

**ORGANIC LAW OF GEORGIA**  
**ON THE NATIONAL BANK OF GEORGIA**

**Chapter I - General Provisions**

**Article 1 - National Bank of Georgia**

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

2. (Deleted)

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

4. The National Bank shall be located in Tbilisi.

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

**Article 2 - Definition of terms**

The terms used in this Law have the following meanings:

a) financial sector representative - a commercial bank, non-bank depository institution, brokerage company, independent securities registrar, asset management company, central depository, specialised depository, stock exchange, microfinance organisation, founder of a non-state pension scheme, insurance brokerage company, publicly accountable enterprise, qualified credit institution, money transfer provider, foreign currency exchange office;

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

c) commercial bank - a legal person licensed by the Legal Entity under Public Law – the Financial Supervision Agency of Georgia (the Agency) that accepts deposits and uses them to conduct on its behalf banking activities defined by the legislation of Georgia;

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

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

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

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

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

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

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

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

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

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

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

o) spot transaction - a transaction, which is settled within two banking days after the transaction is made;

p) forward transaction - a transaction, which is settled within more than two banking days after the transaction is made;

q) swap - a transaction of the purchase or sale of foreign currency under preliminarily agreed terms for its further sale or repurchase;



- r) fiscal agent - a person who supports the implementation of the State fiscal policy by organising a payment system and circulation of securities and who represents the State in relations with central banks of other countries and international financial institutions;
- s) administrative and capital expenditures - all expenditures, except for those that are directly related to the implementation of monetary policy and exchange rate policy and to provision of cash to the economy;
- t) statistics of the financial sector of Georgia - statistics reflecting the stocks and flows of financial assets and liabilities of the national economy, as well as of financial and non-financial assets and liabilities of financial corporations;
- u) person - a natural or a legal person, as well as an organisational unit under the legislation of Georgia, which is not a legal person;
- v) non-bank depository institution - a legal person, which is not a commercial bank and which is authorised to accept deposits and use them to conduct on its behalf a part of banking activities under the legislation of Georgia;
- v<sup>1</sup>) qualified credit institution - a legal person, which is considered as such by the Agency and which attracts funds from natural persons and grants loans using the attracted funds, according to this Law;
- w) interim bank - a bank set up urgently and temporarily by the Agency to ensure the stability of the banking system and security of deposits in exceptional cases;
- x) control - exercising a strong influence, directly or indirectly, independently or jointly with others, by using voting shares (stock, share) or by any other means;
- y) controlling person - a person, who exercises control;
- z) family member - a person's spouse, minor child or stepchild, as well as a person permanently residing with him/her;
- z<sup>1</sup>) close relative - a person who is a relative falling under the category of first or second heir, according to the Civil Code of Georgia;
- z<sup>2</sup>) public register - a departmental public register of the National Bank/Agency in which legal acts of the National Bank/Agency are registered and systematised;
- z<sup>3</sup>) external sector statistics - statistics on the balance of payments, international investment climate, foreign debt and official international reserves;
- z<sup>4</sup>) inflation - change in the consumer price index, published by the official agency that produces price statistics;
- z<sup>5</sup>) reserve money - cash issued by the National Bank (excluding the balance of funds at the cash desk of the National Bank), funds in the accounts of commercial banks (including banks with revoked licences) at the National Bank, denominated in the national currency;
- z<sup>6</sup>) free industrial zone - a zone established according to the Law of Georgia on Free Industrial Zones;
- z<sup>7</sup>) duty-free shop - a customs control zone, for activities of which a permission issued by the Revenue Service is required, and where it is permitted to sell any goods without tariff measures, except for the goods, whose import, export, and sale on the territory of Georgia is prohibited.

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

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

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

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

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

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

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

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

1. The main objective of the National Bank shall be to ensure price stability.
2. The National Bank shall ensure stability and transparency of the financial system and facilitate sustainable economic growth in the country, if this is possible without posing a threat to attaining its main objective.
3. The functions of the National Bank shall be to:
  - a) develop and implement a monetary policy and exchange rate policy, according to basic directions defined by the Parliament of Georgia;
  - b) implement supervision of the financial sector under this Law through the Agency existing with the National Bank; the Agency is responsible for implementing a supervision policy and fulfilling functions assigned to it under this Law;
  - c) ensure the functioning of the monetary system;



- d) own, keep and dispose of the official international reserves;
- e) act as a banker and a fiscal agent of the Government of Georgia;
- f) facilitate secure, sustainable and effective functioning of the payment system;
- g) issue currency of Georgia;
- h) produce and disseminate the financial and external sector statistics of the country, according to the international standards and methodologies;
- i) (deleted - 29.5.2014, No 2465);
- j) perform other functions defined by this Organic Law.

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

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

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

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

1. The National Bank shall be independent in its activity. Legislative, executive and other bodies may not intervene in its activity or monitor it except as provided under the Constitution of Georgia and this Organic Law.
2. The National Bank shall be economically independent and shall provide for all its expenses. The National Bank shall not be liable for the obligations of the State of Georgia. The State of Georgia shall not be liable for the obligations of the National Bank except as provided in this Organic Law.
3. The National Bank, its assets, property and income, as well as activities and transactions it carries out, shall be exempt from all state taxes, state charges, fees and state duties.

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

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

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

#### **Article 5 - International cooperation**

1. The National Bank/Agency shall, within the scope of its authority, represent Georgia at international meetings, all boards and organisations.
2. The National Bank shall, within the scope of its authority, cooperate with the respective financial sector supervisory body of another country. Such cooperation may comprise exchange of information between the National Bank and the respective financial sector supervisory body of another country, provided that this body keeps the information, obtained in this way, confidential.
3. The National Bank may provide banking services to a foreign government, central bank, and monetary authorities, as well as an international organisation whose member the National Bank or the State of Georgia is.
4. Being the representative of Georgia, the National Bank may undertake obligations and carry out operations related to participation of Georgia in the activities of international organisations.

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

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

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

1. The National Bank is a unified centralised system consisting of the National Bank itself and the Agency existing with it.
2. The National Bank shall, on the basis of this Law, define procedures for establishing, functioning and abolishing its structural units (except for the Agency).
3. This Law shall define procedures for establishing and functioning the Agency.

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

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



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

1. The supreme body of the National Bank shall be the Board of the National Bank which consists of seven members. If there are fewer than four members on the Board, the Board of the National Bank shall not be authorised to perform its functions. In this case, the vacancy (vacancies) shall be filled not later than two months after occurrence of this fact.
2. Members of the Board of the National Bank shall be citizens of Georgia or of a foreign country, professionals in economics, finance or other appropriate fields, and shall be distinguished by their integrity. The number of professionals in other relevant fields (except for economics and finance) on the Board of the National Bank shall not exceed two.
3. The chairperson of the Board of the National Bank shall be the President of the National Bank. Apart from the chairperson of the Board, two Vice-presidents of the National Bank and other members shall be on the Board of the National Bank.
4. The Parliament of Georgia shall, on the recommendation of the President of Georgia, elect members of the Board of the National Bank for a period of seven years, by a majority of votes of the total number of Members of Parliament.
5. A member of the Board of the National Bank may be dismissed only under Article 64 of the Constitution of Georgia, by decision of the Parliament of Georgia.
6. A member of the Board of the National Bank may be re-elected. In the case of the termination of the Board member's term of office ahead of time, a new member to replace him/her shall be elected for the full term of office of a Board member.
7. President of the National Bank shall be appointed from among the Board members of the National Bank, and dismissed by the President of Georgia upon recommendation of the Board of the National Bank. Vice-presidents of the National Bank shall be appointed and dismissed by the Board of the National Bank upon recommendation of the President of the National Bank.
8. The President of the National Bank shall be dismissed if he/she:
  - a) is not a member of the Board of the National Bank anymore;
  - b) has lost the right to hold the position of a Board member of the National Bank according to Article 13 of this Organic Law;
  - c) is unable to perform his/her duties due to his/her health status;
  - d) dies.
9. Vice-presidents of the National Bank shall be dismissed according to the rule defined in the eighth paragraph of this article.
10. A member of the Board of the National Bank, except for the President and Vice-presidents of the National Bank, shall not be a public servant.

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

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

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

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

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

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

The Board of the National Bank shall be authorised to:

- a) review and approve the key principles of managing and disposing of international reserves;
- b) establish the procedure for determining the official exchange rate of the national currency to foreign currencies;
- c) approve the budget of administrative and capital expenditures of the National Bank;
- d) create special reserves;
- e) review, approve and submit to the Parliament of Georgia an annual report and financial statements of the National Bank;
- f) issue legal acts;
- g) (Deleted – 3.9.2015, No 4188);
- h) approve the organisational structure and the Regulations of the National Bank;
- i) perform other functions set forth in this Organic Law.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. The President and Vice-presidents of the National Bank are public servants.

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

2. The President and Vice-presidents of the National Bank are state employees. *(Shall become effective as from 1 July 2017)*

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

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

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

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

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



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

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

1. The President of the National Bank shall:

- a) manage the activity of the National Bank;
- b) represent the National Bank before third parties;
- c) appoint and dismiss employees of the National Bank;
- d) distribute duties between the President and Vice-presidents of the National Bank, as well as among the officers of the National Bank;
- e) be authorised to attend the meetings of the Government of Georgia without the right to vote;
- f) determine the staff list of the National Bank and amounts of employees' official salaries, as well as the amount of fringe benefits of any kind;
- f<sup>1</sup>) define a unified procedure for record-keeping at the National Bank;
- g) issue legal acts;
- h) set up advisory and consultative bodies (committee, commission);
- h<sup>1</sup>) be a member of the Board of the Agency;
- i) perform other functions defined by this Organic Law.

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

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

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

## **Article 16 – (Deleted)**

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

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

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

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

3. The Monetary Policy Committee shall be authorised to:

- a) develop the monetary policy and the exchange rate policy of the country;
- b) define procedures for the open market and for other monetary and credit operations, for calculation and observance of the emission and circulation of own securities;
- c) set interest rates on loans, deposits and other monetary operations of the National Bank, except for loans of last resort;
- d) (Deleted – 3.9.2015, No 4188);
- e) perform other duties related to the monetary policy and the exchange rate policy.

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

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

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



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

1. The Board of the National Bank shall appoint and dismiss the Head of the Internal Audit Service of the National Bank by simple majority of members present and voting at a meeting. The Head of the Internal Audit Service shall be appointed for a period of seven years. He/she may be reappointed.
2. The Head of the Internal Audit Service may resign upon one month's notice to the President of the National Bank.
3. The functions of the Internal Audit Service shall be to:
  - a) periodically audit internal control systems and operations of the National Bank;
  - b) prepare a progress report and develop recommendations on budget and accounting procedures and internal control systems, to report to the Board of the National Bank;
  - c) audit periodical financial statements and related documents of the National Bank.

## **Article 18<sup>1</sup> – Internal Audit Service of the Agency**

1. The Head of the Internal Audit Service of the Agency shall be appointed and dismissed by the Board of the Agency by a majority vote of members present at a Board meeting. The Head of the Internal Audit Service of the Agency shall be appointed for a period of seven years. He/she may also be reappointed.
2. The Head of the Internal Audit Service of the Agency may resign from his/her position upon one month's prior notice to the Head of the Service.
3. The functions of the Internal Audit Service of the Agency shall be:
  - a) periodical audit of internal control systems and operations of the Agency;
  - b) preparation of a report on the work performed to be submitted to the Board of the Agency and development of recommendations on the budget and accounting procedures and internal control systems;
  - g) audit of periodical financial statements and related documents of the Agency.

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

## **Article 19 - Remuneration of labour of the personnel of the National Bank and the Agency**

1. The amount of remuneration of labour of the employees of the National Bank shall be in line with the level of remuneration across the banking system of Georgia. The amount of remuneration of temporary employees shall be set on the basis of a contract.
- 1<sup>1</sup>. The amount of remuneration of labour of the Agency employees shall be in line with the level of remuneration of labour in the National Bank. The amount of remuneration of labour of freelance workers of the Agency shall be set on the basis of a contract.
2. The amount of official salaries, bonuses and other payments to be paid by the National Bank shall not depend on the net income of the National Bank.

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

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

1. Present or former members of the Board of the National Bank/Agency, employees or auditors of the National Bank/Agency may not allow the access of an unauthorised person to confidential information, as well as disclose, disseminate or use such information for personal purposes.
2. (Deleted - 29.5.2014, No 2465).
3. Information on accounts and/or transactions of natural and legal persons, or on third parties, may be provided only based on a court decision.
4. Information under the third paragraph of this article shall be provided to persons who are authorised to implement the acts subject to enforcement under the Law of Georgia on Enforcement Proceedings, during their enforcement.
5. Based on the monetary policy and/or statistical objectives, by the decision of the Board of the National Bank, any information available at the National Bank may be declared confidential for a certain reasonable period of time. The Board of the National Bank shall define the list of such information, the time frame of restriction and the procedures for providing such information.
- 5<sup>1</sup>. For the stability of the financial sector, any information available at the Agency, by decision of the Agency, may be declared confidential for a certain reasonable time. The list of such information, the restriction period and the procedure for granting the information shall be defined by the Board of the Agency.
- 5<sup>2</sup>. The procedure and conditions for the exchange of information between the Agency and the National Bank/other structural units of the National Bank, and for the access to the information shall be determined by the Board of the National Bank.



6. The Chairperson of the Board of the Agency, the Head of the Agency, a deputy Head of the Agency, an employee of a structural unit of the Agency supervising the financial sector under this Law, and the President of the National Bank, a Vice-president of the National Bank and the may not be an employee of a financial sector representative or of a related legal entity (this requirement does not apply to the Chairperson of the Board of the Agency and to a member of the Board of the Agency who is an employee of a foreign financial sector representative or of a related legal entity, which is not under supervision and regulation of the Agency), a direct or indirect shareholder, a member of the supervisory board or of the board of directors. If a family member or a close relative of a member of the Board of the Agency or of an employee of a structural unit of the Agency, who supervises the financial sector under this Law, is a holder of more than 10 % of the shares of a person under supervision and regulation of the Agency or of a related person, or is a member of the supervisory board or the board of directors, he/she shall submit a written statement to the Agency under the procedure (this procedure is public) established by the Agency. He/she may not participate in resolving issues related to such person. An employee of the Agency may not be charged with supervision of a person whose shareholder or whose member of the supervisory board or the board of directors is his/her family member or a close relative.

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

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

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

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

### **Chapter III - Financial Provisions**

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

1. The capital of the National Bank shall consist of the charter capital and the general reserve fund.
2. The charter capital of the National Bank shall be GEL 15 000 000.
3. The source of the growth of the National Bank charter capital shall be its net profits.

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

1. The general reserve fund of the National Bank shall be formed from the annual net profits, according to the distribution provided in Article 25 of this Organic Law.
2. The general reserve fund of the National Bank may be used only to counteract the National Bank's net loss.
3. In order to facilitate the stability and transparency of the financial system, and sustainable economic growth in the country, the Board of the National Bank of Georgia shall be authorised to decide on the distribution of sums in the reserve fund.

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

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

1. By decision of the Board of the National Bank, the National Bank's net profits may be used to form:
  - a) a reserve for counteracting losses expected due to a change in the national currency exchange rate against foreign currencies;
  - b) a reserve for counteracting losses caused by a change in the price of assets;
  - c) other special reserves.
2. Special reserves shall be used for counteracting the respective loss.

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

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

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





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

- a) If net profits consist of net operating profits and net unrealised profits obtained as a result of revaluation, the unrealised profits obtained as a result of revaluation shall be transferred to the revaluation reserve. If net profits include revaluation of unrealised losses, it shall be compensated from the revaluation reserve account. If net profits consist of net operating losses and net unrealised profits obtained as a result of revaluation, net profits shall be transferred to the revaluation reserve.;
- b) The remaining amount of net profits shall be used to fill the general reserve fund of the National Bank, until its volume equals 15% of the amount of the reserve fund at the end of the financial year. The Board of the National Bank of Georgia shall be authorised to decide to use the remaining net profits to fill the general reserve fund of the National Bank, until its volume is less than 15% of the amount of the reserve fund at the end of the financial year.
- c) The remaining net profits for the financial year must be transferred to the account of the Ministry of Finance of Georgia within six months after completion of the financial year of the National Bank.

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

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

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

- a) If the net loss consists of net operating losses and net revaluation unrealised losses, the amount of net operating losses shall be added to the general reserve fund, and the amount of revaluation unrealised losses shall be distributed among the revaluation reserve accounts. If after such distribution the revaluation reserve accounts become negative, the negative balance shall be distributed to the general reserve fund.
- b) If a net loss consists of the sum of net operating profits and a greater net revaluation unrealised losses, the revaluation loss shall be compensated from the revaluation reserve accounts. The remaining losses shall be distributed to the general reserve fund.
- c) If the net loss consists of net operating losses and net revaluation unrealised profits, the losses shall be added to the general reserve fund.
- d) If after the above distribution the capital of the National Bank becomes smaller than the charter capital, in order to cover the deficit (to fill the charter capital of the National Bank) the Ministry of Finance of Georgia shall transfer to the ownership of the National Bank the circulating (market) government bearer bonds, under terms and conditions similar to those of other government securities.

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

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

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

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

### **Article 28 - Open market operations**

When implementing monetary policy, the National Bank shall be authorised to perform open market operations with government securities and by way of direct purchase or sale of securities issued by the National Bank, or under the condition of their further alienation or repurchase (repo and reverse repo operations).

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

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

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

### **Article 29<sup>1</sup> – Committee for determining the minimum reserve requirements**



1. The Committee for determining the minimum reserve requirements shall be established at the National Bank of Georgia. The Committee for determining the minimum reserve requirements shall consist of six voting members. In addition, by decision of the President of the National Bank, employees of the National Bank and invited persons may be non-voting members of the Committee for determining the minimum reserve requirements. Voting members of the Committee for determining the minimum reserve requirements are the President and Vice presidents of the National Bank, the Chairperson of the Board of the Agency, the Head of the Agency, and by the decision of the Board – one member of the Board of the Agency. The President of the National Bank shall determine the functions of the Committee for determining the minimum reserve requirements.

2. Each voting member of the Committee for determining the minimum reserve requirements shall have one vote. A meeting of the Committee for determining the minimum reserve requirements shall be duly constituted if attended by at least three voting members of the Committee. An extraordinary meeting of the Committee for determining the minimum reserve requirements may be convened and a question may be initiated on the basis of a written request of two voting members of the Committee. A decision of the Committee for determining the minimum reserve requirements shall be considered adopted if supported by at least half – i.e. three – of the voting members of the Committee. In the event of a tie, the President of the National Bank shall have the casting vote.

3. The decision of the Committee for determining the minimum reserve requirements shall be provided to the President of the National Bank in the form of recommendation. The National Bank shall issue legal acts on the basis of the final decision of the President of the National Bank.

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

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

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

2. The National Bank shall be authorised to alienate securities purchased through discount transactions at its own discretion.

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

1. Under the procedures and terms set by the National Bank, the National Bank may issue loans to commercial banks and non-bank depository institutions that have accounts at the National Bank, secured by respective collateral.

2. The Board of the National Bank shall approve the list of assets to be pledged as collateral for loans.

3. The National Bank shall be authorised to accept deposits under the procedures and conditions set by it.

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

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

The National Bank shall be authorised to have accounts of commercial banks, non-bank depository institutions and significant system participants, and accept deposits from them under the procedures and conditions established by it.

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

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

1. Except for the loans permitted under Article 31 of this Organic Law, the National Bank may issue a last resort loan to a commercial bank.

2. The term of the last resort loan, provided in the first paragraph of this article, shall not be longer than three months, the interest rate shall not be lower than the interest rate set for a one-day loan by the National Bank and shall be secured by assets determined under Article 31 of this Organic Law.

3. In exceptional cases, when the stability of the country's financial system may be under threat, by decision of the Board of the National Bank, it shall be admissible to issue a loan for a longer term, with a different interest rate and unsecured by collateral.

3<sup>1</sup>. When exercising powers under paragraphs 1–3 of this article, the National Bank shall evaluate the solvency of a commercial bank. The National Bank may refer to the Agency to receive the evaluation of the solvency of the commercial bank. The National Bank is not restricted to make an appropriate decision until it receives the evaluation of the solvency of the commercial bank from the Agency

4. The Board of the National Bank shall, in accordance with this Organic Law, define the procedures and terms for issuing a last resort loan.

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

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

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



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

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

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

## **Chapter V - Means of Payment**

### **Article 34 - Currency unit**

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

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

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

<sup>2</sup>) A regulation different from the one provided for in paragraph 2<sup>1</sup> of this article may be determined by an appropriate legal act of the National Bank. ***(Shall become effective from 1 July 2017)***

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

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

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

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

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

### **Article 35 - Emission**

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

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

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

4. Emission of lari banknotes and coins directly for covering the deficit of the State Budget of Georgia shall be prohibited.

5. The National Bank may sell lari banknotes and coins, as well as numismatic valuables, both inside and outside the country.

6. The Board of the National Bank shall determine the procedures for production and realisation of lari banknotes and coins.

7. The Board of the National Bank shall define criteria for determining the fitness of lari banknotes and coins for use and the procedures for their acceptance and replacement.

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

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

1. The National Bank shall ensure reliable storage of both currency and original materials necessary for producing lari banknotes and coins, and other valuables.

2. Only the National Bank shall ensure the destruction of lari banknotes and coins and original materials necessary to produce them.

3. The Board of the National Bank shall set the procedure for destruction or further use of lari banknotes and coins.

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

1. The National Bank may withdraw from circulation and replace issued lari banknotes and coins.



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

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

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

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

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

## **Chapter VI - International Reserves**

### **Article 40 - Official international reserves**

1. The National Bank shall own, store and manage the official international reserves which may consist of the following assets:
  - a) monetary gold;
  - b) foreign currency in the form of coins and banknotes;
  - c) foreign currency balances available in bank accounts in a foreign country;
  - d) special drawing rights (SDR) for loans of the International Monetary Fund and the reserve position in the International Monetary Fund;
  - e) bills of exchange and deposit certificates denominated and payable in a foreign currency;
  - f) debt instruments issued by foreign countries, central banks, international financial institutions, and private companies;
  - g) derivative financial instruments and agreements on purchase of securities, denominated and payable in foreign currency, under the condition of their further alienation (reverse repo operations);
  - h) any other universally recognised international reserves.
2. To perform the tasks of managing the official international reserves, the National Bank shall be authorised to borrow foreign currency on its own behalf, for a term of up to one year, which will be secured by assets within the international reserves, or to enter into agreements on alienation/lending of securities under the condition of their further repurchase (repo operations).

## **Chapter VII - Relations of the National Bank with Other State Bodies**

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

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

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

1. Before submitting to the Parliament of Georgia a draft State Budget of Georgia or draft changes to the State Budget of Georgia, the Minister of Finance



of Georgia shall consult with the President of the Bank regarding the main parameters of the State Budget of Georgia that include:

- a) the volume and structure of total revenues;
- b) the volume and structure of the surplus of the State Budget of Georgia;
- c) the change in financial assets;
- d) the structure of expenditures of the State Budget of Georgia.

2. The consultations shall necessarily take into consideration information on plans regarding attracting domestic and foreign loans for the state sector for the following financial year, including information on lending amounts of credit facility agreement, their acceptance and allocation and expected loan conditions. The central and local self-government bodies of Georgia shall notify the National Bank about the debt instruments issued.

3. After consultations, the President of the National Bank shall send to the Parliament of Georgia and the Government of Georgia an opinion on basic parameters of the State Budget of Georgia.

#### **Article 43 - Depository functions**

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

2. The National Bank may permit other financial institutions to accept such deposits under terms established by the National Bank.

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

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

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

#### **Article 45 - Information to be submitted to the National Bank/Agency**

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

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

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

1. The National Bank shall not assist the Government of Georgia and state institutions financially, except in the case of paying dividends, provided in Article 25 of this Organic Law. Based on the purposes of the monetary policy, the National Bank shall purchase government securities only on the secondary market.

2. The National Bank of Georgia may purchase government securities on the primary market only in exchange for securities already existing in its portfolio, if the day of payment for them coincides with the day of issuance of new securities. They shall be purchased at the volume-weighted average price fixed at the auction. The volume of securities purchased by the National Bank at each auction shall be the additional emission of securities offered for sale at the auction and shall not exceed 20% of the total volume of securities sold at this auction.

### **Chapter VIII - Supervision of the Financial Sector**

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

1. The Agency's objective shall be to facilitate the financial sustainability and transparency of the financial sector, and to protect the rights of customers and investors. For this purpose, the Agency shall control the systemic risk, mitigate potential risks, and ensure stable and effective functioning of the financial system.

2. The National Bank/Agency shall facilitate stable functioning of the financial sector.



#### **Article 47<sup>1</sup> – Agency**

1. The Agency shall be established with the National Bank to carry out state supervision over the activities of the financial sector.
2. The Agency shall be the only state body that carries out state supervision over the activities of the financial sector.
3. The Agency is an independent body. When performing its activities, the Agency shall not be subordinated to any other body and official. The Agency shall perform its activities in compliance with the Constitution of Georgia, the international agreements and treaties of Georgia, this Law, the Law of Georgia on Legal Entities under Public Law, other normative acts and the Statute of the Agency.
4. The Agency has its independent balance sheet, a bank account (including with the National Bank), and a seal with the State Coat of Arms and the name of the Agency on it.
5. The Agency shall independently manage its own budget.
6. The Head of the Agency shall be accountable to the Board of the Agency.
7. The structure and rules of procedure of the Agency shall be determined under the Statute of the Agency approved by an ordinance of the Board of the Agency.
8. The Agency shall, not later than four months from the end of the year, submit to the Parliament of Georgia an annual report of the performed activities.
9. The Agency shall have the right to independently perform its functions, to independently acquire immovable and movable property to perform its functions, to conclude agreements, and to be a claimant or a defendant.

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

#### **Article 47<sup>2</sup> – Collaboration of the Agency with appropriate foreign supervision bodies**

1. The Agency shall, within the scope of its authority, collaborate with appropriate foreign supervision bodies.
2. The collaboration under paragraph 1 of this article may include the exchange of information between the Agency and an appropriate foreign supervision body on the condition that the foreign supervision body maintains confidentiality of the information obtained in this way.

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

#### **Article 47<sup>3</sup> – The Board of the Agency**

1. The highest body of the Agency is the Board of the Agency comprised of seven members. One member of the Board of the Agency is the President of the National Bank; another member of the Board of the Agency is a member of the Board of the National Bank appointed by the Board of the National Bank from among its members, and the rest of the members are citizens of Georgia or foreign countries who are honest, qualified, professional, experienced, are knowledgeable in the fields of economy, finance or banking and who have experience of working in the field of banking or finance.
2. Not later than two months before powers of a member of the Board of the Agency expire, the Government of Georgia shall propose a candidate for membership of the Board of the Agency to the Parliament of Georgia. The Parliament of Georgia shall elect a new member of the Board of the Agency before powers of a current member of the Board expire. The powers of the new member of the Board of the Agency shall commence upon expiration of powers of the current member of the Board. If powers of a member of the Board of the Agency are prematurely terminated, a vacancy within the Board of the Agency shall be filled within three months from its creation. The Government of Georgia shall propose a candidate for membership of the Board of the Agency to the Parliament of Georgia to fill the vacancy within the Board of the Agency not later than one month from creation of the vacancy. The Parliament of Georgia shall elect the member of the Board of the Agency within two months after the Government of Georgia proposes the candidate for membership of the Board of the Agency.
3. The same candidate may be nominated for election as a member of the Board of the Agency only twice.
4. Five members of the Board of the Agency shall be elected by the Parliament of Georgia by majority of its members on the current nominal list upon recommendation of the Government of Georgia for the term of seven years. The same person may be elected as a member of the Board of the Agency only for two consecutive terms. If powers of a member of the Board of the Agency (except for the President of the National Bank and a member of the Board of the National Bank) are prematurely terminated, a new member to replace him/her shall be elected for the full term of powers of a member of the Board of the Agency.
5. A member of the Board of the Agency shall comply with the following requirements:
  - a) have a higher education in economics, finance, or banking;
  - b) have at least seven years' experience of working in the field of banking or finance, including three years' experience of working in a managerial position (a head or a deputy head of a structural unit).



6. A person may not be elected as a member of the Board of the Agency if he/she:

a) was involved in a transaction that caused a significant loss to a commercial bank or a non-bank depository institution – the credit union, and encroached on the rights of the depositors or other creditors of the commercial bank or the non-bank depository institution – the credit union; and/or led to the insolvency or bankruptcy of the commercial bank or the non-bank depository institution – the credit union;

b) was an administrator of a commercial bank or a non-bank depository institution – the credit union, and the commercial bank or the non-bank depository institution – the credit union became insolvent;

c) has been declared bankrupt, has a previous conviction for a grievous or extremely grievous crime, for terrorist financing and/or legalisation of illicit income or other economic crime.

7. The fact specified in paragraph 6(a) of this article must be confirmed by a court decision.

8. A candidate for membership of the Board of the Agency shall submit to the Parliament of Georgia the information on financial liabilities and legal and business relations in the financial sector.

9. The Board of the Agency shall, by majority of its full membership, elect the Chairperson of the Board from among its members for its own term of powers.

10. The President of the National Bank and a member of the Board of the National Bank may not at the same time be the Chairperson of the Board of the Agency or Head of the Agency. The activity of the President of the National Bank and of a member of the Board of the National Bank as a member of the Board of the Agency shall not be remunerated.

11. A member of the Board of the Agency may request information on the activities of the Agency.

12. Powers of a member of the Board of the Agency (except for the President of the National Bank and a member of the Board of the National Bank) shall be prematurely terminated if:

a) a judgement of conviction enters into legal force against him/her, which carries a punishment by restriction of liberty or deprivation of liberty for determinate or indeterminate term, or if a court declares him/her missing or dead, or recognises him/her as a beneficiary of support, unless otherwise determined under court decision – as of the day when the court decision enters into legal force;

b) he/she fails to perform his/her obligations for four consecutive months, or occupies a position under the legislation of Georgia, which is incompatible with the status of a member of the Board of the Agency;

c) he/she resigns from position by submitting a written application to the Chairperson of the Parliament of Georgia not later than two months before resignation. The member of the Board of the Agency shall be considered resigned as of the date specified in his/her application;

d) he/she dies – as of the date of death.

13. In the cases under paragraph 12(a,c,d) of this article, information on early termination of powers of a member of the Board of the Agency shall be accepted by the Parliament of Georgia as reference.

14. In the cases under paragraph 12(b) of this article, powers of a member of the Board of the Agency shall be prematurely terminated by decision of the Parliament of Georgia adopted by majority of its members on the current nominal list.

15. In the cases under paragraph 12(b) of this article, the question of early termination of powers of a member of the Board of the Agency may be raised by at least one fifth of the members on the current nominal list of the Parliament of Georgia.

16. The decision on termination of powers of a member of the Board of the Agency and the grounds for termination shall be public.

17. The Parliament of Georgia shall discuss the issue of early termination of powers of a member of the Board of the Agency and put it to vote on a plenary session – within 30 calendar days after a request for early termination of powers of a member of the Board of the Agency is submitted; and if this time limit coincides with the inter-sessional period – within 10 calendar days after the next session starts.

18. The issue of early termination of powers of a member of the Board of the Agency may not be raised again on the same grounds.

19. After powers of the Chairperson of the Board of the Agency expire or his/her powers of a member of the Board of the Agency are terminated, the current official salary shall be retained to the Chairperson of the Board for one year and during this period he/she may not work in the financial sector. The official salary under this paragraph shall not be paid to the Chairperson of the Board of the Agency and he/she shall not work in Georgian financial sector for one year after termination of his/her powers if a judgement of conviction enters into legal force against him/her, which carries a punishment by restriction of liberty or deprivation of liberty for determinate or indeterminate term, or if he/she occupies a position under the legislation of Georgia, which is incompatible with the status of a member of the Board of the Agency, or resigns from position when three years have not passed after his/her election.

20. A member of the Board of the Agency (except for the President of the National Bank and a member of the Board of the National Bank) may not work in Georgian financial sector for one year after his/her powers expire or if his/her powers of a member of the Board of the Agency are terminated.

21. Main powers and authority of the Board of the Agency shall be to:

a) prepare a policy for supervision and regulation of activities of the financial sector;

b) determine basic areas of the Agency activities;

c) approve the budget of the Agency and submit it to the Board of the National Bank;



- d) control the Agency activities;
- e) review legal acts related to the regulation of financial supervision;
- f) discuss comments of the representatives of the financial sector regarding the actions performed by appropriate structural units of the Agency;
- g) exercise other functions and powers provided for under this Law. ***(The effect of paragraph g) shall be suspended until the Constitutional Court adopts a final judgement on the case)*** – record of session No 3/6/668 of the Preliminary Session of the Plenum of the Constitutional Court of Georgia of 12 October 2015 – website, 23.10.2015

22. Functions of the Agency and issues related to management, structure and accountability of the Agency shall be regulated by this Law, other legislative acts and the Statute of the Agency approved by ordinance of the Board of the Agency upon recommendation of the Head of the Agency. ***(The effect of Article 22 shall be suspended until the Constitutional Court adopts a final judgement on the case)*** – record of session No 3/6/668 of the Preliminary Session of the Plenum of the Constitutional Court of Georgia of 12 October 2015 – website, 23.10.2015

23. A member of the Board of the Agency (except for the Chairperson of the Agency) is not a public servant.

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

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

## **Article 47<sup>4</sup> – Head of the Agency**

1. The Head of the Agency shall administer the Agency. The Head of the Agency shall be approved by the Parliament of Georgia for the term of seven years. A candidate for the Head of the Agency shall be proposed to the Parliament by the Chairperson of the Board of the Agency in agreement with the Board. The candidate for the Head of the Agency shall be considered agreed with the Board of the Agency if a majority of full membership of the Board gives its consent to it.

2. The Parliament of Georgia shall adopt a decision on approval of the Head of the Agency by majority of votes of the attending members of a plenary session but by not less than one third of full membership of the Parliament.

3. The Head of the Agency is a public servant.

4. The Head of the Agency must be honest, qualified, professional, experienced and competent, and must have higher education in one of the following specialties: economy, finance, banking, or audit.

5. Requirements under paragraph 5 (except for sub-paragraph (a)) and paragraphs 6–8 of Article 47<sup>3</sup> of this Law shall apply to the Head of the Agency.

6. A person may not be appointed as Head of the Agency twice in a row. A person who was appointed as Head of the Agency may not be reappointed as Head of the Agency within seven years from the expiration or early termination of his/her powers.

7. Powers of the Head of the Agency shall be prematurely terminated:

a) based on a personal application if submitted in writing to the Chairperson of the Board of the Agency and the Chairperson of the Parliament of Georgia not later than two months before resignation from position. The Head of the Agency shall be considered resigned from position as of the date specified in the application;

b) if he/she occupies a position under the legislation of Georgia, which is incompatible with the status of the Head of the Agency, or performs activities incompatible with the status of the Head of the Agency;

c) if his/her citizenship of Georgia is terminated;

d) if a judgement of conviction enters into legal force against him/her, which carries a punishment by restriction of liberty or deprivation of liberty for determinate or indeterminate term, or if a court declares him/her missing or dead, or recognises him/her as a beneficiary of support, unless otherwise determined under court decision – as of the day when the court decision enters into legal force;

e) if he/she dies;

f) if he/she unduly performs the imposed duties.

8. In cases under paragraph 7(b,c) of this article, powers of the Head of the Agency shall be prematurely terminated upon recommendation of the Chairperson of the Board of the Agency by decision of the Parliament of Georgia adopted by majority of its members on the current nominal list. In cases under paragraph 7(a,d,e) of this article, information on early termination of powers of the Head of the Agency shall be accepted by the Parliament as reference.

9. In the case under paragraph 7(f) of this article, powers of the Head of the Agency shall be prematurely terminated upon recommendation of at least four members of the Board of the Agency, by an ordinance of the Parliament of Georgia adopted by majority of votes of the attending members of a plenary session but not less than one third of full membership of the Parliament. The recommendation of the Board members shall be substantiated.

10. The decision on early termination of powers of the Head the Agency and the grounds for termination shall be public.

11. The Head of the Agency shall have a deputy (deputies) who is (are) appointed to and dismissed from the position by the Head of the Agency in agreement with the Board of the Agency. A candidate for the Deputy Head of the Agency shall be considered agreed with the Board of the Agency if a majority of full membership of the Board gives consent to it.





12. Main powers and authority of the Head of the Agency shall be to:

- a) issue a normative act – an order, and an individual legal act – an ordinance, on the basis of law and for its observance;
- b) submit the budget of the Agency to the Board of the Agency for approval;
- c) submit to the Board of the Agency periodic (every six months) reports on the activities carried out by the Agency;
- d) submit a staff list and amounts of official salaries of the Agency employees to the Board of the Agency for approval;
- e) appoint employees of the Agency to and dismiss them from positions;
- f) determine functions of the Deputy (Deputies) Head of the Agency and the Agency employees;
- g) establish advisory and consultative bodies (a committee, a commission) if necessary;

h) exercise other functions and powers provided for under this Law. ***(The effect of Article 12(a,d,e,f,g,h) shall be suspended until the Constitutional Court adopts a final judgement on the case)*** – record of session No 3/6/668 of the Preliminary Session of the Plenum of the Constitutional Court of Georgia of 12 October 2015 – website, 23.10.2015

13. The Board of the Agency shall, upon recommendation of the Head of the Agency, approve the budget of the Agency and submit it to the Board of the National Bank to include it in the budget of the National Bank. The Board of the National Bank shall automatically reflect the budget of the Agency submitted by the Board of the Agency in the budget of the National Bank, except for the case under paragraph 14 of this article.

14. If the amount of the budget submitted by the Board of the Agency exceeds the amount of the budget of the Agency for the previous year, the Board of the National Bank may require that the Board of the Agency justify this change. If the appropriate justification cannot be obtained, the National Bank may reflect the budget of the Agency in its own budget within the amount of the Agency budget for the previous year. If the increase in the budget of the Agency is partially accepted, the National Bank shall reflect the budget of the Agency in its own budget within the accepted amount.

15. After official powers of the Head of the Agency expire or he/she is prematurely dismissed from the position, the current official salary shall be retained to the Head of the Agency for one year and during this period he/she may not work in the financial sector. The official salary under this paragraph shall not be paid to the Head of the Agency and he/she shall not work in Georgian financial sector for one year after termination of his/her powers if a judgement of conviction enters into legal force against him/her, which carries a punishment by restriction of liberty or deprivation of liberty for determinate or indeterminate term, or if he/she occupies a position under the legislation of Georgia, which is incompatible with the status of the Head of the Agency, or resigns from position when three years have not passed after his/her approval, or if his/her powers are prematurely terminated for undue performance of the imposed duties.

16. A Deputy Head of the Agency may not work in Georgian financial sector for one year after his/her official powers expire or if he/she is prematurely dismissed from the position.

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

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

## **Article 47<sup>5</sup> – Meeting of the Board of the Agency**

1. Rules and procedures for convening meetings of the Board of the Agency shall be established by the Board of the Agency. A meeting of the Board of the Agency, as a rule, shall be convened by the Chairperson of the Board of the Agency. In the absence of the Chairperson of the Board of the Agency, as assigned by the Chairperson, his/her duties shall be performed by one of the members of the Board of the Agency. A meeting of the Board of the Agency may also be convened at any time on the basis of a written request of two members of the Board.

2. Each member of the Board of the Agency has one vote. A meeting of the Board of the Agency shall be duly constituted if attended by more than half of the Board members. Among the attending members one must be the Chairperson of the Board of the Agency.

3. The Chairperson of the Board of the Agency shall preside a meeting of the Board of the Agency.

4. A decision of the Board of the Agency shall be adopted by a simple majority of votes of the Board members attending the meeting of the Board of the Agency. Only an attending member of the Board of the Agency shall have the right to vote at the meeting. If votes are equally divided, the Chairperson of the Board of the Agency shall have the casting vote.

5. A meeting of the Board of the Agency shall be held at least once in two months.

6. A meeting of the Board of the Agency may also be held by using an electronic communication means.

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

## **Article 47<sup>6</sup> – Appealing a decision of the Agency**

1. A person under the supervision of the Agency shall have the right to appeal a decision of the Agency to court.

2. If a decision of the Agency is appealed, the effect of the decision may not be suspended until a final decision on the case is adopted, unless the Agency makes another decision.



#### **Article 47<sup>7</sup> – Financial Sector Supervision Committee of the Agency**

1. The Head of the Agency shall, by order, establish a Financial Sector Supervision Committee of the Agency. Members of the Financial Sector Supervision Committee of the Agency are the Head of the Agency, the Deputy Head of the Agency and heads of appropriate structural units of the Agency. By the decision of the Head of the Agency, other employees of the Agency and the invited persons may be members of the Financial Sector Supervision Committee of the Agency.

2. The Financial Sector Supervision Committee of the Agency shall review and/or prepare the legal acts to be issued by the Head of the Agency with respect to the regulation of supervision of the financial sector.

3. A decision of the Financial Sector Supervision Committee of the Agency shall be supplied to the Head of the Agency as a recommendation. When making decision, the Head of the Agency shall have the right not to consider the recommendation of the Financial Sector Supervision Committee.

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

#### **Article 48 – Authority of the Agency in terms of supervision of the financial sector**

1. The Agency has been granted full authority to supervise the activities of commercial banks, non-bank depository institutions, micro-finance organisations, independent securities registrars, brokerage companies (except for insurance brokerage companies), stock exchange, central depository, specialised depository, asset management companies, publicly accountable enterprises, payment system operators and payment service providers on the basis of this Law and other normative acts of Georgia.

2. To facilitate prevention of illicit income legalisation and for the purposes of preventing counterfeit money circulation, the Agency shall be authorised to perform regulation of money transfer providers and foreign currency exchange offices by way of registering, and auditing them and establishing minimum requirements for them.

3. To perform supervisory duties, the Agency shall be authorised to issue appropriate decrees and orders, to implement relevant measures and impose relevant sanctions.

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

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

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

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

d) an interested person failed upon request of the Agency to submit to the National Bank full information on the origin of funds necessary to comply with minimum capital requirements set under the legislation of Georgia for commencing a subject's activity, or to acquire a significant share in the cases provided in the legislation of Georgia.

5. To perform supervisory functions, the Agency shall be authorised to request and receive, within its authority, any information (including confidential information) from persons defined in the first paragraph of this article and from a qualified credit institution provided in Article 48<sup>1</sup> of this Law.

6. To facilitate prevention of illicit income legalisation, the Agency shall be authorised to cooperate with local supervisory and law enforcement bodies.

7. Correspondence between the subject of supervision and the Agency can be conducted in a material or electronic form. They shall have equal legal force.

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

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

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

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

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

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



## **Article 48<sup>1</sup> - Regulation of the activity of qualified credit institutions**

1. A legal person (except for a commercial bank), which attracts funds from more than 400 natural persons or whose amount of funds attracted from natural persons exceeds GEL 5 million, , shall, upon the request of the Agency, register with the Agency and satisfy the requirements established by the Agency for qualified credit institutions.

2. A legal person whose attracted funds do not exceed the amount under the first paragraph of this article, or which attracts funds from fewer than 400 natural persons, when requested by the Agency, shall, upon the request of the Agency, register with the Agency and satisfy the requirements established by the Agency, if its activity, the amount of attracted funds, the area of activities or segment is considered by the Agency as important for the financial sector, or if its activity and the methods of attracting clients indicate a plan for the expansion of the circle of persons from whom the funds are attracted.

3. The Agency shall be authorised to regulate the activity of a qualified credit institution, which includes: registration, revocation of registration, establishing compliance criteria, disclosure of risks, minimum capital, liquidity and additional requirements, and inspection, imposing restrictions and sanctions.

4. If the Agency considers that the activity of a qualified credit institution poses a threat to the stability of the financial sector or to the funds attracted from natural persons, it shall be authorised to demand that the qualified credit institution terminate the activity related to attraction of funds and issuance of loans. Failure to comply with a demand of the Agency to terminate the activity shall cause the imposition, on a qualified credit institution, of liability provided in the legislation of Georgia.

5. Conditions for registration of legal persons under this article with the Agency, compliance criteria for a qualified credit institution, minimum capital, liquidity and additional requirements, the amount of the monetary penalty and the procedure for imposing it shall be defined by a normative act of the Agency. The amount of the monetary penalty shall be transferred to the State Budget of Georgia.

6. Upon obtaining a banking licence, a legal person shall automatically lose the status of a qualified credit institution.

7. The Agency may, under the procedures established by the Agency, verify fulfilment by a qualified credit institution of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA).

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

1. The Agency shall exercise supervision of a payment system operator and a payment service provider according to the legislation of Georgia by registration and revocation of registration, establishment of the minimum requirements, and by imposition of restrictions and sanctions.

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

3. The Agency shall define the issue of granting and revoking the status of a significant system and the status of a significant payment service provider according to the legislation of Georgia.

4. The Agency shall exercise supervision of a significant system and a significant payment service provider according to the legislation of Georgia through inspection, establishment of minimum capital and additional requirements, and imposition of restrictions and sanctions.

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

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

1. The Agency shall be authorised to:



- a) exercise supervision over the activity of a commercial bank and a non-bank depository institution. The supervision shall include the issuance and revocation of licenses, inspection and regulation, imposition of restrictions and sanctions;
- b) require and receive information on the sources of the capital of a commercial bank and on both direct and beneficiary owners of its significant shares;
- c) exercise supervision and inspect a commercial bank and a non-bank depository institution, inspect their subsidiaries, audit the components of accounting documents and financial statements, and other materials, and receive any information from them in a form defined by itself, within the scope of its authority; in the case of detecting, as a result of an audit, signs of a crime, the materials shall be handed over to the appropriate bodies;
- d) increase reserve requirement norms for commercial banks and non-bank depository institutions, terminate their active operations, prohibit distribution of profit, accrual and payment of dividends, raises in salaries, payment of bonuses and other similar compensations, require attracting additional capital and increasing reserve norms against possible losses from assets and conditional obligations;
- e) suspend the signature right of administrators of commercial banks and a non-bank depository institutions; impose monetary penalties on them and require their dismissal; require a commercial bank and non-bank depository institution to pay a monetary penalty; revoke a license of a commercial bank and a non-bank depository institution;
- f) determine, by a normative act, the procedures for issuance and revocation of a license for a commercial bank and a non-bank depository institution, establish the amount of a monetary penalty and the procedures for imposing it. The sum of a monetary penalty shall be transferred to the State Budget of Georgia;
- g) exempt a commercial bank and a non-bank depository institution, for a certain period of time and/or under certain conditions, from compliance with the norms established by itself;
- h) set up and manage an interim bank that will implement its activity according to the Law of Georgia on Commercial Bank Activities;
- i) through a temporary administrator or liquidator, facilitate transfer of assets and liabilities of an insolvent commercial bank or part of them under procedures and conditions established by the National Bank;
- j) in special cases, for the purpose of stable functioning of the financial system, immediately take appropriate measures for commercial banks: set additional days off for banks apart from public holidays under the Organic law of Georgia – the Labour Code of Georgia; announce days off under the Organic law of Georgia – the Labour Code of Georgia as banking days; set certain restrictions and/or exempt from such restrictions, and perform other actions necessary to maintain sustainability of the financial system.
- k) The Agency may, under the procedures established by the Agency, verify fulfilment by a commercial bank and a non-bank depository institution of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA).

2. The Agency shall appoint a liquidator and a temporary administrator of a commercial bank and a non-bank depository institution. They shall be accountable to the Agency. The full authority of all organs (including the general meeting of shareholders) of a commercial bank and a non-bank depository institution shall be transferred to a liquidator and a temporary administrator.

3. The Agency shall be authorised to set, for a commercial bank and a non-bank depository institution, a minimum capital requirements and the procedures for their calculation.

4. No one shall have the right to accept deposits and use them to issue loans without holding a license granted by the Agency.

5. Only by the decision of the Agency, a commercial bank and a non-bank depository institution may be declared insolvent and bankrupt under procedures established by the Agency.

6. The Agency shall audit an international financial company under special procedures established by the Agency only to check the observance of restrictions set under the legislation of Georgia for international financial companies.

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

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

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

## **Article 50 - Supervision of micro-finance organisations, money transfer providers and foreign currency exchange offices**

1. The Agency shall exercise supervision of a micro-finance organisation through registration, revocation of registration, auditing and imposition of sanctions.

2. The Agency shall exercise supervision of a money transfer provider and a foreign currency exchange office only to prevent circulation of counterfeit money and for the purposes of the Law of Georgia on Facilitation of Prevention of Legalisation of Illicit Income, through registration, revocation of registration, auditing, establishment of minimum requirements and imposition of sanctions.

3. The procedure for registration and revocation of registration of a micro-finance organisation, a money transfer provider and a foreign currency exchange office, the amount of a monetary penalty and the procedure for imposing it shall be defined by normative acts of the Agency. The sum of a monetary penalty shall be transferred to the State Budget of Georgia.

4. The Agency shall be authorised to request and receive from a money transfer provider and a foreign currency exchange office any financial and statistical information under procedures established by itself.



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

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

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

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

#### **Article 51 - (Deleted)**

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

#### **Article 52 - Supervision of securities market**

The Agency shall be authorised to:

a) regulate relations arising from the issuance and circulation of securities by issuers; ensure detection, prevention and elimination of violations in the field of issuance and circulation of securities;

b) issue and revoke licenses of regulated participants in the securities market;

c) set minimum capital requirements for regulated participants in the securities market;

d) approve an issue prospectus;

e) monitor, audit and research regulated participants in the securities market;

e<sup>1</sup>) The Agency may, under the procedures established by the Agency, verify fulfilment by a participant in the securities market of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA).

f) under the legislation of Georgia, adopt, amend and cancel the procedures related to the regulation of the securities market, and supervise their performance;

g) impose sanctions, including a monetary penalty on regulated participants in the securities market. The amount of a monetary penalty and the procedure for imposing it shall be defined by a normative act of the Agency. The sum of the monetary penalty shall be transferred to the State Budget of Georgia.

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

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

#### **Chapter IX - (Deleted)**

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

#### **Article 53 - (Deleted)**

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

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

#### **Article 54 - (Deleted)**

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

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

#### **Article 55 - (Deleted)**

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

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



**Article 56 - Financial year of the National Bank**

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

**Article 57 - Accounting**

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

**Article 58 - Financial reporting of the National Bank**

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

**Article 59 - Audit of reports of the National Bank**

1. Reports of the National Bank shall be audited by an independent auditing firm appointed by the Parliament of Georgia. The audit shall include auditing of the Agency as well.
2. To carry out an external audit of the reports of the National Bank, not later than 1 October after completion of an audit, the relevant committee of the Parliament of Georgia shall submit to the Parliament of Georgia the world's four largest auditing firms, and the Parliament of Georgia shall select one auditing firm (external auditor) from the list on the basis of a tender or a competition not later than 1 December. A contract shall be signed with the auditing firm for a period of at least two but not to exceed four years.
3. The State Audit Office shall audit only administrative and capital expenses of the National Bank/Agency.

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

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

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

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

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

1. The National Bank shall prepare as soon as possible, but not later than within 10 working days, submit to the Parliament of Georgia and publish a non-audited balance sheet as of the last working day of the reporting month.
2. Within not later than four months after completion of a financial year, the National Bank shall publish and submit for approval to the Parliament of Georgia the previous year's audited financial statement and a report provided in Article 61 of this Organic Law.
3. In addition to financial statements and documents under the first and second paragraphs of this article, the National Bank may publish other reports and studies on financial and economic issues, which the National Bank considers appropriate to publish.

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

1. The National Bank shall independently set an inflation target.
2. Not later than 1 October of each year, the National Bank shall submit to the Parliament of Georgia draft basic directions of monetary and exchange rate policies for the following three years.
3. By the end of the current year, the Parliament of Georgia shall approve the basic directions of monetary and exchange rate policies.
4. Unless the Parliament of Georgia approves the draft basic directions of monetary and exchange rate policies submitted by the National Bank of Georgia, the National Bank shall act within the framework of the draft it has developed.
5. The draft basic directions of monetary and exchange rate policies shall contain an inflation target, key instruments of monetary policy that the National Bank will use to achieve the inflation target, and an overview of potential risks.



6. Annually, not later than four months after the end of a financial year, the National Bank shall submit to the Parliament of Georgia a report on the implementation of a monetary and credit, and currency policy; and the Agency shall submit to the Parliament of Georgia a report and on the implementation of its activities and a supervision policy. The Parliament of Georgia shall approve the reports. The Agency shall publish the report submitted to the Parliament of Georgia. The Agency can publish other statements and researches on financial and economic issues that it deems appropriate to publish.

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

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

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

## **Article 63 - Mechanism of clearing, cashless settlement and payment systems**

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

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

## **Article 64 - The preferential and unconditional right of the National Bank**

1. At maturity, the National Bank shall have the preferential and unconditional right to satisfy any of its demands from funds available in a debtor's accounts, from cash balances, or from tangible assets owned by a debtor. This procedure shall not apply to funds available in the reserve requirements account at the National Bank.

2. The National Bank may exercise a preferential right to place the available funds in its account and, by selling other assets at an auction, withhold the amount due from the proceeds, after deduction of the costs associated with the sale of assets. The National Bank shall determine the procedures for holding auctions. If an auction is declared failed, the National Bank shall be authorised to satisfy its requirement by directly obtaining the title to property. The relevant bodies shall be obliged to issue a document to the National Bank confirming its title to such property.

3. By decision of the Board of the National Bank, the above powers may be or may not be applied to a commercial bank that is in the regime of liquidation or temporary administration.

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

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

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

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

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

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

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

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



The National Bank shall be authorised to:

- a) issue loans, acquire the right to equity participation, or otherwise participate in the activity of any organisation, whose operation is related to performing the functions and attaining the objectives of the National Bank;
- b) define a list of employees of the National Bank system, who have the right to carry firearms, as provided by law;
- c) ensure manufacturing, procurement and sale of gold bars;
- c<sup>1</sup>) execute operations with gold and/or financial instruments related to gold under procedures it has established. The Law of Georgia on Securities Market shall not apply to these financial instruments, and they shall be registered and circulated under procedures established by the National Bank;
- d) ensure production, purchase and sale of articles necessary for the popularization of the national currency.

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

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

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

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

## **Article 67 - Regulatory provisions**

1. When performing its duties, the National Bank/Agency shall enjoy autonomous (independent) regulatory power. The National Bank/Agency shall keep a public register of normative acts, directives and instructions.
2. The formats and standards defined in the issues of electronic settlement of accounts and information security, which are established under an appropriate procedure by the National Bank/Agency within the scope of its authority, shall be forwarded to commercial banks and non-bank depository institutions individually. They shall be effective from the date defined by the National Bank/Agency.
3. Unless immediate entry of a normative act into force is needed, the National Bank/Agency shall send a draft normative act to the Ministry of Justice of Georgia for a legal expertise, except for cases defined by a normative act of the Minister of Justice of Georgia.
4. An adopting (issuing) body (official) shall determine the need for the immediate entry into force of a normative act. A normative act issued by the National Bank, in order to be assigned a state registration code, shall, immediately, but not later than the following working day, be submitted to the Ministry of Justice of Georgia. A normative act, which is to enter into force immediately, shall become effective from the date specified in it.
5. If the norm of immediate entry into force of a normative act is applied, this normative act shall include a separate article to specify the reasons of its immediate entry into force.
6. The National Bank/Agency, during the course of its activities, shall be authorised to create, receive, send, keep and issue any document in a material and/or electronic form (including, in the form of archive materials), which may have legal consequences, as well as to use an electronic document management system and an electronic and/or digital signature. An electronic document and its printed version shall have the same legal force as a material document.

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

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

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

## **Article 68 - Administration standards**

1. The National Bank/Agency shall exercise powers granted to it under this Law on the basis of the principles of equality and impartiality and in compliance with accepted administration standards.
2. The National Bank/Agency shall refrain from using the powers specified in paragraph 1 of this article to achieve such a goal that is not in line with these powers, or shall exercise its rights to the extent exceeding the necessary measures to achieve a respective legitimate goal.
3. To fulfil the provisions of this Law, the decisions of the National Bank/Agency shall be subject to the principles of impartiality. Their motivation must be objective and rational. All decisions shall be executed in compliance with legal standards and shall serve the goals set.
4. If an individual administrative-legal act of the National Bank is being appealed to court, the plaintiff shall bear the burden of proof according to Article 17(2) of the Administrative Procedures Code of Georgia.
5. If an administrative act of the National Bank is being appealed to court, the effect of such administrative act may not be suspended until the final judgement on appeal is made, unless otherwise decided by the National Bank.
6. No employee of the National Bank shall be personally responsible for his/her act or inaction with regard to any person, if he/she performed this act or refrained from it in good faith, in the course of performing his/her duties, according to the legislation of Georgia.

c<sup>1</sup>. An employee of the Agency, a member of the Board of the Agency, a temporary administrator appointed at a commercial bank by the Agency and a





liquidator of a commercial bank shall not be held personally liable for any act or omission in relation to any person if they committed or refrained from committing it while fulfilling their obligations in good faith in compliance with the legislation of Georgia.

6<sup>2</sup>. If a third party commences a dispute against an employee of the Agency, a member of the Board of the Agency, a temporary administrator appointed at a commercial bank by the Agency and a liquidator of a commercial bank, and when the dispute concerns fulfilment of the imposed functions by an employee or a freelance worker of the Agency or by a member of the Board of the Agency, the Board of the Agency may make a decision to compensate the judicial and extrajudicial expenses.

7. The President, Vice-presidents, an officer of the National Bank authorised by them, or, in a special case, another person, shall represent the National Bank in court, before other bodies and persons.

8. The Agency shall be represented before the court, another body or person by the Head of the Agency or an employee of the Agency authorised by the Head, and in a special case – by another person.

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

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

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

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

### **Article 70 - Transitional provisions**

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

2. The National Bank of Georgia shall be reorganised.

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

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

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

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

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

8. After entry of this Organic Law into force:

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

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

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

10. From 1 March 2014 through 1 June 2015, the National Bank of Georgia shall exercise, with regard to investment funds, the power of a supervisory body provided under the Law of Georgia on Collective Investment Undertakings. 11. Before the amount of an extra salary for a Board member of the National Bank and a Board member of the Agency is determined under an appropriate legal act of the Parliament of Georgia, the Board of the National Bank may determine the extra salary for a Board member of the National Bank.

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

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

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

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

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



## **Article 71 - Entry into Force of this Law**

1. This Organic Law, except for Articles 1-69 and Article 70 (3-8), shall enter into force upon its promulgation.
2. Articles 1-69 and Article 70 (3-8) of this Organic Law shall enter into force from 1 December 2009.
3. The Organic Law of Georgia on the National Bank of Georgia of 23 June 1995 shall be declared void from 1 December 2009 (The Parliamentary Gazette, 1994-1995, No 27-30, Art. 642).

**President of Georgia**

**M. Saakashvili**

**Tbilisi**

**24 September 2009**

**No 1676-IIS**

