Georgia with information that the subsidiary undertaking cannot implement the measures established by the legislation of Georgia with regard to combating money laundering and the financing of terrorism, because it is prohibited or restricted by the legislation of the foreign country where the subsidiary



undertaking is located.

Article 18 – Conversion of a micro-bank into a commercial bank

1. A micro-bank may change the object of its activities and apply to the National Bank of Georgia to obtain a banking licence in accordance with the procedure established by the legislation of Georgia.
2. Until the National Bank of Georgia makes a decision on issuing a banking licence, the micro-bank shall continue carrying out permitted activities and shall be subject to the requirements of this Law.
3. The National Bank of Georgia shall, along with a decision issuing a banking licence, make a decision revoking a micro-banking licence. Upon the termination of a micro-banking licence, a respective commercial bank shall become a successor of the micro-bank.
4. If a micro-bank receives a refusal to issue a banking licence, it shall continue its activities in accordance with the procedure established by this Law.

Article 19 – Demerging a micro-bank or merging micro-banks

1. The demerger (division or separation) of a micro-bank or the merger (a merger by acquisition or a merger by the formation of a new undertaking) of micro-banks may be carried out only after receiving written consent from the National Bank of Georgia. The demerger of a micro-bank or the merger of micro-banks that does not comply with Article 16 of this Law shall not be permitted.
2. The National Bank of Georgia shall review the compatibility of the merger of micro-banks with the competitive environment in accordance with procedures established by the Law of Georgia on Competition and the National Bank of Georgia.

Article 20 – Corporate management of a micro-bank

1. A micro-bank shall have a charter. The charter of a micro-bank shall comply with the legislation of Georgia. The National Bank of Georgia shall be immediately notified in writing of any amendments to the charter of the micro-bank.
2. A micro-bank shall be managed in accordance with the procedures under its charter and other internal organisational procedures. These procedures shall define the organisational structure, risk management framework and responsibilities, and shall be formalised and available to the National Bank of Georgia on a continuous basis.
3. The management bodies of a micro-bank shall be established and shall function in accordance with the Law of Georgia on Entrepreneurs, without prejudice to the provisions of this Law. The highest management body of a micro-bank shall be the general meeting of shareholders, which shall act in accordance with the legislation of Georgia and the charter of the micro-bank. It shall elect a supervisory board of the micro-bank. Information about the holding of a general meeting of shareholders (indicating the place, date, time, agenda and other data) shall be provided to the National Bank of Georgia for its possible participation in the meeting, within the time limit established by the legislation of Georgia for shareholders.
4. The National Bank of Georgia may, by a legal act, determine additional requirements for the corporate management of micro-banks.

Article 21 – Supervisory board of a micro-bank

1. The supervisory board of a micro-bank shall ensure the supervision of the activities of the micro-bank. It shall consist of not less than 3 and not more than 21 members. The procedure for establishing a supervisory board of a micro-bank and determining its composition shall be established by an order of the President of the National Bank of Georgia.
2. A member of a supervisory board shall not perform executive functions.
3. A member of a supervisory board shall be elected by a general meeting of shareholders for a term of 4 years. His/her re-election shall be unlimited.
4. A general meeting of shareholders shall determine the issue of remuneration for the members of a supervisory board in accordance with the order of the President of the National Bank of Georgia. A member of a supervisory board shall be permitted to receive only fixed payment.
5. A person who fails to meet the fit and proper requirements for administrators as defined by Article 7 of this Law and a legal act of the National Bank of Georgia on fit and proper criteria for administrators shall not be elected as a member of a supervisory board and shall be removed from the membership of a supervisory board by a decision of the general meeting of shareholders.
6. A member of a supervisory board shall carry out the activities of the micro-bank in good faith, take care of the micro-bank as a diligent and prudent person would take care in similar circumstances, and shall act in the interests of the stability of the micro-bank. The members of a supervisory board shall be jointly and severally liable to the micro-bank for any damage caused by their culpable failure to fulfil said duties. A member of a supervisory board shall be exempted from liability if he/she executes a decision of the general meeting of shareholders by his/her action, unless he/she contributed to the decision of the general meeting by providing incorrect information, or knew that making such decision would result in damage, but had not informed the general meeting thereof before the decision was made or enforced.
7. A decision of a member of a supervisory board shall be in line with the interests of the micro-bank. The members of a



supervisory board shall approach the matter reasonably and independently. They shall ensure the selection and retention of competent directors of the micro-bank, and the determination of the strategy of the activities of the micro-bank.

8. A supervisory board, or its member, may not delegate his/her/its rights to others without the consent of the general meeting of shareholders.

Article 22 – Directorate of a micro-bank

1. The management of a micro-bank and its representation shall be entrusted to the directors of the micro-bank. They shall be responsible for managing the activities of the micro-bank and performing the functions of the micro-bank. A directorate of a micro-bank shall consist of at least 3 directors appointed by the supervisory board for a term of not more than 4 years. Their re-appointment shall be unlimited.

2. In the structure of the directorate of a micro-bank, there shall be a general director, who shall be appointed by the supervisory board.

3. A person who does not meet the fit and proper criteria for administrators as defined by Article 7 of this Law and a legal act of the National Bank of Georgia on fit and proper criteria for administrators shall not be appointed as a member of the directorate of a micro-bank and, by a decision of the supervisory board, shall be removed from the membership of the directorate.

4. A member of the directorate of a micro-bank shall carry out the activities of the micro-bank in good faith, take care of the micro-bank as a diligent and prudent person would take care in similar circumstances, and shall act in the interests of the stability of the micro-bank. The members of the directorate shall be jointly and severally liable to the micro-bank for any damage caused by their culpable failure to fulfil these duties. A director shall be exempted from liability if he/she executes a decision of the general meeting of shareholders by his/her action, unless he/she contributed to the decision of the general meeting by providing incorrect information, or knew that such decision would result in damage, but had not informed the general meeting thereof before the decision was made or enforced.

5. A directorate of a micro-bank shall have the right, in a specific case, based on the prior written consent of the supervisory board, to fully or partially delegate its powers to others (except for the main power related to the management and leadership of the micro-bank).

Article 23 – Audit committee

1. An audit committee shall be set up from among the members of a supervisory board by a decision of the supervisory board of a micro-bank. The majority of the members of an audit committee shall be independent members of a supervisory board.

2. A member of the supervisory board of a micro-bank shall be considered independent if he/she is not influenced by the micro-bank or any other party, which may prevent him/her from making objective and independent decisions in the course of his/her activities. Additional criteria for determining an independent member of the supervisory board of a micro-bank shall be established by an order of the President of the National Bank of Georgia.

3. At least 2 members of an audit committee, including the chairperson of an audit committee, shall have skills or experience in analysing financial statements, or financial education.

4. An audit committee shall periodically submit a report on its activities to the supervisory board of a micro-bank.

5. The main functions of an audit committee shall be: determining the approaches and financial reporting policies of the micro-bank in relation to internal control issues, monitoring the financial reporting process, and facilitating the functioning of internal audit and micro-bank auditors. The functions and responsibilities of an audit committee shall be additionally determined by a legal act of the National Bank of Georgia.

Article 24 – Bank secrecy

1. No one shall have the right to give anyone access to confidential information, disclose or disseminate such information or use it for personal benefit. Confidential information may be provided only to the National Bank of Georgia and the Commission for Review of Disputes within the National Bank of Georgia provided for by the Organic Law of Georgia on the National Bank of Georgia, within their competence.

2. Information about any transaction (including attempted transaction), payment operation, account, transaction from the account and the balance on the account may be released to the party participating in the relevant transaction, during the execution of the payment operation – to the paying person and/or the receiving person, the holder of the relevant account and their representatives, in the cases provided for by the legislation of Georgia – to the Financial Monitoring Service of Georgia and persons who are authorised to execute subordinate acts on enforcement as determined by the Law of Georgia on Enforcement Proceedings, in the process of the enforcement thereof, when carrying out checks provided for by the Law of Georgia on Personal Data Protection – to the Personal Data Protection Service, on the basis of a court decision provided for by the Administrative Procedure Code of Georgia – to the Legal Entity under Public Law called the Georgian National Communications Commission, on the basis of a court decision provided for by the Administrative Procedure Code of Georgia, 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), the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS



MCAA) within the scope of the Convention of 25 January 1988 on Mutual Administrative Assistance in Tax Matters, or the agreement on automatic exchange of financial account information between Georgia and the appropriate jurisdiction – to the tax authority, and in the case provided for by the Law of Georgia on Deposits Insurance System – to the Legal Entity under Public Law called the Deposit Insurance Agency. This information may also be released based on a relevant court ruling.

3. The tax authority may forward information as referred to in paragraph 2 of this article to the competent authority of the United States of America as defined in 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).

4. The tax authority may forward information as referred to in paragraph 2 of this article to the competent authorities of the jurisdictions in which the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA) within the scope of the Convention of 25 January 1988 on Mutual Administrative Assistance in Tax Matters, or the agreement on automatic exchange of financial account information between Georgia and the appropriate jurisdiction, are effective.

5. The limitation provided for by paragraph 2 of this article shall not apply to the exchange of information within a micro-bank group and to the exchange of information between micro-banks for the purposes determined by the legislation of Georgia on the prevention of money laundering and the financing of terrorism.

Law of Georgia No 669 of 12 June 2025 – website, 13.6.2025

Chapter V – Operational Requirements

Article 25 – General principles of the activities of a micro-bank

1. The management of a micro-bank and its operational activities shall be carried out in accordance with the administrative and accounting procedures justified by the legislation of Georgia, the conditions and restrictions attached to the micro-banking licence, as well as the resolutions, rules and instructions of the National Bank of Georgia. The rules, norms and instructions of the National Bank of Georgia that apply to more than one micro-bank shall be published. They shall be effective from the date of publication or from the relevant date specified in these rules, norms and instructions.

2. Regarding the provision of services by a micro-bank, the terms and conditions of the relationship between the micro-bank and the client shall be determined by a respective agreement. In the case of a violation of the deadline provided for by a money transfer agreement, the micro-bank shall pay the client at least 0.5% of the outstanding amount for each delayed banking day.

3. A micro-bank may develop and submit to the National Bank of Georgia for agreement a security policy for the use of electronic signatures during the provision of services, based on which an electronic signature used by the micro-bank during the provision of services shall have the same legal force as a personal signature on a tangible document. An electronic document certified by such an electronic signature shall be used in all cases where the legislation of Georgia requires a tangible document.

4. It is not mandatory to submit a security policy for the use of electronic signatures as provided for by paragraph 3 of this article to the National Bank of Georgia only if the micro-bank uses during the provision of services a signature made by means of an electronic identity card issued by an administrative body authorised in accordance with the legislation of Georgia, or a signature whose certificate is issued in accordance with the requirements of the Law of Georgia on Electronic Documents and Electronic Trust Services.

5. Paragraphs 3 and 4 of this article shall not limit the right of a micro-bank to use an electronic signature during the provision of services in accordance with Article 3(8) of the Law of Georgia on Electronic Documents and Electronic Trust Services. In such a case, the National Bank of Georgia may require that the micro-bank agree with the National Bank of Georgia the security policy of an electronic signature used in accordance with this paragraph. If the National Bank of Georgia, after having assessed the security policy for the use of electronic signatures submitted by the micro-bank, refuses to agree on the security policy for the use of electronic signatures in accordance with this paragraph, the micro-bank shall stop using such an electronic signature.

Article 26 – Economic limits, norms and individual requirements

1. A micro-bank shall observe the following economic limits and norms established by legal acts of the National Bank of Georgia:

- a) the minimum amount of regulatory capital;
- b) the ratio of different types of capital to classified assets in accordance with the rules of the National Bank of Georgia;
- c) the maximum total amount of credits issued to one borrower or a group of interconnected borrowers and other liabilities. It shall not exceed GEL 1 000 000 (one million);
- d) the ratio of one large loan and all large loans and other liabilities to Tier 1 capital;
- e) the ratio of the total amount of credits issued to all insiders and other liabilities to Tier 1 capital;
- f) the liquidity level in accordance with the rule established by the National Bank of Georgia;
- g) the classification of assets and off-balance sheet liabilities and the formation and use of reserves for their possible losses;



- h) the ratio of investments and property investments to the share capital;
 - i) the limit of the ratio of open foreign-exchange position to the regulatory capital.
2. The National Bank of Georgia may, based on the principles of risk-based supervision, determine individual indicators of economic limits and norms and other requirements for each micro-bank, or establish for micro-banks additional requirements related to economic limits and norms.
 3. If the total assets of a micro-bank exceed 2% of the total assets of the banking sector, the National Bank of Georgia may require that the micro-bank submit a return plan within the said limit, or may determine for the micro-bank additional and/or different supervisory requirements.

Article 27 – A micro-bank’s business relationship with a client

1. A micro-bank shall carry out an account opening procedure in accordance with the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism, 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) and the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA) within the scope of the Convention of 25 January 1988 on Mutual Administrative Assistance in Tax Matters, or the agreement on automatic exchange of financial account information between Georgia and the appropriate jurisdiction.
2. During the period of a business relationship with its clients/service users, a micro-bank shall be obliged to know their identity, activities and the risk level of these activities in relation to money laundering and the financing of terrorism. A micro-bank shall also determine the tax residency of its client and obtain information on the relevant status of the client based on the requirements established by 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).
3. A micro-bank operating in Georgia may determine additional information and request the submission thereof.
4. A micro-bank operating in Georgia may refuse to open an account or provide services without giving any reasons. A micro-bank shall open a payment account as defined by Article 20²(1) of the Law of Georgia on Payment Systems and Payment Services for its client if the fulfilment of this obligation does not cause a violation of the legislation on the prevention of money laundering and the financing of terrorism.
5. A micro-bank may refuse to open an account for a person or close an existing account of a person if this person refuses to provide the micro-bank with information based on the requirements established by 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), the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA) within the scope of the Convention of 25 January 1988 on Mutual Administrative Assistance in Tax Matters, or the agreement on automatic exchange of financial account information between Georgia and the appropriate jurisdiction.
6. A micro-bank which is a reporting financial institution as defined by the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA) within the scope of the Convention of 25 January 1988 on Mutual Administrative Assistance in Tax Matters, or the agreement on automatic exchange of financial account information between Georgia and the appropriate jurisdiction, shall implement the appropriate procedures determined by the said agreement in accordance with the Common Reporting Standard provided for in that agreement.

Article 28 – Prohibited transactions, methods of operation

1. A micro-bank shall have no right to enter into an agreement with its client according to which the condition of granting a loan or providing any service by the micro-bank is the acquisition or use of non-banking services of the micro-bank or an affiliate, if the client has not been given the opportunity to receive non-banking services from another provider.
2. A controlling person, and an administrator, shall be prohibited from taking actions as a result of which he/she, using the information received from the micro-bank, will find himself/herself in a dominant position independently or together with other persons and/or which will limit competition in the non-banking sector.
3. A controlling person, and an administrator, shall ensure the avoidance of conflicts of interest and not allow his/her interests to be placed above the interests of the micro-bank nor exceed his/her official powers. A controlling person, and an administrator, who has access to non-public information that may significantly affect the value of certain investments, shall be prohibited from using this information independently or together with other persons.
4. To comply with the requirements of this article, a micro-bank shall introduce adequate policies, procedures and technical systems related to the management of non-public information and monitor them, which will ensure the limitation of the improper disclosure of information to the parties related to the micro-bank, controlling persons and administrators.
5. In the case of a failure to fulfil the requirements of this article or the improper fulfilment thereof, the National Bank of Georgia may apply the supervisory measures and/or sanction (monetary fine) provided for by this Law.
6. To fulfil the requirements of this article, the National Bank of Georgia may determine through legal acts the rules and



appropriate supervisory measures and/or sanction (monetary fine) for the shareholders, controlling persons and administrators of the micro-bank.

Article 29 – Storing information/documents

1. A micro-bank shall keep all documents related to any of its transactions for a period established by the National Bank of Georgia, in particular:
 - a) solicitations and contractual documents relating to transactions (including agreements related to credits, guarantees and collaterals);
 - b) the financial records of the micro-bank's partners (including borrowers and guarantors) and other documentary evidence that the micro-bank relies on in approving transactions;
 - c) a signed record of the micro-bank's decision to approve a transaction;
 - d) other documents as provided for by the norms of the National Bank of Georgia.
2. A micro-bank shall store information about its customers, as well as any operations carried out by them and in their accounts, in electronic form for at least 15 years.

Article 30 – Transactions with interested persons

1. A micro-bank shall not grant any product or provide any service within its activities under preferential conditions to any administrator, controlling person, affiliate or connected persons, regardless of the type of loan, interest rate, maturity period, means of security, value or any other conditions.
2. The National Bank of Georgia may determine issues related to the management of conflicts of interest.

Chapter VI – Reports, Reporting, Audits and Inspections

Article 31 – Financial reporting and audits

1. A micro-bank and its subsidiary organisations shall systematically maintain reports and records and prepare annual financial statements that accurately reflect their operations and financial position based on the International Financial Reporting Standards (IFRS). In addition, a micro-bank and its subsidiary organisations shall adhere to the form, level of details and accounting standards in accordance with the rules of the National Bank of Georgia.
2. A micro-bank's reports, records and financial statements (both individual and consolidated) shall reflect the operations and the financial position of its subsidiary organisations.
3. A micro-bank and its subsidiary organisations shall invite an auditor and conduct an audit of financial statements every year in accordance with the procedure established by the National Bank of Georgia.
4. A micro-bank shall, upon the completion of the audit of financial statements, submit an audit report to the National Bank of Georgia and publish the financial statements as determined by the rules of the National Bank of Georgia along with the audit report.

Article 32 – Reporting and inspections

1. A micro-bank shall submit to the National Bank of Georgia, in the manner and form established by the National Bank of Georgia, reports reflecting the organisational and administrative activities, operational activities, liquidity, solvency and profitability of both the micro-bank and its subsidiary organisations, for the purpose of the joint and separate assessment of the financial position of the micro-bank and its subsidiary organisations. For the purposes of the legislation of Georgia on the prevention of money laundering and the financing of terrorism, a micro-bank shall also submit relevant reports to the National Bank of Georgia. The form, quality and time limit for submitting the said reports shall be determined by a legal act of the National Bank of Georgia.
2. The National Bank of Georgia may inspect a micro-bank and its subsidiary organisations, carry out inspections through on-site checking or remote supervision, and audit accounting documents, reporting components and other materials both individually and on a consolidated basis. Any information of the micro-bank, including data and documents about the micro-bank's shareholders, supervisory board, members of the directorate and employees, shall be fully available to the National Bank of Georgia.

Chapter VII – Supervisory Measures and Sanctions (Monetary Fines) Imposed by the National Bank of Georgia

Article 33 – Supervisory measures and sanctions (monetary fines) imposed by the National Bank of Georgia

1. The National Bank of Georgia may use one or more supervisory measures and/or sanctions (monetary fines) provided for by this article against the micro-bank, the administrator or the controlling person if one or more of the following grounds exist:
 - a) the micro-bank, the administrator or the controlling person has violated any of the provisions of this Law or any of the norms, instructions, regulations, rules, resolutions, requirements, or written instructions of the National Bank of Georgia;
 - b) the micro-bank, the administrator or the controlling person has violated any of the conditions or restrictions attached to the micro-banking licence or the relevant regulations of the National Bank of Georgia;



- c) the micro-bank, the administrator or the controlling person has violated the deadline for the submission of reports or has submitted incorrect reports and other inaccurate information;
- d) the micro-bank, the administrator or the controlling person has violated the requirements of the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism;
- e) the micro-bank, administrator or controlling person has violated the requirements of the Law of Georgia on Payment Systems and Payment Services;
- f) the micro-bank, administrator or controlling person has violated the requirements of the Law of Georgia on Competition;
- g) the micro-bank, the administrator or the controlling person has violated the requirements of the legislation of Georgia and/or the requirements established by the National Bank of Georgia, thus hindering the process of supervision by the National Bank of Georgia;
- h) the micro-bank is or has been involved in unsound or jeopardising practices of the micro-bank;
- i) risks have been identified in the course of the supervisory review and assessment.

2. Upon identifying any of the grounds referred to in paragraph 1 of this article, the National Bank of Georgia may apply one or more of the following supervisory measures, consistently or inconsistently, in compliance with the principle of proportionality:

- a) send a written warning to the micro-bank, administrator and/or controlling person;
- b) request the micro-bank to raise additional capital;
- c) require that the micro-bank revise its internal policies and procedures, control systems and strategies and submit an action plan for improving the financial position of the micro-bank;
- d) impose special measures, terminate or limit the performance of certain types of operations by the micro-bank, or issue an instruction (directive) requiring that the micro-bank ensure compliance with the requirements of the legislation of Georgia and sound practices and take necessary measures within the time limit established by the National Bank of Georgia to remove the respective grounds under paragraph 1 of this article;
- e) require that the micro-bank use a specific approach related to the reservation of assets, or to assets for capital adequacy purposes;
- f) suspend the right of signature for one or more administrators or request the supervisory board of the micro-bank to dismiss him/her/them; in the case of a member of the supervisory board, request the general meeting of shareholders to dismiss him/her;
- g) suspend or restrict the micro-bank from increasing its assets, distributing profits, paying dividends and bonuses, increasing salaries and attracting deposits;
- h) suspend the voting rights of the controlling person and/or the owner of a qualifying holding if the controlling person or the owner of a qualifying holding fails to provide the National Bank of Georgia with financial or other information or otherwise violates the legislation of Georgia, including in the case of failure to meet the fit and proper criterion/criteria under Article 11 of this Law, or if, according to the assessment of the National Bank of Georgia, the controlling person or the owner of a qualifying holding uses his/her authority arising from the ownership of shares to the detriment of the interests of the micro-bank. The terms and conditions of the suspension of the right to vote provided for in this subparagraph shall be established by the National Bank of Georgia based on the existing circumstances. The National Bank of Georgia shall determine the conditions and terms of the suspension of the voting right referred to in this subparagraph based on the existing circumstances;
- i) request the controlling person to remove or limit control in the case of the non-submission of financial or other information to the National Bank of Georgia by the controlling person or where other violations have been identified. The National Bank of Georgia shall determine the conditions and terms for the removal or limitation of control, as it deems necessary based on the existing circumstances;
- j) request the micro-bank to respond appropriately to the risks associated with its activities, products and/or systems;
- k) request the micro-bank to reduce variable remuneration to the extent necessary to comply with established capital adequacy ratios and fulfil other standards;
- l) restrict and/or prohibit the micro-bank from distributing capital and/or paying interest to its shareholders and/or holders of Tier 1 capital;
- m) establish additional requirements for the micro-bank with regard to supervisory reporting;
- n) establish individual liquidity requirements for the micro-bank;
- o) establish additional requirements for the micro-bank with regard to the disclosure of information;
- p) revoke the micro-banking licence of the micro-bank.

3. If one or more of the grounds referred to in paragraph 1 of this article exist and/or if the financial position of the micro-bank deteriorates significantly or deteriorates in the near future, which may be manifested in different ways, including in the deterioration of the capital or liquidity situation, or an increase in non-performing loans or risk positions, the National Bank of Georgia may, with or without application of the said supervisory measures, in compliance with the principle of proportionality, apply the following supervisory measures:

- a) request the micro-bank to take one or more measures included in the action plan for improving the financial position;
- b) require that the micro-bank have its assets and liabilities evaluated by an independent appraiser agreed with the



National Bank of Georgia;

c) request the micro-bank to make changes in its business strategy or organisational structure;

d) request the supervisory board and the directorate of the micro-bank to call an extraordinary general meeting of shareholders of the micro-bank to discuss the ground/grounds under paragraph 1 of this article and to take necessary measures to remove it/them. In the case of the failure of the supervisory board and the directorate to call an extraordinary general meeting of shareholders of the micro-bank, the National Bank of Georgia may call an extraordinary general meeting of shareholders itself, set its agenda, and request the general meeting to consider the ground/grounds under paragraph 1 of this article and to take necessary measures to remove it/them;

e) appoint a temporary administrator.

4. The National Bank of Georgia may, in accordance with the procedure and in the amount established by it, impose a sanction (monetary fine) on the micro-bank and its administrator and/or controlling person in compliance with the principle of proportionality, in the case provided for by paragraph 1(a)-(h) of this article, with or without the application of a supervisory measure. However, the amount of the fine imposed on the micro-bank shall not exceed the share capital of the micro-bank.

5. The amount of sanction (monetary fine) referred to in this article shall be transferred to the state budget of Georgia.

6. The party against whom a supervisory measure and/or sanction (monetary fine) was applied shall have the right to appeal it to a court within 1 month after being officially presented by a respective individual administrative act.

Article 34 – Principle of proportionality

1. A decision made by the National Bank of Georgia on the basis of Article 33 of this Law shall be proportionate to the grounds for applying a supervisory measure or sanction (monetary fine). The National Bank of Georgia shall take into account the following criteria when making a decision on the application of a supervisory measure or sanction (monetary fine):

a) the seriousness of the grounds under Article 33 of this Law. To this end, the National Bank of Georgia shall assess, as a minimum, the financial position of the micro-bank, the level of capital adequacy of the micro-bank in relation to the risks of the micro-bank, the effect of the grounds under Article 33 of this Law on the financial position of the micro-bank, their scale, amount, interrelation, duration and frequency, and the lawfulness of the activities of the micro-bank and/or a possible threat of damage to the assets of the micro-bank;

b) the readiness and the resources of the micro-bank to remove the grounds under Article 33 of this Law. To this end, the National Bank of Georgia shall assess, as a minimum, the ability of administrators to identify and assess the micro-bank's risks, and monitor and manage them. It shall also assess how effectively the grounds under Article 33 of this Law are removed and to what extent the micro-bank, administrators and controlling persons cooperate with the National Bank of Georgia;

c) the extent to which the stability and effective functioning of the financial sector is threatened. To this end, the National Bank of Georgia shall assess and take into account the size of the micro-bank, the interrelation of the micro-bank with other representatives of the financial sector, the substitutability of the micro-bank's functions, and the areas and complexity of its activities.

2. This article shall not apply where supervisory measures and sanctions (monetary fines) are applied against violations of the legislation regulating the facilitation of the prevention of money laundering.

Article 35 – Temporary administration mode

1. Where, in the case of the existence of one or more grounds under Article 33(1) and/or (3) of this Law, the implementation of supervisory measures has not produced any results, or if, according to the assessment of the National Bank of Georgia, the implementation of said measures will be insufficient to achieve the appropriate result to promote the stable and effective functioning of the micro-bank and the financial sector, and to protect the interests of the depositaries or other creditors of the micro-bank, the National Bank of Georgia may, with or without the implementation of the supervisory measures under Article 33(2) and/or (3) of this Law, appoint a temporary administrator.

2. A temporary administrator shall start performing the duties assigned to him/her from the date indicated in the decision commencing temporary administration. The decision shall be published in the Legislative Herald of Georgia.

3. A temporary administrator shall notify an operator of the payment system, of which the micro-bank managed by temporary administration is a participant, of the introduction of temporary administration without delay and at the latest on the day of the commencement of temporary administration.

4. From the day of issuance of an individual administrative act on the commencement of temporary administration, no action shall be performed on behalf and at the expense of the micro-bank without the written consent of the temporary administrator, except in the cases provided for by the Law of Georgia on Payment Systems and Payment Services.

5. The full authority of all the bodies of a micro-bank (including that of the general meeting of shareholders and of administrators) shall be transferred to a temporary administrator.

6. A temporary administrator shall initiate a motion within the shortest possible time to make necessary changes in the list of officials submitted to the National Bank of Georgia.

7. The National Bank of Georgia may determine by a separate normative act a procedure for introducing temporary



administration and for the operation of temporary administration.

Article 36 – Procedure for commencing temporary administration

A decision commencing temporary administration shall state:

- a) the grounds for commencing temporary administration;
- b) the name(s) and surname(s) of the temporary administrator(s);
- c) the term of the temporary administration;
- d) a warning about the possible freezing of funds of the clients of the micro-bank;
- e) the measures applicable to administrators.

Article 37 – Powers of a temporary administrator

1. A temporary administrator appointed by the National Bank of Georgia shall have the right to take necessary measures to improve the financial position of the micro-bank, including closing its branches, dismissing its employees, paying funds or suspending the payment thereof. A temporary administrator shall also have the power to merge the micro-bank with another micro-bank or commercial bank, renew its capital, or transfer its assets and liabilities, or a part thereof, to another financial institution. The decision of a temporary administrator on the payment of funds or the suspension of their payment shall not contravene the requirements of the Law of Georgia on Payment Systems and Payment Services.

2. A temporary administrator may, in addition to actions performed on the basis of the Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives, by filing a claim in a court, challenge the actions of an administrator which were performed within 1 year prior to the appointment of the temporary administrator (or if a party opposing rescission is a person connected to the micro-bank, within 2 years) and which caused damage to the creditors of the micro-bank. An action performed by an administrator, which caused damage to creditors, may become voidable if it was performed within 3 years prior to the appointment of a temporary administrator.

Article 38 – Terminating temporary administration

1. Temporary administration shall be terminated:

- a) after the expiry of its term, information about which shall be published in the Legislative Herald of Georgia;
- b) by a reasoned decision of the National Bank of Georgia;
- c) in the case of the liquidation of the micro-bank, if, according to the conclusion of the temporary administrator, the goal of improving the financial position of the micro-bank cannot be achieved.

2. A temporary administrator shall have the right to block at any time, in whole or in part, the funds of natural and legal persons in the micro-bank, for the term of the temporary administration, to improve the financial position of the micro-bank, provided that the micro-bank takes the necessary measures to maintain their stability, unless this contravenes the Law of Georgia on Payment Systems and Payment Services and the Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives.

Article 39 – Liquidation of a micro-bank

1. The liquidation procedure of a micro-bank shall commence upon the revocation of the micro-banking licence (except in the case provided for by Article 18 of this Law), the purpose of which is to promote the stable functioning of the financial sector, to protect insured deposits as defined in the Law of Georgia on the Deposits Insurance System, and to satisfy the claims of the creditors of the micro-bank as much as possible. The functions of a liquidator of a micro-bank shall be performed by a person appointed by the National Bank of Georgia in accordance with the procedure established by the National Bank of Georgia. A person connected to the micro-bank shall not be appointed as a liquidator of the micro-bank. Upon the commencement of the liquidation procedure of the micro-bank, ongoing enforcement proceedings against the micro-bank shall be terminated.

2. If the micro-bank was a payment system operator and/or a settlement agent, a liquidator of a micro-bank shall, upon his/her appointment, before taking up his/her duties as a liquidator of the micro-bank, ensure that the transfer orders received by the payment system are executed, the settlement positions of the participants of the payment system are established and/or payments are made in accordance with the Law of Georgia on Payment Systems and Payment Services.

3. A liquidator of a micro-bank shall, within 3 months after his/her appointment, draw up a list of assets and liabilities of the micro-bank and submit a copy thereof to the National Bank of Georgia. A liquidator of a micro-bank shall be accountable to the National Bank of Georgia in accordance with the procedure established by the National Bank of Georgia.

4. A liquidator of a micro-bank may sell the assets of the micro-bank at a public auction, or choose another form of selling them in agreement with the National Bank of Georgia, or transfer the right to claim these assets to the creditors of the micro-bank according to their rank, and the right to claim loans or other financial assets to another micro-bank or financial institution, and organise the transfer of said liabilities.

5. The consent of the creditors of the micro-bank shall not be required for the transfer of assets and liabilities referred to in paragraph 4 of this article.

6. A liquidator of a micro-bank may terminate:



- a) agreements on hiring an employee;
- b) contracts for services in the provision of which the micro-bank participated;
- c) any liability of the micro-bank as a lessee of immovable property, provided that the lessor (who must be given 60 days' notice to the effect that the micro-bank intends to exercise the right to cancel the lease agreement) has no claim on the lease payments other than the amount due on the date of cancelling the agreement, and that he/she does not request compensation for damages caused by the cancellation;
- d) bank guarantees issued by the micro-bank and transfer them to another micro-bank or commercial bank under the same conditions. The consent of the beneficiary of the bank guarantee and the principal shall not be required for transferring the bank guarantees. A liquidator of a micro-bank shall notify the beneficiary of the bank guarantee and the principal of the transfer of the bank guarantee to another micro-bank or commercial bank.

7. A liquidator of a micro-bank may, in addition to actions performed on the basis of the Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives, by filing a claim in court, challenge the actions of an administrator which were performed within 1 year prior to the appointment of the liquidator of the micro-bank (or if a party opposing rescission is a person connected to the micro-bank, within 2 years) and which caused damage to the creditors. An action taken by an administrator, which caused damage to the creditors of the micro-bank, may become voidable if it was performed within 3 years prior to the appointment of a liquidator of the micro-bank.

8. A liquidator of a micro-bank shall:

- a) take all necessary measures to terminate all the functions of a trustee performed by the organisation, return all assets and properties belonging to the organisation as a trustee to their owners and make all payments according to the accounts of the trustee;
- b) send, according to the records of the micro-bank, a notice concerning the nature and amount of claims to all depositors of the micro-bank, other creditors, clients who keep valuables in the safe deposit boxes of the micro-bank, as well as depositors of the property managed by the micro-bank. The said notice shall state that the clients can collect their valuables and that they can submit a claim to the liquidator of the micro-bank within 1 month from the receipt of the said notice;
- c) request the borrowers and other debtors of the micro-bank to cover their liabilities to the micro-bank within the contractual term. To recover as many assets of the micro-bank as possible, a liquidator of the micro-bank shall, in agreement with the National Bank of Georgia, achieve debt restructuring for the borrowers and other debtors (including the forgiveness of penalties and fines) who do not have sufficient funds and material resources to fully pay off their debts within the contractual term.

9. Any property stored in the territory of a micro-bank which is not claimed within the period indicated in the respective statement, and any unclaimed funds and property which are on the micro-bank's balance sheet on the basis of an appropriate agreement, shall be considered as unclaimed resources and shall be transferred into the possession of the National Bank of Georgia to identify their owners. Unclaimed funds shall be transferred to an unclaimed funds account opened at the National Bank of Georgia.

10. When a micro-bank is liquidated, the financial collateral taker shall have a preferential right to satisfy his/her/its claim secured by a financial collateral arrangement (within the value of the financial collateral).

10¹. A secured claim of a secured creditor of a micro-bank (including a tax authority), except for a person provided for in paragraph 10 of this Article, shall be satisfied by the sale of the collateral in observance of the the order of registration of security measures (including tax lien/mortgage security measures). Upon the request of a secured creditor of a micro-bank, whose claim has not been satisfied due to the insufficient amount of the proceeds from the sale of the collateral, the outstanding part of the claim shall be included in the order of claims referred to in paragraph 10² of this article, as provided for by Article 276(2) and Article 301(1¹) of the Civil Code of Georgia.

10². Requirements to a micro-bank that are not provided for in paragraphs 10 and 10¹ of this article shall be fulfilled in the following order:

- a) expenses related to the liquidation process of a micro-bank;
- b) a creditor to whom the loan obligation of a micro-bank arose after the revocation of the micro-banking licence, as well as the National Bank of Georgia. In addition, the loan obligations that arose after the revocation of the micro-banking licence of the micro-bank shall be satisfied in accordance with subparagraph (g) of this paragraph;
- c) insured deposits within the limits of reimbursable amounts established by the Law of Georgia on Deposits Insurance System, or the claims of the Legal Entity under Public Law called the Deposit Insurance Agency, including claims provided for by Article 20(2) of the Law of Georgia on Deposits Insurance System;
- d) funds available on the accounts of natural persons, legal persons, and organisational entities with no legal personality, which exceed the limits of reimbursable amounts established in accordance with the Law of Georgia on Deposits Insurance System, but not more than GEL 100 000 (one hundred thousand) or its equivalent in foreign currency;
- e) funds available on the accounts of natural persons, legal persons, and organisational entities with no legal personality, that have not been paid in accordance with subparagraphs (c) and (d) of this paragraph, except for the claims provided for in subparagraph (f) of this paragraph;
- f) deposits held in the name of the micro-bank administrators, deposits of the shareholders holding 5 % or more of the



capital of the micro-bank, deposits of the family members of such persons or third parties acting on their behalf as provided for in the Organic Law of Georgia on the National Bank of Georgia, as well as deposits of the financial institutions;

g) budget liabilities and arrears;

h) other repayable funds of natural persons;

i) other repayable funds of legal persons in the amount of not more than GEL 1 000 000 (one million) or its equivalent in foreign currency;

j) other claims remaining in respect of a micro-bank, except for the claims referred to in subparagraphs (k)-(p) of this paragraph;

k) loan obligations of a micro-bank to the direct and indirect owners of the micro-bank, except for the claims referred to in subparagraphs (l)-(p) of this paragraph;

l) subordinated debt of a micro-bank which is not a regulatory capital instrument;

m) the liabilities of a micro-bank which are subject to writing-off or conversion into the regulatory capital on the basis of a contract, except for the claims referred to in subparagraphs (n) and (p) of this paragraph;

n) Tier 2 capital instruments of a micro-bank;

o) additional Tier 1 capital instruments of a micro-bank;

p) other liabilities of a micro-bank to the direct and indirect owners of the micro-bank.

11. If the funds available are not sufficient to satisfy in full the claims referred to in paragraph 10² of this article, all appropriate claims shall be paid in proportion to the amount of the claim of each creditor of the rank in question.

12. The claims of the micro-bank's creditors of each subsequent rank shall be satisfied after the claims of a preceding rank have been satisfied.

13. If the depositor of a micro-bank does not file a claim for the funds in his/her possession within the time limit set by the liquidator of the micro-bank, the funds shall be transferred to an unclaimed funds account opened at the National Bank of Georgia to identify their owners.

14. To complete the liquidation process of a micro-bank in a timely manner, a liquidator may, in agreement with the National Bank of Georgia, transfer the accounts existing in the micro-bank, in respect of which the legal restrictions and/or security measures provided for by the legislation of Georgia have been applied, to another micro-bank and/or commercial bank and/or the National Bank of Georgia in unchanged form, with the observance of the existing order of the legal restrictions and/or security measures of the micro-bank under liquidation and in accordance with the procedure established by the National Bank of Georgia.

15. In the case of the seizure of an asset that was the asset of the micro-bank prior to the issuance of an individual legal act on the liquidation of the micro-bank, it shall be automatically considered as an asset of the liquidated micro-bank and the National Bank of Georgia shall acquire the right to dispose of it. If the seized asset of the liquidated micro-bank is monetary funds, they shall be transferred to an unclaimed funds account opened for liquidated micro-banks at the National Bank of Georgia and be distributed according to the final and verified order of liabilities submitted by the liquidator of the micro-bank, in accordance with the procedure established by the National Bank of Georgia. In the case of the seizure of the non-monetary tangible assets of a micro-bank, to manage them, the National Bank of Georgia shall issue an individual legal act, which shall determine a procedure for managing seized assets to satisfy the liabilities of a liquidated micro-bank.

16. A liquidation procedure of a micro-bank shall be considered completed if all claims against it are fully covered and the remaining assets are distributed among the shareholders in accordance with the legislation of Georgia.

17. If a micro-bank has uncovered liabilities but has no more assets to cover these liabilities, the liquidation procedure of the micro-bank shall be terminated and bankruptcy proceedings shall be opened in accordance with the procedure established by the National Bank of Georgia.

18. The National Bank of Georgia shall issue an individual legal act on making a decision on the completion of the liquidation procedure of the micro-bank, which shall be submitted to the Legal Entity under Public Law called the National Agency of Public Registry for the purpose of registering the liquidation of the micro-bank and removing it from the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons.

Law of Georgia No 3951 of 15 December 2023 – website, 28.12.2023

Article 40 – Netting and close-out netting

Netting or close-out netting and resulting operations, carried out on the basis of the Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives and a netting agreement between the parties, cannot be contested by third parties, administrative bodies, regulatory/supervisory bodies, a liquidator, a trustee, a bankruptcy manager/rehabilitation manager or a temporary administrator of a micro-bank, or any other person performing similar functions.

Chapter VIII – Transitional and Final Provisions

Article 41 – Transitional provisions



1. If a microfinance organisation applies for a micro-banking licence before 1 January 2024, it shall not have pledged assets, other than monetary instruments of the National Bank of Georgia that are necessary to maintain liquidity, within not later than 2 years from the date of obtaining the micro-banking licence. Different individual requirements for the liquidity ratio shall be determined for micro-banks during this period:
 - a) micro-banks whose pledged assets to share capital ratio is more than 90% at the time of obtaining a micro-banking licence shall not be eligible to attract deposits;
 - b) micro-banks whose pledged assets to share capital ratio is less than 90% at the time of obtaining a micro-banking licence shall be eligible to attract deposits if the ratio of pledged assets is less than 50% within not later than 1 year after receiving the right to attract deposits, and becomes zero within not later than 2 years.
2. If a microfinance organisation applies for a micro-banking licence before 1 January 2024, at least 50% of the credit portfolio of the micro-bank shall consist of loans issued for entrepreneurial purposes and/or loans whose source of repayment is income from entrepreneurial activities. The micro-bank shall meet the requirements of Article 3(1) and (2) of this Law not later than 2 years after obtaining a micro-banking licence.
3. The National Bank of Georgia shall issue the legal acts provided for by this Law by 1 July 2023.

Article 42 – Entry into force of the Law

1. This Law, except for Articles 1-40 and Article 41(1) and (2) of this Law, shall enter into force upon its promulgation.
2. Articles 1-40 and Article 41(1) and (2) of this Law shall enter into force on 1 July 2023.

President of Georgia

Salome Zourabichvili

Tbilisi

22 February 2023

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