



FINTECH DEVELOPMENT STRATEGY OF GEORGIA

A Concept Paper for Public Consultation
(Second Draft)

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ABBREVIATIONS

ACH (Automated Clearing House)

AI (Artificial Intelligence)

AML (Anti-Money Laundering)

API (Application Programming Interface)

AUM (Assets under Management)

BISIH (Bank for International Settlement Innovation Hub)

BOG (Bank of Georgia)

B2B2C (Business-to-Business-to-Consumer)

CBDC (Central Bank Digital Currency)

CFT (Countering the Financing of Terrorism)

DFS (Digital Financial Services)

LEPL DGA (Digital Governance Agency)

DLT (Distributed Ledger Technology)

ECB (European Central Bank)

E-KYC (Electronic Know Your Customer)

EPA (Electronic Payments Acceptance)

ESG (Environmental, Social, and Governance)

EU (European Union)

FCP (Financial Consumer Protection)

FSB (Financial Stability Board)

GC (Georgian Card)

GDP (Gross Domestic Product)

GDPR (General Data Protection Regulation)

GFIN (Global Financial Innovation Network)

GITA (Georgia's Innovation and Technology Agency)

GCCA (Georgian Competition and Consumer Agency)

GPSS (Georgia Payment and Securities System)

ICT (Information and communications technologies)

IFC (International Finance Corporation)

IMF (International Monetary Fund)

IoT (Internet of Things)

IPS (Instant Payment System)

ISSSG (Insurance State Supervision Service of Georgia)

IT (Information Technology)

KFTC (Korea Financial Telecommunications and Clearings Institute)

KPI (Key Performance Indicator)

LEPL GCCA (Georgian Competition and Consumer Agency)

LEPL GITA (Georgia's Innovation and Technology Agency)

LEPL PSDA (Public Service Development Agency)

MC (Middle Corridor)

MFI (Microfinance Institution)

ML (Machine Learning)

MoESD (Ministry of Economy and Sustainable Development)

MoJ (Ministry of Justice)

MOU (Memoranda of Understanding)

MSME (Micro, Small and Medium-sized Enterprise)

NBG (National Bank of Georgia)

NPS (National Payments System)

PISP (Payment Initiation Service Provider)

PSD2 (EU Revised Payment Services Directive)

PSP (Payment Service Provider)

P2P (Peer-to-peer)

QR code (Quick-Response code)

RTGS (Real Time Gross Settlement System)

RTP (Request-To-Pay)

SEPA (Single Euro Payment Area)

SME (Small and Medium Enterprise)

SSB (Standard Setting Body)

TPP (Third Party Provider)

UBO (Ultimate Beneficial Ownership)

UFC (United Financial Corporation)

USAID (United States Agency for International Development)

VASP (Virtual Asset Service Provider)

VRP (Variable Recurring Payment)

INTRODUCTION

Technology-enabled innovation in financial services (“fintech”)¹ presents a remarkable opportunity for financial deepening and financial sector development more broadly. Technology can lower transaction costs by overcoming geographical access barriers, increasing the speed, security, and transparency of transactions, and allowing for more tailored financial services that better serve consumers. Policy makers globally have embraced fintech developments by adapting policy, regulatory and supervisory frameworks. Across advanced economies and emerging markets and developing economies, fintech solutions are improving access to financial services, introducing higher levels of competition and efficiency, and benefiting consumers.

At the same time, fintech can pose certain challenges. Regulators and supervisors must manage complex policy tradeoffs between stability and integrity, competition and efficiency, and consumer protection and privacy. Policy tradeoffs evolve as countries rise on the fintech adoption ladder, challenging authorities to ensure that market outcomes remain aligned with core policy objectives. Furthermore, fintech developments often span different sectors and regulatory/supervisory remits, challenging siloed approaches and institutional cooperation frameworks. Finally, the supranational and decentralized nature of emerging technologies such as those underpinning digital assets/currencies also raises cross-border regulatory arbitrage risks and coordination challenges.

Georgia has embraced fintech, under the leadership of the National Bank of Georgia (NBG). The NBG has already taken significant steps in developing an enabling environment for fintech and has incorporated innovation as a key driver of its supervisory strategy. Key achievements include the development of a regulatory framework that facilitates new activities and the safe entry of new players in the payments and banking market, through the amendment of Payment Systems and Payment Services Law in alignment with the EU Revised Payment Services Directive (PSD2) and the issuance of digital banking guidelines, among others. The NBG has also strengthened its institutional capacity on fintech issues, set up a regulatory sandbox, spearheaded key infrastructure reforms and has been actively researching central bank digital currency (CBDC) as well as engaging stakeholders.

Realizing the full potential of fintech requires broadening and strengthening the institutional arrangements. In general, the fintech institutional framework mirrors the established responsibilities for financial sector policy, supervision, and development. At the domestic level, the NBG will foster cooperation with other financial sector authorities and industry regulators. At the international level, the NBG will continue sharing experiences and will increase convening efforts, with a view to acting as a driver of regional policy coordination and leveraging its geopolitical position to lay the foundations to become a regional fintech hub.

¹ For the purposes of the strategy, we define fintech as advances in technology that have the potential to transform the provision of financial services, leading to new business models, applications, processes and products. New technologies can also be applied to existing products and/or access channels in a variety of combinations, and new products can simply use existing technologies in an optimized way (e.g., fast payments). This strategy aims to capture all relevant developments, with a focus on non-traditional business models and players.

The Fintech Development Strategy² aims to create a cohesive national framework that will enhance collaboration between relevant public and private stakeholders, both domestically and internationally to ensure joint and coordinated efforts towards fostering an inclusive and innovative fintech ecosystem.

The scope of this strategy is primarily focused on the implementation of fintech-specific regulatory and technological frameworks and international collaboration on fintech-related areas. While the strategy directly addresses these key aspects, other critical elements necessary for fostering a fintech-friendly ecosystem—such as broader infrastructure development, financial and digital literacy, and economic and funding policies, interoperability of government-held data and services—extend beyond the direct mandate of this strategy. These aspects will be addressed through ongoing communication and coordination with other national strategies and entities whose mandates encompass these supportive areas.

² Prepared in collaboration with the World Bank.

1. STRATEGY VISION AND GOALS

1.1. VISION

Georgia's vision on fintech development is to provide an enabling environment and a modern infrastructure for fintech to drive responsible innovation and competition in financial services domestically and across borders. The goal is to establish Georgia as a leading fintech hub for the Middle Corridor (MC) countries.

FINTECH DEVELOPMENT VISION

Georgia's fintech development vision strives to **enable basic fintech infrastructure³** and **facilitate the entry barriers' disruption in-house⁴** with the projects like Open Banking/Finance, CBDC as an ecosystem etc. Besides, thinking about the "cross-border regulatory sandbox" concept, Georgia aims to build on the "Middle Corridor Momentum" to support the ongoing trends in the real economy with the new FinTech infrastructure and motivate others within the region.

Establishing a fintech hub in Georgia is a continuous process rather than a final destination. Consequently, Georgia employs a "learning-by-doing" approach in developing initiatives that guide its strategic thinking and efforts towards fintech advancement.

HUB IS THE PROCESS RATHER THAN THE DESTINATION

WHAT

Fintech-enabled regional cooperation among the Middle Corridor countries, serving as a innovative financial ecosystem enabler

WHY NOW

Taking first-mover advantage in promoting fintech-enabled regional cooperation, which could be a winning niche positioning for Georgia

WHO

Domestic and foreign fintech companies and startups that can develop innovative financial services and products in the market

HOW

Expanding regulatory cooperation around common standards and/or eliminating regulatory fragmentation through disruptive innovation

³ Basic fintech infrastructure refers to the foundational technological and regulatory frameworks that enable the development and scaling of fintech solutions, including payment systems, digital identity, open banking APIs, cloud-based systems, and cybersecurity protocols.

⁴ Entry barriers' disruption in-house is the process of reducing internal regulatory and market barriers to foster competition and innovation within the financial sector. This includes regulatory sandboxes, open finance frameworks, streamlined licensing for fintech firms, and API-driven interoperability mandates, which lower costs and facilitate new entrants' access to financial markets.

Capitalizing on its strategic location within the MC, Georgia can integrate fintech innovations into the MC trade processes, enhancing its position as a regional fintech hub. Financial connectivity in the region has the potential to positively affect trade and investment while accelerating cross-border cooperation through innovative use cases such as cross-border open banking for account opening via e-KYC APIs and the establishment of a cross-border regulatory sandbox, leveraging the disruptive nature of the emerging financial architecture. Alongside the modernization of transportation and port infrastructure, fintech advancements will further solidify Georgia's role in fostering digital trade and an innovative financial ecosystem within the MC.

Box 1: Challenges and Digitalization Opportunities in the Middle Corridor ⁵

The Middle Corridor is a multimodal transport route, connecting China to Europe through Kazakhstan, Azerbaijan, Georgia, and Türkiye. Due to an ongoing geopolitical situation, the corridor has gained strategic significance to serve as an alternative trade route. Despite its potential, the MC faces inefficiencies that limit its competitiveness compared to the Northern route and maritime shipping. Addressing these challenges is essential to improve trade connectivity and unlock economic opportunities for countries along the corridor.

Current Inefficiencies

- 1. Lack of Corridor Coordination and Management:** Multiple operators and interfaces lead to delays, as no single entity oversees transport from origin to destination.
- 2. Port and Maritime Service Limitations:** Ports on the Caspian and Black Seas face inefficiencies due to poor rail connectivity, equipment shortages, and weather-related disruptions. Additionally, vessel shortages and high shipping tariffs slow down cargo movement.
- 3. Rail Infrastructure Constraints:** Despite its comparative advantage for long-distance transport, rail operations are hindered by localized bottlenecks at port-rail interfaces, causing delays and higher costs.
- 4. Border Crossing Delays:** Transitions between railway operators from different countries are slow, partly due to inefficient regulatory processes.
- 5. Data Exchange Bottlenecks:** Limited integration and standardization of digital systems result in duplicated documentation, slow information flows, and inconsistent processes across countries.

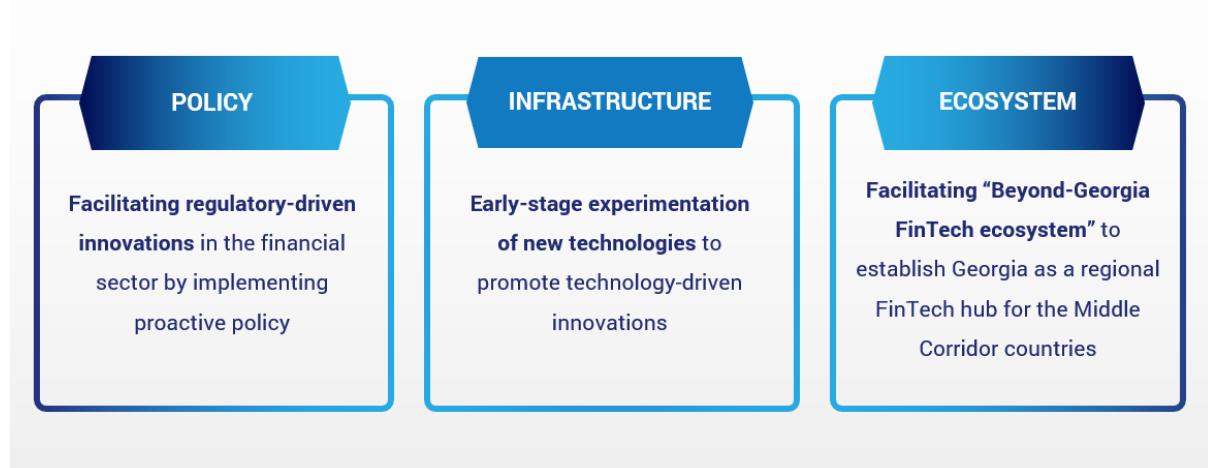
The Role of Digitalization in Overcoming Challenges

Digital transformation is crucial for enhancing the MC's efficiency. Establishing a standardized, interoperable framework for digital data exchange can streamline processes, reduce paperwork, and accelerate border clearances. Implementing real-time shipment tracking systems will provide stakeholders with greater shipment visibility, reducing uncertainty and improving reliability. Offering seamless digital services from origin to destination will enhance operational efficiency and lower costs.

⁵ Source: World Bank, available at <https://www.worldbank.org/en/region/eca/publication/middle-trade-and-transport-corridor>

1.2. THREE KEY DIRECTIONS OF THE VISION

Georgia's fintech development vision focuses on three key directions:



01

Proactive Regulatory Policy Implementation

Georgia's legal and regulatory framework broadly supports fintech innovation. The NBG explored the 36 most common foreign fintech business models to assess legislative barriers to innovations in Georgia compared to other countries. The investigation revealed that under Georgian legislation and the NBG decrees, 25% of the business models are partially or fully restricted, while 75% can be implemented.

PROACTIVE POLICY: REGULATORY-DRIVEN INNOVATION

REGULATORY SANDBOX

Since 2020, allows regulated entities to test innovative services and products like remote ID verification, digital forex, escrow services, credit bureau platforms, crypto-backed loans, tokenized deposits and equity crowdfunding

OPEN BANKING/FINANCE

In 2020, the NBG started working on open banking, which became available to all regulated entities by May 2023. The next strategic goal is the transition to open finance

DIGITAL SANDBOX

Launched in 2025, allows regulated and non-regulated entities to use synthetic data generated from real data to develop innovative statistical and machine learning models

INNOVATION OFFICE

Since 2020, consults FinTech organizations and startups in understanding the NBG's regulatory requirements

DIGITAL BANK LICENSING PRINCIPLES

Unveiled in 2019, the Digital Banking Licensing Principles paved the way for three Digital Bank license issuance by 2024

SMART CONTRACTS LEGAL FRAMEWORK

In collaboration with USAID, the NBG conducted a comprehensive legal analysis to establish the legislative framework for smart contracts

VASP REGISTRATION REGIME

Introduced in 2023, the VASP registration regime regulates VASPs operating in Georgia for AML/CFT compliance

The NBG introduced digital bank licensing principles⁶ in 2019 to reduce entry barriers for new market players. As a result, the NBG has licensed three digital banks so far, including one that enables seamless transactions with the EU economic zone and another representing the world's first programmable bank, originating from Singapore. These banks are expected to enhance cross-border payments and accelerate growth in trade volumes.

To support innovations in the fintech sector, the NBG established a Financial Innovation Office in 2020, providing guidance and consultations to fintech startups and companies on regulatory and supervisory matters within the scope of the NBG's mandate. The mission of the innovation office is to promote responsible innovation in the financial sector while helping fintech organizations/startups navigate the supervisory approach of NBG's regulations. As of March 2025, over the past one year, the Innovation Office consulted up to 100 companies.

In 2020, the NBG also established a Regulatory Sandbox, enabling entities under its supervision to test innovative products and services in a controlled environment with relaxed regulatory requirements. The primary objective of the sandbox is to promote the expansion of the fintech sector by lowering barriers to entry in the financial market and identifying essential regulatory adjustments.

Additionally, In February 2025, the NBG announced the invitation for supervised entities to participate in the Regulatory Sandbox's Tokenized Deposits and Certificates of Deposit project. The goal of the project is to facilitate the creation of new financial products, enhance the diversity of the financial ecosystem, and develop a secondary market for certificates of deposit. The initiative also aims to raise financial awareness, provide greater flexibility and diversification of deposit products, and optimize product-related costs through the introduction of new technology.

In April 2025, the NBG launched another new pilot initiative within its Regulatory Sandbox, enabling financial institutions to test equity crowdfunding models involving the trading of equity securities. The sandbox allows participants to trial innovative business models under predefined conditions while ensuring compliance with existing regulations. In parallel, the Government of Georgia is developing a dedicated legal framework to establish the regulatory foundation for crowdfunding, with a draft law expected within the next two years. The NBG's ongoing pilot initiative thus serves as a preparatory step toward the creation of a broader legislative and regulatory system.

In early 2020, the NBG started working on the open banking project. Since May 2023, open banking has been available for all non-bank Third Party Providers (TPPs) who meet relevant criteria. To support the development of open banking, the NBG has also launched the first open banking Technical

⁶ In 2019, the NBG published the "Digital Bank Licensing Principles ", to define the business model of a so-called "Digital Bank" and its technological requirements. In 2022, a new norm regarding the conditional license was added to the Law of Georgia "On Commercial Bank Activities" in the article describing the license requirements for commercial banks. Specifically, To promote the stability and development of the financial sector, support the banking industry, encourage the use of new and innovative financial technologies in the local market, and increase consumer access to financial services, the NBG is authorized to issue a conditional license to a legal entity for commercial bank licensing through the temporary relaxation of the minimum capital requirements in accordance with Georgian legislation. The NBG is also authorized to define appropriate restrictions and/or individual/additional requirements, steps and deadlines to fully meet them to mitigate risks when issuing a conditional license. Accordingly, the licensing process of the so-called "digital bank" will take place within the framework of a conditional license, while the "digital bank" is a commercial bank with a conditional license.

Sandbox in the region, in which selected fintech and other non-bank companies experimented with new open banking APIs. The next step is to develop open finance, which expands open banking by enabling secure sharing of a wider range of financial data across various sectors. For this purpose, at the end of 2024, in addition to existing services, several new API services have been introduced, including recurring or multiple payment initiation, future-dated payment initiation, Variable Recurring Payments (VRPs) for sweeping, and information sharing services for deposits and loans. These new API services are aligned with international best practices and represent a significant step toward modernizing Georgia's financial ecosystem, enhancing its competitiveness and transparency.

In April 2025, the NBG also launched a digital sandbox initiative to address the challenges of data quality and quantity in the development of data-driven financial models. The sandbox allows both regulated and non-regulated entities to access synthetic data—artificially generated datasets that retain the statistical characteristics of real data but do not disclose any actual information. Synthetic data, widely used in Privacy Enhancing Technologies, enables secure data sharing without compromising confidentiality. The initiative aims support the development of financial technologies, and encourage competition by providing access to this data for testing and training various statistical and machine learning models.

In 2023, the NBG introduced a mandatory registration regime for Virtual Asset Service Providers (VASPs) under new legislative changes. The framework includes Fit and Proper criteria for VASP administrators, Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT) supervision, and the power to issue instructions and impose additional requirements, ensuring comprehensive oversight of virtual asset activities.

Additionally, with the support of USAID, the NBG conducted a comprehensive legal analysis about smart contracts and CBDC-related smart contracts. The goal of this work is to establish a clear legal foundation of smart contracts, define the rights and obligations of involved parties, and ensure compliance with existing laws and regulations. Ultimately, this will foster innovation, promote trust, and enhance the security of digital transactions.

In line with Georgia's aspiration for EU integration, the development and implementation of fintech policies will prioritize alignment with EU standards and regulations. In this process, EU best practices will be adopted in a manner tailored to the structure and size of the Georgian market, ensuring that they do not impose an excessive burden but instead foster sustainable development and innovation within the financial sector.

02

Modern Financial Infrastructure Development

The priority in this direction is to identify the advantages of blockchain-based financial infrastructure to enhance the effectiveness and efficiency of current systems. Georgia sees blockchain as a technology-driven innovation in the financial sector and the goal is to make it accessible as a public good. A significant advantage of blockchain technology lies in its capacity to support a unified ledger, enabling the integration of diverse assets and transactions within a single, shared programmable platform. This design could underpin the Finternet concept proposed by the Bank for International

Settlement (BIS)⁷, envisioning the interconnection of multiple financial ecosystems in a manner akin to the internet. Consequently, consumers and businesses would gain access to a broader array of financial services and products tailored to their specific needs, offering enhanced flexibility in managing their financial affairs.

For the past few years, the NBG has been actively exploring retail CBDC at an early stage as a platform to power innovations. For one year, from March 2024 to February 2025, the Digital Lari pilot project has been conducted. The experimentation focused on advanced blockchain functionalities such as tokenization, programmability, and smart contracts. Tokenization involves creating digital representations of money and other assets on programmable platforms, streamlining transactions through integration into a unified system. By leveraging programmability and smart contracts, tokenization enhances automation, potentially making transactions faster, cheaper, and more convenient. Smart contracts automate predefined actions under meeting specific conditions, facilitating atomic settlement – a secure and instantaneous exchange of assets that mitigates counterparty risk. Additionally, the composability of smart contracts allows for the execution of complex transactions by bundling multiple components and instructions within a single contract, thereby enabling new methods of asset transfer.

The regulatory sandbox's project for tokenized deposits and certificates of deposit will facilitate a deeper exploration of blockchain technology. It will enable the refinement of the insights gained from the CBDC pilot project, further enhancing the understanding of potential applications of blockchain in financial services.

In collaboration with the World Bank, the NBG is working on implementing an instant payment system (IPS) - a retail payment system that will work 24/7/365 and ensure immediate transfer of funds from the payer's account to the recipient's account. The IPS and its overlay services will allow payment service providers (PSPs), including fintech companies, to create new opportunities and channels for receiving customer and merchant payments, increasing the effectiveness and efficiency of the payment system. Furthermore, both banking and non-banking PSPs will gain direct access to the new system, enhancing competition in the retail payment market and delivering seamless, faster digital payment options to consumers.

In 2022, the NBG officially applied for membership in the Single Euro Payment Area (SEPA) to enhance Georgia's financial connectivity with the EU.

03

Promoting “Beyond-Georgia” Fintech Ecosystem

In recent years, Georgia has developed one of the most technologically advanced financial systems in the region. Leading Georgian banking groups are expanding regionally: TBC Group (TBC Bank Group PLC) has launched the first digital bank in Uzbekistan, while Bank of Georgia Group (Bank of Georgia Group PLC) has acquired the largest bank in Armenia. The ability of these banks to flexibly integrate with new markets underscores the innovative nature of their technology and services, which they are exporting abroad along with their banking expertise. Both banking groups are also listed on the London Stock Exchange, highlighting their credibility.

⁷ See BIS, “Finternet: the financial system for the future”, April 2024.

However, since Georgia is a small, open economy, it still lacks the market capacity to scale domestically. Thus, the focus is on business models that emphasize international cooperation. That is why the NBG is participating in the BIS Innovation Hub (BISIH) project mBridge, which aims to enhance international trade and connectivity between central and commercial banks through wholesale CBDCs. Project mBridge was launched in 2021 as a collaboration among the BISIH, the Bank of Thailand, the Central Bank of the United Arab Emirates, the Digital Currency Institute of the People's Bank of China and the Hong Kong Monetary Authority, with the Saudi Central Bank joining in 2024. After a 2022 pilot with real-value transactions, the platform advanced to a minimum viable product (MVP) by mid-2024. In October 2024, the BIS left the project and transferred it to its partners for further development. The NBG sees mBridge as a promising prototype to accelerate trade growth along the MC, addressing inefficiencies in current international settlement systems through the elimination of intermediaries.

In addition, the NBG became an observing member of the BIS Project Aperta, which seeks to reduce global finance frictions and costs by creating a unified interoperable API network, connecting domestic open finance API ecosystems multilaterally. This involves harmonizing cross-border standards and protocols for data portability and establishing the mutual recognition of certificates for the authentication of licensed TPPs and financial institutions. The initiative is expected to streamline bank account opening abroad for consumers and facilitate the portability of trade finance data and payments in the shipping sector to reduce costs and accelerate international trade.⁸

As the strategy aims to establish a regional fintech hub in Georgia, the initiatives that facilitate cross-border fintech operations and payment system interoperability are prioritized. A key initiative is to establish a regional regulatory sandbox, enabling fintech companies from neighboring countries to test and scale innovative solutions in a controlled regulatory environment. Additionally, the strategy explores the potential for interconnecting Georgia's IPS with main trade partners in the region, enabling seamless cross-border transactions, reducing costs and enhancing financial integration.

1.3. GOALS AND KEY PERFORMANCE INDICATORS (KPIs)

The fintech strategy goals with corresponding KPIs to assess progress are outlined below.

GOAL 1	Supporting Georgia's digital economy through safe, reliable, fast and convenient payment services	KPIs
This goal entails enabling fast payments across a wide range of transaction channels and use cases, contributing to increased digital payment acceptance and facilitating third-party payment initiation in synergy with open banking, while ensuring robust risk management.		<ol style="list-style-type: none"> 1. Percentage of adults sending/receiving digital payments 2. Number of digital payments per adult 3. Number of users (individuals) of open banking/finance services, of which payment initiation services

⁸ See BIS, available at https://www.bis.org/about/bisih/topics/open_finance/aperta.htm

	<ol style="list-style-type: none"> 4. Number of merchants accepting digital payments 5. Number of POS (including m-POS) terminals at merchants 6. Digital payment fraud rates (value of fraud as a share of the total value of transactions) 7. Cost of cross-border retail payments and remittances (percentage of payment amount)
GOAL 2	Leveraging innovation to reduce the financing gap for micro, small and medium-sized enterprises (MSMEs) and addressing the needs of underserved segments (e.g., remittance recipients)
This includes completing the enabling environment for and evaluating alternative financing models as well as building on open finance to reduce information asymmetries and improve credit decisions.	<p style="text-align: center;">KPIs</p> <ol style="list-style-type: none"> 1. Number of users (individuals) of open banking/finance services, of which data services 2. Number of users (firms) of open banking/finance services, of which data services 3. Fintech financing volume: Total amount of financing provided through fintech platforms per year, of which SME financing 4. The share of adults and SMEs using fintech solutions for financial services
GOAL 3	Increasing the participation of new players in financial service market, fostering competition while protecting consumers and ensuring financial sector stability
This goal builds on earlier reforms aimed at removing regulatory barriers for new players and business models, and focuses on leveling the playing field by enabling access to key infrastructure and data assets, while fostering greater competition.	<p style="text-align: center;">KPIs</p> <ol style="list-style-type: none"> 1. Number of registered/licensed fintech companies (including digital banks) operating in/from Georgia 2. Number of third-party providers (TPPs) participating in open banking/finance 3. Number of fintech firms that have graduated from regulatory sandbox 4. Herfindahl-Hirschman Index (HHI) in key market segments (to track competition concentration)
GOAL 4	Supporting the MC agenda through fostering regional collaboration on fintech issues
	<p style="text-align: center;">KPIs</p>

<p>The goal involves promoting regulatory harmonization and technical standardization to improve cross-border payments and facilitate the provision of innovative services across borders, while ensuring effective cooperative oversight.</p>	<ol style="list-style-type: none"> 1. Georgia's participation in multilateral initiatives/projects (e.g., cross-border payments, data sharing) – number of initiatives/projects. 2. New international MOUs/ fintech cooperation agreements (e.g., information sharing between regulators/supervisors) 		
GOAL 5 Attracting fintech solutions to Georgia	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="700 575 1390 653" style="text-align: center; background-color: #1a3d54; color: white;">KPIs</th></tr> </thead> <tbody> <tr> <td data-bbox="700 653 1390 975"> <ol style="list-style-type: none"> 1. Number of registered/licensed fintech companies operating in/from Georgia 2. Investment growth in fintech activities 3. Number of jobs created in the fintech sector 4. Number of firms that have graduated from regulatory sandbox. </td></tr> </tbody> </table>	KPIs	<ol style="list-style-type: none"> 1. Number of registered/licensed fintech companies operating in/from Georgia 2. Investment growth in fintech activities 3. Number of jobs created in the fintech sector 4. Number of firms that have graduated from regulatory sandbox.
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2. FINTECH ECOSYSTEM OVERVIEW IN GEORGIA

Georgia has seen a sustained rise in fintech-related activity in recent years. As an indicator of the size of the market, Fintech Association of Georgia has around 35 members as of April 2025. Fintech developments in Georgia have primarily focused on payments. Several e-money providers are active in the market, even though they account for a fraction of card transactions. As of April 2025, there were 4 licensed Payment Initiation Service Providers (PISPs) and 5 others had applications officially submitted. In 2024, the fintech company Keepz.me started operating in the Georgian market, offering QR code-enabled payments via diverse payment method, including Apple Pay, Google Pay, Visa, Mastercard, and Crypto. Over 200 businesses are already leveraging Keepz.me for seamless transactions. Since the creation of digital banking license principles in 2023, three digital banks have obtained licenses, with a focus on specialized services/specific segments (e.g., cross-border payments, B2B2C services). Fintech has not yet made inroads in factoring/reverse factoring or alternative financing models.⁹ Entities engaged in crypto-asset services/activities are quite active instead: as of April 2025, there were 24 registered VASPs¹⁰. Investment companies such as Galt & Taggart and TBC capital have their offers integrated into the internet banking platforms of BOG and TBC Bank. Finally, the fintech association reports the existence of regtech¹¹ solutions in the field of e-KYC and authentication.

Table 1: Number of regulated fintech companies¹² operating in Georgia

Year	Credit Information Bureau/Platform	Digital Bank	PSP	VASP	Other ¹³	Total
2020	1		23			24
2021	1		28			29
2022	1	1	32			34
2023	3	3	33	1	2	42
2024	3	3	34	20	4	64

Source: NBG

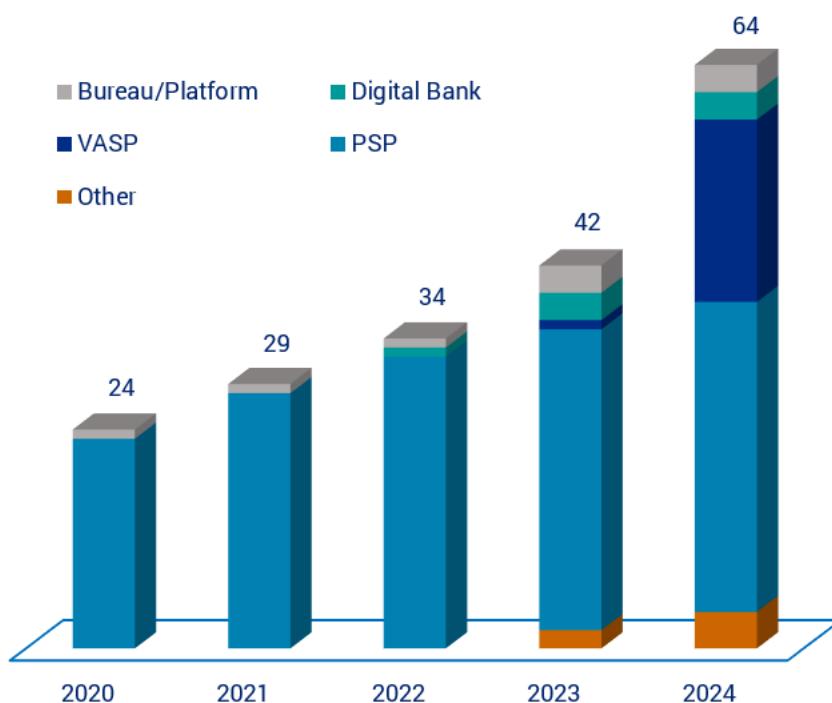
⁹ Prior to the enactment of responsible lending regulations by the NBG, unregulated lending platforms activity had proliferated in Georgia. Many of these entities were not domiciled in Georgia and were operating through agents and sourcing funds from countries in the region.

¹⁰ Source: NBG.

¹¹ Regtech (regulatory technology) refers to the use of technology to streamline and enhance regulatory compliance processes within the financial sector, including risk management, reporting, and monitoring.

¹² Fintech companies are meant to be firms whose business models rely predominantly on digital technologies to provide innovative financial products and services.

¹³ Microfinance organizations, lending entities and currency exchange operators with innovative projects in Regulatory Sandbox.

Diagram 1: Increase in the number of regulated fintech companies operating in Georgia

2.1. FINTECH MARKET - SUPPLY SIDE

The Georgian financial sector is moderately sized and bank-centric. By the end of 2023, the banking sector assets accounted for 90.3% of the total Georgian financial sector assets, and 102.6% of the country's gross domestic product (GDP) as of the second quarter of 2024.¹⁴ Banks play a leading role as digital financial services (DFS) providers in Georgia. As mentioned above, the role of banks has been instrumental to the growth in access to transaction accounts and the adoption of card payments. Customer experience is the banks' main competitive differentiator, which has recently led banks to focus on developing all-inclusive banking apps/digital ecosystems. In parallel, incumbent banks partner with fintech companies to develop innovative products/services. Microfinance institutions (MFIs) are also actively digitizing their internal operations and enabling digital channels for transactions. In the field of insurance¹⁵, sales origination and claim management are highly digitized. By contrast, fintech developments in the capital market have been almost non-existent.

Georgia's banking sector is highly concentrated. Georgia has 17 commercial banks (of which 3 are fully digital banks) and 2 micro bank, all privately-owned. After a period of mergers and consolidations, the two largest banking groups, both listed on the London Stock Exchange, now make up more than three-quarters of total assets. Concentration is particularly high in rural areas, which are served by only a few banks. The largest banks are part of wider economic groups, including insurance companies, the credit bureau, stock exchange, card switches and e-commerce platforms, among others.

¹⁴ Source: NBG.

¹⁵ Many commercial banks in Georgia own insurance companies.

The non-banking financial sector is comparatively much smaller than the banking sector. As of March 2025, The non-banking financial sector is comprised of one non-bank depository institution, 29 MFIs, 156 loan-issuing entities, 702 exchange bureaus (total of head offices and branches), 19 insurance companies, 4 pension schemes, and 2 stock exchanges. As of April 2025, there are also 35 licensed PSPs. Despite its modest size, the capital market has witnessed significant growth, particularly in the corporate bond market. By the end of 2023, the corporate bond market had expanded 2.2 times compared to last year, reaching GEL 1.9 billion (approximately USD 0.7 billion), which represents 2.4% of GDP.¹⁶ As of April 2025, the total stock market capitalization stands at GEL 7.3 billion (approximately USD 2.6 billion).¹⁷ Insurance companies are mostly focusing on health, property and casualty and credit risk insurance. The life insurance market is also small.

Georgia's national payments system (NPS) is underpinned by the NBG-owned and operated Georgia Payment and Securities System (GPSS); NBG's IPS, currently under development, is expected to go live in 2026. GPSS is a hybrid system owned and operated by NBG, combining the functionalities of a Real Time Gross Settlement System (RTGS) system, with an Automated Clearing House (ACH) integrated into it (processing deferred credit transfers). The RTGS provides a safe and effective mechanism for settlement of local currency-denominated large value payments and settlement of the funds leg of Government, NBG and private securities transactions. All commercial banks, the NBG and the Treasury are participants in the RTGS system. The ACH processes and settles interbank credit transfers in real time on a gross basis. Two competing card switches – Georgian Card (GC) and the United Financial Corporation (UFC) – process domestic payment card transactions between member banks and are owned and operated by subsidiary companies of banks. In addition, there are two in-house processing centers belonging to Liberty Bank and Cartu Bank. In September 2022, the NBG applied for the SEPA membership. As part of the integration requirements, the establishment of a functioning Ultimate Beneficial Ownership (UBO) registry is essential to ensure compliance with AML/CFT and transparency standards set by SEPA.

Reforms on credit infrastructure in Georgia are ongoing. Recent reforms include the establishment of a credit reporting system regulatory and oversight framework (2019). With these changes, the Credit Information Bureau became regulated by the NBG. NBG has also established a Credit Registry (2021) and introduced regulation of credit information bureau platforms¹⁸ (2022). The online notice-based collateral registry is rarely used as financial institutions prefer registering the contracts. The government has embarked on a comprehensive secured transactions reform; in addition to the reform of the general regime applicable under the Civil Code, authorities are working on reforms related to special types of assets/products, including factoring, leasing, and crop and warehouse receipts.

¹⁶ Source: NBG.

¹⁷ Source: Georgian Stock Exchange.

¹⁸ Due to high entry barriers in the credit information services market and a lack of innovation from the existing bureau, the NBG introduced a platform licensing model. A credit information bureau platform is an entrepreneurial legal entity that collects, processes and issues credit information. The platform does not store credit information, nor does it collect information from lending entities in a mandatory manner. The platform is authorized to receive credit, non-credit information and/or other relevant data about a person from the credit information bureau, with the consent of the data subject.

2.2. FINTECH MARKET - DEMAND SIDE

Georgia has made significant progress on account penetration. In 2023, the population aged 15 and over with at least one payment account in a commercial bank amounted to 2,895,034, or 98.7% of the total population of the mentioned age.¹⁹

Georgia has experienced a significant growth in digital payments, albeit from a low base, driven by payment cards. Payment cards are the most used electronic payment instrument. Banks have made significant investments in upgrading the payment card acceptance infrastructure to contactless. According to Visa (2023), Georgia ranks first in contactless payments penetration globally²⁰. Building on the contactless infrastructure, new tokenization-based payment services like Apple Pay have been launched in Georgia. Despite these achievements, cash remains prevalent for in-store merchant payments and utility bill payments. An Electronic Payment Acceptance survey conducted by the World Bank in 2022 found that this is especially the case in rural areas and among micro and small merchants.

Access to finance remains one of the major challenges for the growth of micro, small and medium enterprises (MSMEs). Although access to bank loans and credit lines have increased in recent years, alternative financing sources have also become available. Between January 2023 and August 2024, 19 issuers accessed the bond market - four of which could be classified as small enterprises (with revenues below GEL 12 million) and five, as medium-sized enterprises (with revenues below GEL 60 million) - issuing bonds totaling GEL 315 million.²¹

2.3. FINTECH SECTOR REGULATORY LANDSCAPE

The NBG is responsible for financial sector supervision, except for insurance²² and leasing.²³ The NBG supervises banks, non-bank financial institutions and the securities market from a prudential – including AML/CFT – and market conduct perspective and is responsible for financial consumer protection (FCP). As of 2023, the NBG supervises VASPs for AML/CFT compliance. The NBG is also entrusted with the safety and efficiency of the NPS: in this context, it fulfills roles as payment system operator and NPS overseer.

A draft law on factoring has been submitted to Parliament, expected to be approved in 2025. However, currently, the absence of a dedicated legal framework exposes factoring to financial and legal risks. Key gaps include the undefined rights and obligations of parties, and the lack of factor supervision, and criteria for registering factoring companies. Additionally, there is no mechanism to determine the legal and financial characteristics of receivables, and no established procedure or registry for recording the factor's ownership rights over receivables. The absence of an electronic platform further

¹⁹ See IMF, Financial Access Survey, available at <https://data.imf.org/?sk=e5dcab7e-a5ca-4892-a6ea-598b5463a34c&sid=1390030341854>

²⁰ See Visa, available at https://www.visa.com.ge/en_GE/about-visa/newsroom/press-releases/prl-01022023.html

²¹ Source: NBG.

²² In Georgia, insurance activities are regulated and supervised by an independent national regulatory body – the Insurance State Supervision Service (ISSSG).

²³ Leasing and factoring companies are not currently regulated. This gap is being addressed through a comprehensive secured transactions reform.

restricts competition and hinders the registration of new factoring companies. The new legislation will establish a legal and regulatory framework for factoring transactions, introduce a factoring register, and regulate the registration, functioning, and supervision of factoring companies. The Public Registry, with support from the Investors Council, is working on creating the factoring register, while Enterprise Georgia, in collaboration with the International Finance Corporation (IFC), is creating a digital platform.

Promoting fintech development is prominently featured in the NBG's 2023-2025 supervisory strategy.

This strategy outlines NBG's supervision principles and vision regarding innovation, and sets out five supervisory priorities, including the "promotion of financial innovation and development of supervisory technologies". As part of this priority, the NBG strategy aims at supporting (i) the adoption of open banking and its development, and a transition to open finance, (ii) the upgrade the regulatory sandbox, and (iii) facilitating the development of suptech²⁴ at the NBG, among others.

Over the last few years, the NBG has articulated several elements of a DFS/fintech policy framework and the supporting apparatuses. In 2019, the Financial and Supervisory Technologies Development Department was established to ensure the NBG remained at the forefront of industry advancements. Subsequently, in 2020, the NBG embarked on a series of strategic initiatives, including joining the Global Financial Innovation Network (GFIN), establishing the Innovation Office, and a Regulatory Sandbox.

In 2020, the NBG launched a regulatory sandbox to enable the market to test new products and services within a controlled environment. The main aim of the sandbox was to lower barriers to market access and serve as a tool to identify the need for new/updated regulations with a view to supporting the expansion of the fintech sector. The sandbox has focused on remote identification/ID verification services, such as face recognition and liveness checks, and information extraction. Recently, in response to market developments, the NBG pivoted the focus of the sandbox towards digital foreign currency exchange transactions, escrow services, credit information bureau platforms, and crypto-backed loans.

The NBG has led several efforts to modernize the legal and regulatory framework. The NBG developed principles of digital bank licensing: in 2022, the first digital bank was licensed. Other NBG-led key regulatory reforms include the amendment of the Law on Payment Systems and Payment Services in alignment with the EU PSD2, and the VASPs registration regime.

When first introduced in 2020, open banking was limited to banks; in May 2023, it was extended to all regulated entities. The approach taken by the NBG is to closely mirror the PSD2 regulatory framework and European technical standards. The Open Banking Committee set up with the Banking Association of Georgia is responsible for developing the common open banking standard, whereas the final approval and endorsement rest with the NBG. The scope of the standard has increased over time from "basic" PSD2 services to include bulk payments and, starting from August 2024, account information extensions (savings and credit accounts) and 'value-added' payment initiation services (e.g., variable recurring payments (VRP)).

The NBG actively works on central bank digital currency (CBDC)/Digital GEL. The NBG has focused on specific design features (programmability/smart contracts) and use cases (real estate transactions, cross-border payments). NBG's CBDC pilot project ended in February 2025. The NBG, in collaboration

²⁴ Suptech (supervisory technology) involves the application of technology by regulatory authorities to improve supervision, data collection, analysis, and enforcement in financial markets.

with USAID, also conducted further analysis on smart contracts from a legal perspective. The NBG participates in the BIS Innovation Hub (BISIH)'s Project mBridge²⁵ and Project Promissa²⁶.

The NBG is leveraging AI to develop advanced tools to enhance the execution of its regulatory and supervisory policy objectives. The NBG is developing a unified platform that will provide its employees with seamless access to various AI tools through a single interface. Recognizing the value of external expertise in this initiative, NBG plans to collaborate with technology companies in developing this innovative platform. This initiative aims to enhance productivity and promote a data-driven work environment. Current AI tools include summarizers, sentiment analyzers, regulation-reading chatbots, and various custom-developed AI solutions tailored to operational needs. Beyond its internal efforts, the NBG is closely monitoring AI applications and regulatory developments in the financial sector—such as the EU AI Act—and may introduce regulatory adjustments or initiatives, as needed, to ensure the responsible and secure use of AI within the industry.

The NBG has taken significant steps to foster the growth of fintech education and awareness through a series of strategic initiatives and collaborations. The central bank regularly meets different stakeholders to ensure that they remain updated about the latest fintech developments. For example, the NBG held informative sessions with the private sector on open banking initiatives. To engage a broader audience, the NBG also ran a TV show dedicated to discussing ongoing fintech trends and projects. Furthermore, NBG has collaborated with 10x1000 Tech for Inclusion, a global educational platform jointly launched by the IFC and Ant Group, aimed at nurturing digital economic growth by training 1,000 emerging tech leaders. Through its Fintech Foundation Program Flex, this partnership offers a flexible, self-paced learning experience covering critical technologies such as blockchain, AI, and internet of things (IoT). Furthermore, NBG is collaborating with Elevandi, a global fintech leader, to promote Georgia's fintech ecosystem by organizing seminars, training sessions, and forums.

In addition to the NBG, several other regulators and government agencies play a role in DFS/fintech development and/or oversee cross-cutting issues. In particular:

- ISSSG is currently exploring and building institutional capacity on Insurtech.²⁷
- The Ministry of Economy and Sustainable Development (MoESD) is tasked with (i) promoting access to finance in the country, elaborating strategies/action plans and proposing new legislation related to capital market and private saving pension reform; (ii) managing and overseeing Enterprise Georgia (the entrepreneurship development agency) and Innovation

²⁵This project aims to explore a multi-central bank digital currency (m-CBDC) platform shared among participating central banks and commercial banks, built on DLT to enable instant cross-border payments and settlement. Project mBridge is the result of extensive collaboration starting in 2021 between the BIS Innovation Hub, the Bank of Thailand, the Central Bank of the United Arab Emirates, the Digital Currency Institute of the People's Bank of China, the Hong Kong Monetary Authority, and the Saudi Central Bank. There are also now more than 26 observing members. See https://www.bis.org/about/bisih/topics/cbdc/mcbdc_bridge.htm

²⁶Project Promissa is a joint experiment of the BIS Innovation Hub Swiss Centre, the Swiss National Bank and the World Bank that aims to build a proof of concept (PoC) of a platform for digital "tokenised" promissory notes. The International Monetary Fund is participating in the project as an observer. See <https://www.bis.org/about/bisih/topics/fmis/promissa.htm>

²⁷Insurtech (insurance technology) refers to the use of technology to innovate and improve insurance products, services, and processes, focusing on enhancing customer experience and operational efficiency.

and Technology Agency (GITA), and; (iii) participating in the elaboration and implementation of state policy in the fields of electronic communications, information technologies and postal services – among others. The MoESD issued the 2021-2025 SME Development Strategy of Georgia and the Capital Market Development Strategy 2023-2028 along with its Action Plan (2023-2024) and the Strategy for the Development of the Digital Economy and Information Society for 2025–2030, which includes a pillar on DFS.

- LEPL - Digital Governance Agency (DGA) is a legal entity under public law operating under the Ministry of Justice of Georgia (MoJ). It leads the process of digital transformation of public governance in the country, administers the Unified Portal of Electronic Services (My.gov.ge), the Open Government Data Portal (data.gov.ge), maintains the Unified State Register of Information (roi.gov.ge) and manages the Unified Data Exchange System (G3). The Agency, through interdepartmental coordination, creates a unified state policy and strategy for the digitization of digital governance and services, works on the creation of unified standards and promotes their implementation. Among these standards, the Interoperability Framework for Electronic Data and Electronic Services is noteworthy. The Agency also plays an important role in ensuring and developing information security and cybersecurity. The DGA is subordinate to the National CERT (Computer Emergency Response Team), regulates and supervises the private sector critical information system entities and is responsible for raising public awareness in terms of cybersecurity. In addition, the Agency ensures the representation of Georgia at the international level in the fields of both digital governance and cybersecurity within its competence.
- Since 2022, the Personal Data Protection Service operates in Georgia with a data protection mandate – particularly – to oversee the implementation of the data protection legislation, handle citizens' complaints, and monitor lawfulness of data processing in Georgia. In June 2023, the new Law of Georgia on Personal Data Protection replacing the Data Protection Act of 2011 has brought the country in line with the EU's General Data Protection Regulation (GDPR).
- The National Security Council is a consultative body directly subordinated to the Prime Minister of Georgia. Through the Department of Information and Cybersecurity, the National Security Council coordinates national-level cybersecurity strategy and coordination.
- While NBG's mandate extends to applying competition law in the financial sector²⁸, the Georgian Competition and Consumer Agency (GCCA) maintains its role as a competition watchdog when other sectors are involved.

2.4. CHALLENGES AND OPPORTUNITIES FOR FINTECH DEVELOPMENT

This section summarizes gaps and opportunities for fintech development in Georgia along the four themes of the IMF-World Bank Bali Fintech Agenda: (i) Foster an enabling Fintech environment to harness opportunities; (ii) Strengthen the financial sector policy framework; (iii) Address potential risks and improve resilience, and; (iv) Promote international collaboration.

²⁸To this end, a new competition division was created within NBG's legal department.

2.4.1. ENABLING ENVIRONMENT FOR FINTECH DEVELOPMENT

While NBG has articulated a forward-looking approach to fintech, and elements of fintech policy are present across several government initiatives, there is no national vision or strategy on fintech. A coherent national vision and strategy can act as an important tool to provide guidance to the market, promote consumer trust, clarify the mandates of the various public sector stakeholders, and ensure the smooth coordination between them. Similarly, Georgia has not established an active coordination and information exchange mechanism on fintech between relevant authorities.

There is a large, unrealized opportunity for fintech to expand financial inclusion, but limited synergies with existing strategies and no overarching financial inclusion policy. Increasingly, fintech issues are being integrated as part of national financial inclusion and/or financial literacy strategies. Access to finance is a case in point. Fintech can contribute to expanding MSMEs access to finance while reducing costs, providing new ways to raise funding, enabling new information services to assess risks, and spurring new services/activities. The MoESD's SME Development Strategy does make reference to the need for developing alternative financing instruments and refining the regulatory framework but does not explicitly promote new business models/entrants. The National Strategy for Financial Education of Georgia 2023 stresses the importance of financial education activities to build consumer capability to navigate safely the digital world.

While significant steps have been taken to enhance access to finance for SMEs through various programs and regulatory frameworks, challenges remain, particularly for those with limited collateral. SMEs can access financing through investment funds; by June 2024, 14 investment funds had been established in Georgia with a cumulative assets under management (AUM) of 159 million GEL,²⁹ many of which invest directly in SMEs via debt, equity or quasi-equity instruments. This sector is expected to grow further in the near future. In collaboration with the World Bank, the NBG has been involved with developing support mechanisms for private equity fund market development, leading to the approval of a support scheme where the Georgian government will act as an anchor investor in private equity funds targeting SME investments. Moreover, in December 2023, Georgia introduced a regulatory framework for securitization aimed at enhancing access to finance for both financial and non-financial sectors. While no SMEs have utilized this framework yet, it presents a potential future financing alternative. Despite these developments, access to finance still remains a major challenge for smaller firms with limited collateral.

Incomplete/fragmentary financial infrastructure can hinder fintech growth. For instance, despite a favorable regulatory framework, in the absence of an IPS, payment initiation services are currently lagging. The largest banks' digital wallets already provide a "fast payment experience" and wide reach, which stresses the importance of non-bank access, innovative overlay services (e.g., request-to-pay, RTP), and low-cost access channels (e.g., QR codes) as part of the design of the IPS. Incomplete information through the credit information bureau to assess creditworthiness of "thin file" customers³⁰ put smaller players at a disadvantage compared to big banks with large in-house datasets and data analytics capabilities.

²⁹ Source: NBG.

³⁰ For example, based on information gathered in the context of the World Bank Financial Sector Assessment Program, data from utility bills cannot be incorporated because bill accounts are associated with an address, rather than an entity.

Several Important initiatives have been implemented to create strong digital government infrastructure. Georgia has developed a number of innovative digital platforms and solutions as part of its Public Administration Reform Strategy to promote open governance and e-service delivery. These include the Petitions Portal (Ichange.gov.ge), the open data portal (Data.gov.ge), and the unified digital services portal (My.gov.ge), which features over 700 transactional digital services for citizens.

³¹ The Strategy for the Development of Digital Governance of Georgia (2025–2030) was approved in April 2025. It aims to establish a robust legal framework to enhance access to open data. Under the framework, administrative bodies will be required to publish open datasets at regular intervals in machine-readable formats via the unified open data portal (data.gov.ge). Currently, the publication of open data by public institutions is voluntary, as there is no legislative obligation to do so in a standardized format. The Strategy envisions data.gov.ge being formally established as a unified electronic platform, ensuring consistent, transparent, and structured access to government-held open data.

The Ministry of Justice (MoJ) through the Public Service Development (PSDA) Agency is working on developing a digital identity wallet, which can be used for the purpose of identification and authentication in financial transactions.³² Financial institutions have access to the national ID system and can validate the identity information of the customer online. This is being leveraged by financial institutions to digitize much of their customer onboarding process. The introduction of the digital identity wallet can further improve financial institutions' existing onboarding processes, lowering costs, and be used for authentication in remote transactions, complementing digital identity solutions provided by banks.

FinTech is uniquely fitted to affect an end user's environmental, social, and governance (ESG)-related user experience from minimizing negative footprint to maximizing positive handprint. Fintech solutions can shape end-user experiences in relation to ESG standards by subtly influencing individuals' choices through behavioral interventions, such as "nudges", without imposing strict mandates. For example, digital tools could highlight the environmental impact of different investment options, encouraging users to choose more sustainable alternatives. Open Banking/Finance, with its ability to provide a "single behavioral view" of an individual's financial activities, enables a comprehensive assessment of users' ESG profiles, facilitating tailored recommendations/incentives that encourage positive environmental and social behaviors. Moreover, fintech companies can leverage blockchain technology and AI/ML to offer innovative, data-driven solutions that enhance transparency, accountability, and efficiency in green finance and social impact investing. For example, blockchain can facilitate the creation of immutable records for carbon credits, renewable energy certificates, and other sustainability metrics, ensuring that ESG-related transactions are secure, traceable, and auditable. Additionally, AI can enhance risk management by analyzing large datasets to predict environmental impacts of financial products, optimize resource allocation, and identify

³¹ See Public Administration Reform Strategy, available at <https://matsne.gov.ge/ka/document/view/5723982?publication=0>

³² According to a study conducted by McKinsey & Company, the 6 countries participating in the study will receive economic benefits from 3% to 13% of GDP by 2030 from the development of digital identification. Based on this study, it is expected that Georgia will receive economic benefits from 2.4 billion to 10.4 billion GEL by implementing a digital identification wallet. See <https://www.mckinsey.com/~media/mckinsey/business%20functions/mckinsey%20digital/our%20insights/digital%20identification%20a%20key%20to%20inclusive%20growth/mgi-digital-identification-in-brief.pdf>

emerging sustainability trends, enabling more informed investment decisions that align with sustainability goals.

Georgia's fintech ecosystem support, while growing, may not be yet sufficient to foster fintech growth at scale. 500 Global, a venture capital firm with USD 2.3 billion in AUM as of March 2024³³ that supports technology startups, launched Georgia's first international accelerator program in 2022, with support from GITA and BOG. GITA supports startups through mentorship, financing, and connections with international partners, across the range of startup development, from ideation to growth. GITA has supported more than 200 startups;³⁴ Nevertheless, GITA's beneficiaries tend to be oriented towards international markets, and do not necessarily provide services to Georgian individuals and businesses. Some of the more advanced fintech firms are financed directly or indirectly by the two main banking groups. Overall, access to venture capital might still be limited, even more so at the scale required for a potential regional fintech hub.

2.4.2. FINANCIAL SECTOR POLICY FRAMEWORK

The regulatory response to fintech has thus far been embracing but could be further articulated to provide a framework to spark developments towards addressing SME finance gaps. In particular, authorities have undertaken initial research/benchmarking on P2P lending and crowdfunding regulations, but this work has stalled or has not evolved into a coordinated stance/proposal, though the NBG plans on resuming it.

The NBG has laid out the open banking framework, but non-bank participation remains limited. Non-banks/fintech companies do not identify a compelling business case in open banking services. API standardization through the Berlin Group standard (NextGenPSD2) is currently led by the Banking Association of Georgia: this is a critical step to ensure adoption, which requires broad stakeholder participation/inputs and effective oversight. There is an opportunity to broaden the framework to non-financial entities (e.g., mobile network operators, utilities providers), but the commercial model is not clear. It is also unclear how the data governance framework – under the leadership of DGA – will interact with NBG's open banking framework, and the extent to which entities other than government agencies may be affected.

The NBG regulatory sandbox is a useful tool to facilitate the safe access of fintech to new markets but is currently limited to supervised entities and their partners. In many countries around the world, regulatory sandboxes are open to innovative business models, products, and processes, whether regulated, unregulated, or slated for possible future regulation. Typically, firms that apply to enter a regulatory sandbox have already developed an offering and wish to test its viability in the market. Authorities often apply a risk-based approach in determining the most appropriate form of regulatory support (e.g., the extent of any relaxation of specific legal and regulatory requirements) to facilitate the experimentation in the sandbox.

NBG's CBDC experimentation will contribute to shed light on legal and regulatory gaps, e.g., in the areas of distributed ledger technologies (DLTs), tokenization, and digital asset custody. While NBG's CBDC experimentation has focused on specific applications/use cases (e.g., programmability/smart contract, real estate, trade finance), it will inevitably pose questions on the suitability of legal and

³³ See 500 Global, available at <https://500.co/>

³⁴ See GITA, available at <https://gita.gov.ge/news/gita-s-10-tslis-iubile-b4Wi-iK2F>

regulatory framework. Relevant aspects may include (i) powers to issue CBDC and oversee the CBDC ecosystem; (ii) application of data privacy and AML/CFT regulations; (iii) legal recognition of CBDC as an asset, and other issues pertaining to taxation, property foreclosure and disposal of electronic wallets in bankruptcy.

2.4.3. SUPERVISORY POLICY STRATEGY

The NBG's VASP regime of January 2023 allows addressing AML/CFT risks related to virtual assets and their service providers; however, it only provides a partial response to crypto-asset risks. A comprehensive framework to address crypto-asset risks is needed to enable a broad scope of crypto-asset services – the current registration regime is already quite extensive, covering crypto-asset exchange, trading platforms, custody/wallets, issuance/initial coin offerings (ICOs), portfolio management, and crypto lending. In addition to the Financial Action Task Force (FATF)'s updated recommendations, other international standard setting bodies (SSBs) have issued guidance on the prudential treatment of bank exposures, market integrity and investor protection, and the application of payment system oversight standards. The Financial Stability Board (FSB) issued recommendations on the regulation, supervision and oversight of crypto-assets markets from a financial stability perspective.

Policymakers in Georgia have made significant advances in recent years to establish a financial consumer protection framework; as digitalization and innovation expand, an increase in fraud may undermine consumer trust. Furthermore, the digital environment poses inherent challenges for disclosure and transparency, amplified by the novelty of fintech product offerings and consumers' lack of experience with such products. Consumers face potentially heightened risks when acquiring fintech products due to their lack of sophistication or inexperience, and as result of the use of algorithms for consumer related decisions. Fraud mitigation and product suitability are likely to require additional efforts from NBG particularly as regards consumer awareness and information. It is good practice to impose specific obligations on financial service providers to provide information to consumers that prominently highlights: security risks associated with physical and digital payments (such as risks of misuse of payment instrument and payment credentials, phishing scams, identity theft etc.); security precautions to be followed by the consumer; circumstances in which consumers will be liable for losses; and contact details to notify of lost or compromised payment instrument or credentials or unauthorized transactions. This information should be made available to consumers through physical and digital channels.³⁵

The growth of DFS/fintech may expose gaps/weaknesses in outsourcing risk management (including cloud outsourcing) and cyber risk management. The scope of NBG's cybersecurity regulation and supervision function is mostly limited to banks and is expected to be extended to micro banks soon. PSPs would nonetheless have requirements on cyber risk management as part of their prudential framework. However, the application of cybersecurity rules/standards varies across the financial sector. The NBG does not oversee critical service providers but relies on the banks' due diligence, based on NBG regulations. Even though Georgia has a national strategy on cybersecurity in place –

³⁵ For example, Australia's ePayments Code requires that financial service providers include a clear, prominent and self-contained notice summarizing passcode security guidelines on or with periodic statements and at least annually. In addition to mandated disclosures, collaborative consumer awareness campaigns should ideally be undertaken on a regular, coordinated basis.

under the National Security Council – there is no formal coordination mechanism between authorities. The NBG considers cloud outsourcing as a critical fintech enabler and issued guidelines for banks based on its supervisory strategy, while it continues to analyze broader applications of cloud technology.

2.4.4. INTERNATIONAL COLLABORATION

The NBG has signed several memoranda of understanding (MOUs) for knowledge exchange with foreign authorities and other international counterparts and taken on a convening role in the region. Examples of relevant MoUs include the Central Bank of the Republic of Türkiye, Central Bank of the Republic of Azerbaijan, the Korea Financial Telecommunications and Clearings Institute (KFTC) – in the context of open banking, the BISIH and Elevandi. NBG is an observing member to the BISIH project mBridge, which the NBG considers as a potential model for the MC countries to accelerate trade growth through a multi-CBDC platform.

The development of the MC represents a potential opportunity to foster fintech development across borders as a means to enhance trade flows and economic integration. The MC is a multimodal land and sea transport corridor starting in China, crossing through Central Asia, the Caspian Sea and extending into the South Caucasus and Türkiye before reaching Europe. Following the current geopolitical developments, improving the efficiency of the MC – as an alternative corridor to diversify trade routes – has become imperative for Azerbaijan, Georgia, and Kazakhstan as well as Türkiye, and has received strong support from the international community. The World Bank estimates that, with a careful combination of investments and policy interventions, the MC can triple its volumes by 2030 compared to 2022.³⁶ In November 2022, the foreign ministers and transport ministers of Kazakhstan, Azerbaijan, Georgia and Türkiye signed a Roadmap for the simultaneous elimination of bottlenecks and the development of the MC for 2022-2027. The links to the digital economy, financial sector development and fintech have not been yet articulated in the Roadmap and related initiatives. Nevertheless, some of the requirements for corridor's digitalization, e.g., data sharing arrangements and digital infrastructure governance, require timely coordination and a cross-sectoral approach.

Cross-border data exchange is a critical aspect for the scaling-up of these initiatives. The importance of cross-border data flows is reflected in the G20 cross-border payments roadmap³⁷ and a FSB's consultative report on "Recommendations to Promote Alignment and Interoperability across Data Frameworks Related to Cross-border Payments".³⁸ A number of data-related frictions can affect cross-border payments and, more broadly, the provision of financial services across borders and related initiatives, particularly: (i) different and jurisdiction-specific data framework requirements, and (ii) outright restrictions on the flow of data across border (e.g., data localization requirements). While a sandbox approach might provide a temporary solution, in the absence of a standing cross-border regulatory coordination arrangement, and a transition mechanism from testing to live environment, a

³⁶ See World Bank, "The Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030", November 2023.

³⁷ See Financial Stability Board, "G20 Roadmap for Enhancing Cross-border Payments: Consolidated progress report for 2023", October 2023, available at <https://www.fsb.org/2023/10/g20-roadmap-for-enhancing-cross-border-payments-consolidated-progress-report-for-2023/>

³⁸ Available at <https://www.fsb.org/2024/07/recommendations-to-promote-alignment-and-interoperability-across-data-frameworks-related-to-cross-border-payments-consultation-report/>

sandbox alone is unlikely to provide a definitive solution. Recently, privacy enhancing technologies/techniques (PETs)³⁹ have emerged as a potential solution to facilitate cross-border data flows while ensuring regulatory compliance.⁴⁰

³⁹ Such as homomorphic encryption, secure multi-party computation, differential privacy and zero-knowledge proofs.

⁴⁰ See World Economic Forum, "Data Free Flow with Trust: Overcoming Barriers to Cross-Border Data Flows. Briefing Paper", January 2023, available at https://www3.weforum.org/docs/WEF_Data_Free_Flow_with_Trust_2022.pdf

3. STRATEGY IMPLEMENTATION AND GOVERNANCE

The Fintech Development Strategy implementation and governance will rely on five pillars and the respective priority actions.

3.1. INSTITUTIONAL ARRANGEMENTS AND GOVERNANCE

Georgia has sound institutions and the public sector support has shown varying degrees of support for innovation. Authorities have generally embraced a pro-innovation stance across sectors/agencies, resulting in several initiatives that collectively benefit the fintech ecosystem in the country. The next step is to accelerate reforms and strengthen coordination between authorities and develop harmonized approaches to new fintech developments, with the goals of formulating a cohesive response to the next wave of innovation, and increasing efficiency and effectiveness. This will require establishing adequate cooperation arrangements and working methods. The Fintech Strategy provides a platform to convene all relevant agencies under a common vision/governance.

It is proposed that under this pillar, authorities create an Inter-institutional Fintech Committee/Working Group chaired by NBG Governor/Deputy Governor and comprising representatives from the ISSSG, MoESD, DGA, the Personal Data Protection Service, the National Security Council/Department of Information and Cybersecurity, GCCA, the fintech and banking associations of Georgia etc. The NBG's Financial and Supervisory Technologies Development Department would provide the secretariat function. The Committee/Working Group should be funded by the government and governed by formal rules and procedures covering its composition, decision-making process, activities, reporting on its activities and dissemination, and involvement of the private sector, among others.

The Fintech Committee/Working Group shall be responsible for the following functions:

- Defining the agenda for the effective implementation of the fintech strategy vision and goals.
- Monitoring the implementation of the strategy, evaluating impact across short-, medium-, and long-term horizons, and making adjustments and improvements of strategy goals and actions as necessary.
- Coordination among relevant government entities to ensure the effective development of key enablers (e.g., ICT infrastructure, talent management, access to capital for startups, accessibility/interoperability of government-held data etc.) for fintech that fall beyond the direct scope of the fintech strategy, and require collaborative efforts from multiple stakeholders.
- Facilitating collaboration between government bodies, financial institutions, fintech startups, investors, and other local or international stakeholders to drive the collective development of the fintech industry.
- Organizing activities to promoting fintech education and skills development, enhancing industry expertise and increasing the implementation and adoption of fintech solutions.

- Identifying and promoting funding opportunities to support investment in fintech innovation.
- Evaluating and managing risks associated with fintech solutions, including those related to cybersecurity, financial stability, consumer protection and other relevant areas.

3.2. REGULATION, OVERSIGHT AND SUPERVISION

Georgia has already taken steps to articulate a regulatory and supervision approach to fintech. In particular, the NBG has issued regulations on PSPs and open banking, developed principles of digital bank licensing, and a registration regime for VASPs, among others. The regulatory framework underpins DFS/fintech by addressing relevant risks, e.g., to cybersecurity, data protection and privacy, and consumer protection. NBG's scope of oversight and supervision perimeter have gradually expanded. Appropriate regulation, oversight and supervision is an important focus of the fintech vision of creating an enabling environment for DFS/fintech while managing risks. Building on existing foundations, the Fintech Strategy aims at supporting a comprehensive and forward-looking regulatory agenda aligned with international best practices.

Under this pillar, within their respective mandates, Georgian regulators/authorities

- Broaden the scope of open banking to enable consent-based access to customer data across sectors;
- Develop a regulatory proposal for equity crowdfunding through consultation with key stakeholders;
- Design a regulatory roadmap on crypto-assets/crypto-asset services, with a focus on consumer/investor protection aspects, supported by a broader review of legal aspects related to digital assets and tokenization;
- Explore and operationalize uses of AI for regulatory and supervisory policy objectives;
- Monitor AI applications and regulatory developments in the financial sector to identify and address potential regulatory gaps, ensuring a safe and responsible use of AI;
- Work to establish appropriate cooperation mechanisms in the area of cybersecurity, expand the scope of cybersecurity supervision, and strengthen the framework for fraud management and product suitability in light of complex fintech products;
- Identify and implement mechanisms to enhance competition in the credit information services market and reduce the monopoly of the existing credit bureau.

3.3. INFRASTRUCTURE

Georgia has several elements of a strong infrastructure foundation in place, and others in the process of being developed/upgraded. The country benefits from high levels of mobile-broadband penetration and mobile phone ownership – despite gaps in terms of rural access – as well as nearly universal coverage of ID among individuals. The NBG is developing an IPS, which will complement and

modernize Georgia's retail payments infrastructure as well as deepen electronic payments acceptance (EPA). API standardization, which is a key precondition for broad participation in open banking, is carried out by the Banking Association.

Initiatives in asset-based lending and supply chain financing platforms are in the early stages of conceptualization. Work is ongoing under the leadership of the MoJ to develop a digital identity wallet, which can be used for identity verification and authentication in financial transactions. Financial and other supporting infrastructure is a key aspect of the Fintech Strategy, aiming to provide a sound foundation for sustainable and inclusive digital financial services.

This pillar includes the following proposed actions:

- Authorities seek to promote the development of infrastructures, overlay services and platforms that harness fintech developments to enable greater participation and competition in financial services, and leverage economies of scale to reduce costs.
- To promote technology-driven innovations in the financial sector through the modern financial infrastructure, new technologies are experimented at an early stage (e.g., blockchain) and already tested technologies are implemented (e.g., instant payment system).
- The NBG's IPS should be designed to enable a wide range of entities with differing regulatory statuses to connect to/use the platform, while maintaining the safeguards required for the system's safety, and incorporates overlay services on top of the core infrastructure as well as a wide range of use cases.
- The NBG evaluates the performance of open banking arrangements and develops mechanisms to ensure broad stakeholders' inputs in decision-making.
- The NBG evaluates the possibility to expand the independence and the scope of the working group, responsible for all common open banking/finance/data API standards. Moreover, it should be independent of the Georgian Banking Association and become a stand-alone standard-setter body, which will be financed not by commercial banks or the government, but by an independent self-financing scheme. As a mid-term solution, before achieving self-sustainability, international donors could finance this standards-setting body. Additionally, a governing board with equal representation from all stakeholders – banks, MFIs, PSPs, other TPPs – and independent members should be established. The specific steps and corresponding timelines should be defined in alignment with members' practical readiness and engagement dynamics in the open banking/finance ecosystem, following consultations with them.
- Currently, only banks and micro banks are permitted to provide customers with IBAN accounts and access the RTGS system, creating an uneven competitive landscape for non-bank financial institutions. To promote a more level playing field, the NBG should consider granting non-bank institutions access to the existing infrastructure, including the IPS once implemented, provided they meet the necessary regulatory requirements.
- Authorities cooperate to enhance the accessibility of government-held data and services, including for use by financial sector entities. This involves providing required legal and technical support for the development of secure, standardized, and interoperable data-

exchange frameworks, ensuring the efficient sharing of information across diverse business processes and ICT systems. Facilitating fintech access to verified public datasets – including identity, taxation, property, and corporate information – will enable innovation in financial product/service development and strengthen regulatory compliance processes.⁴¹

- Authorities develop a centralized Ultimate Beneficial Ownership (UBO) registry to enhance financial transparency and support AML/CFT supervision, ensuring timely, accurate, and verified information on beneficial ownership is accessible to competent authorities and obligated entities; the registry will also contribute to aligning with EU/SEPA standards and facilitate more efficient due diligence, digital onboarding, and cross-border financial cooperation.
- Authorities work with the MoJ to roll out the digital identity wallet in the financial sector.

3.4. INNOVATION SUPPORT

Georgia has a growing innovation support system that benefits fintech firms. The Fintech Strategy is not directly concerned with the broader innovation support system but is dependent on it to achieve its objectives. A closer coordination between government-led efforts (through MoESD/GITA) and the NBG's own support mechanisms for fintech could help in leveraging resources for fulfilling the fintech vision.⁴²

Under this pillar, it is proposed that the NBG revises its regulatory sandbox access criteria to enable participation of unregulated entities. In a second stage, NBG's sandbox seeks to evolve towards a “one-stop shop” connecting sandbox entities to financial support, in coordination with GITA.

Moreover, Authorities actively cultivate a culture of innovation through educational programs and awareness campaigns, aimed at equipping stakeholders with the necessary knowledge and skills to engage with fintech advancements and drive the adoption of innovative solutions in the financial sector.

⁴¹ Establishing a unified policy framework for accessing government-held data and services can be crucial for implementing open banking/finance/data solutions. Therefore, this action will be implemented in cooperation with the Strategy for the Development of Digital Governance of Georgia (2025–2030), which aims to improve access to open data held by administrative bodies.

⁴² Fintech development relies on a supportive general business environment, including strong ICT infrastructure, favorable tax policies, and access to skilled talent and funding. While these foundational elements are beyond the direct scope of the fintech strategy, they are crucial for enhancing the efficiency, security, and scalability of fintech operations. To promote these enablers, the fintech strategy will be implemented in close collaboration with Georgia's National Strategy for the Development of the Digital Economy and Information Society for 2025–2030, led by the Ministry of Economy and Sustainable Development (MoESD), which outlines measures to strengthen digital infrastructure, develop digital skills, improve access to capital, and support innovation-friendly tax policies.

3.5. INTERNATIONAL COLLABORATION

International collaboration is vital to Georgia's Fintech Strategy: (i) it allows firms to operate across markets/access larger markets, supporting the growth of "homegrown" fintech and attracting foreign companies, and (ii) capitalizes on the Georgia's strengths to drive regulatory and technical harmonization as well as policy coordination in the region, while ensuring alignment with EU regulations and standards as a priority. This pillar of the Fintech Strategy builds on the active international role of NBG and other authorities/stakeholders. Fintech also represents an opportunity to enhance trade flows under the MC agenda, thought this role is not yet fully recognized.

Under this pillar, it is suggested that NBG promotes common principles on open banking through the relevant regional fora, as a first step towards cross-border interoperability. NBG works with other regional central banks/authorities to explore (i) the establishment of a cross-border sandbox, and (ii) cross-border payments using QR codes. In a first phase, the cross-border sandbox can be construed as a framework to test innovative products/services in multiple jurisdictions participating in the framework, facilitating visibility of test results without prejudice to the application of country-specific sandbox rules. Furthermore, under this pillar, the NBG takes the lead in articulating the fintech aspects of the MC Roadmap, e.g., identifying enablers of cross-border e-commerce and specific actions to this effect.

Table 2: Priority actions with corresponding responsible entities by strategic pillars

Pillar	Priority Actions	Responsible Entities
Institutional Arrangements	Establish institutional arrangements to support Georgia's Fintech Strategy implementation, e.g., an Inter-institutional Fintech Committee/Working Group, including operating rules and procedures.	NBG (lead) ISSSG, MoESD, LEPL - DGA, Personal Data Protection Service, National Security Council/Department of Information and Cybersecurity, GCCA, MoJ, Ministry of Finance, LEPL - National Agency of Public Registry (NAPR), Fintech Association of Georgia, Banking Association of Georgia
Regulation, Oversight, and Supervision	Develop a staggered approach to broadening the scope of open banking to enable consent-based access to customer data across sector	NBG (lead) ISSSG, DGA, MoESD, Communications Commission (ComCom)
	Develop a regulatory proposal on equity crowdfunding through a consultative process	NBG, MoESD

	Design a regulatory roadmap on crypto-assets/crypto-asset services, with a focus on consumer/investor protection aspects	NBG, MoESD
	Explore and operationalize uses of AI for regulatory and supervisory policy objectives	NBG, ISSSG
	Monitor AI applications and regulatory developments in the financial sector to identify and address potential regulatory gaps	NBG
	Develop and implement internal suptech strategies	NBG, ISSSG
	Establish appropriate cooperation mechanisms in the area of cybersecurity	National Security Council (lead) NBG, ISSSG, DGA
	Expand scope of cybersecurity supervision	NBG
	Strengthen framework for fraud management and product suitability	NBG
	Identifying and implementing mechanisms to enhance competition in the credit information services market and reduce the monopoly of the existing credit bureau.	NBG
Infrastructure	Design IPS so that to enable a wide range of entities to connect to/use the platform and to provide overlay services	NBG
	Evaluate the discharge of open banking arrangements and develop mechanisms to ensure broad stakeholders' inputs	NBG
	Increase the independence of the working group responsible for the technical standard of open banking/finance/data.	NBG
	Promote technology-driven innovations by an early-stage	NBG

	experimentation of blockchain technology	
	Grant non-bank financial institutions access to the RTGS and a permission to provide customers with IBAN accounts	NBG (lead)
	Establish a unified policy framework for accessing government-held data and services	DGA (lead) NBG
	Develop a centralized Ultimate Beneficial Ownership (UBO) registry to enhance financial transparency and support AML/CFT supervision	MoJ
	Work with the MoJ to roll out the digital identity wallet in the financial sector	NBG, ISSSG, with MoJ
Innovation Support	Revise sandbox access criteria to enable participation of unregulated entities	NBG
	Evolve towards a “one-stop shop” connecting sandbox entities to financial support	NBG, GITA
	Raise awareness about fintech through educational programs and initiatives	NBG, GITA
International Collaboration	Promote common principles on open banking through relevant regional fora	NBG
	Work with other regional central banks/authorities to explore the establishment of a cross-border sandbox.	NBG, other regional central banks
	Facilitate cross-border marketing and knowledge-sharing about fintech activities	NBG, international public and private institutions
	Identify fintech-related enablers and actions under the MC Roadmap	NBG, central banks of the MC countries