

ORGANIC LAW OF GEORGIA ON THE NATIONAL BANK OF GEORGIA

(Consolidated version: 09/09/2022)

Chapter I - General Provisions

Article 1 - National Bank of Georgia

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

Article 2 - Definition of terms

The terms used in this Law have the following meanings:

- a) Representative of Financial Sector – a commercial bank, non-bank depository institution, brokerage company, independent registrar of securities, asset managing company, central depository, specialized depository, stock exchange, micro-finance organization, founder of non-state pension scheme, payment system operator, payment services provider, reporting company and currency exchange bureau;
- b) Financial sector - a unity of financial sector representatives;
- c) Commercial bank - a legal person licensed by the National Bank that accepts deposits and uses them to conduct on its behalf banking activities defined by the legislation of Georgia;
- d) Inflation target - an inflation rate target index to be reached by the National Bank;
- e) Official exchange rate - an exchange rate established by the National Bank with regard to different currencies, which is used for accounting and other official purposes;
- f) State loan – the public debt of Georgia defined under the Law of Georgia on Public Debt, and issued state credit guarantees of Georgia;
- g) Deposit - monetary funds or other means of payment placed on deposit by a person in a commercial bank or a non-bank depository institution, for which a commercial bank or a non-bank depository institution acquires the right of ownership. Funds received in exchange for electronic money shall not be a deposit;
- h) Currency - banknotes and coins issued by the National Bank and other country’s issuing institutions as a legal tender;

- i) Counterfeit money - banknotes and coins manufactured in a fraudulent and illegal way, as well as falsified banknotes on which traces of altering the face value can be noticed;
- j) Emission – putting, by the National Bank, Lari banknotes and coins, or securities into circulation;
- k) Reproduction - producing, in full or parts of, banknotes and coins issued by the National Bank, including producing their individual design elements, color, size, symbols, or producing an image, by modifying them, in material or non-material form, which might resemble authentic money, or create an impression of authentic money;
- l) Numismatic value - Lari banknotes and coins, reproduced by the National Bank, which are intended for sale or exhibition, as well as banknotes and coins, withdrawn from circulation, or not emitted due to their improper characteristics, and historical banknotes and coins, and their replicas;
- m) Credit - any commitment related to disbursing monetary funds, based on the principles of redemption, valuation, securing and maturity;
- n) Clearing (clearing agreement) – Clearing system as defined by the Law of Georgia on Payment Systems and Payment Services;
- o) Deleted;
- p) Deleted;
- q) Deleted;
- r) Fiscal agent - a person who supports the implementation of the State fiscal policy by organizing a payment system and circulation of securities and who represents the State in relations with central banks of other countries and international financial institutions;
- s) Administrative and capital expenditures - all expenditures, except for those that are directly related to the implementation of monetary policy and exchange rate policy and to provision of cash to the economy;
- t) Statistics of the financial sector of Georgia - statistics reflecting the stocks and flows of financial assets and liabilities of the national economy, as well as of financial and non-financial assets and liabilities of financial corporations;
- u) Person - a natural or a legal person, as well as an organizational unit under the legislation of Georgia, which is not a legal person;
- v) Non-bank depository institution - a legal person, which is not a commercial bank and which is authorized to accept deposits and use them to conduct on its behalf a part of banking activities under the legislation of Georgia;
- v¹) Deleted;
- v²) Bridge bank – a bank licensed by the NBG and directly or indirectly established by the Ministry of Finance for the purpose of achieving resolution objectives as defined by the Article 55¹ of this Organic Law by way of acquiring, in whole or in part, the shares, assets and liabilities and/or critical functions of a bank under resolution;

v³) Resolution – within the framework of the NBG’s resolution mandate, placing a commercial bank under resolution regime and exercising resolution powers and tools defined by this Organic law and the law of Georgia on “Activities of commercial bank” for the purpose of achieving resolution objectives defined by Article 55¹ of this Organic Law;

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

y) Controlling person - a person, who exercises control;

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

z¹) Close relative - a person who is a relative falling under the category of first or second heir, according to the Civil Code of Georgia;

z²) Public register - a departmental public register of the National Bank in which legal acts of the National Bank are registered and systematized;

z³) External sector statistics - statistics on the balance of payments, international investment climate, foreign debt and official international reserves;

z⁴) Inflation - change in the consumer price index, published by the official agency that produces price statistics;

z⁵) Reserve money - cash issued by the National Bank (excluding the balance of funds at the cash desk of the National Bank), funds in the accounts of commercial banks (including banks with revoked licenses) at the National Bank, denominated in the national currency;

z⁶) Free industrial zone - a zone established according to the Law of Georgia on Free Industrial Zones;

z⁷) Duty-free shop - a customs control zone, for activities of which a permission issued by the Revenue Service is required, and where it is permitted to sell any goods without tariff measures, except for the goods, whose import, export, and sale on the territory of Georgia is prohibited.

gg¹) Banking group - a group consisting only of financial institutions or/and legal entities engaged in banking-related activities, including commercial bank, its parent company, as well as subsidiaries, associated and joint companies of commercial bank and its parent company and/or banking holdings both within a country and abroad;

gg²) Banking Holding – a legal person, who directly or indirectly owns more than 50% of a commercial bank’s shares or controls a commercial bank

gg³) Associate –an entity, over which an investor has significant influence meaning to having the power to participate in the financial and operating policy decisions of the entity. Associates include the subsidiaries of associates as well.

gg⁴) Consolidated supervision - a process of supervision, which implies setting supervision requirements for any member of a banking group separately or/ and in concert with the other member of the banking group and exercising supervisory authority/ activities for the purpose of facilitating stability of banking sector and supervision process.

gg⁵) Credit bureau – a business entity, which collects, keeps, processes and on the basis of an agreement issues a person’s credit information;

gg⁶) Administrator – A member of the commercial bank, micro-finance organization, supervisory board, directorate and/or other persons who directly or indirectly have the authority and responsibility to plan, manage and/or control the activities of the commercial bank/micro-finance organization, and whose list of relevant positions is approved by the commercial bank/microfinance organization supervisory board, or, in case of another representative of the financial sector - a member of supervisory board or a directorate of a financial sector representative, as well as a person who is authorized independently or together with one or more persons assume liabilities on behalf of the financial sector representative.

gg⁷) Lender – any business entity, toward which more than 20 individuals have credit obligations.

gg⁸) Joint venture – an entity whereby the parties who have joint control have the access to the net assets of the arrangement. Joint venture includes the subsidiaries of a joint venture as well. For the purposes of this subparagraph joint control implies a joint control regulated under the appropriate agreement which appears when an unambiguous consent of the controlling parties is required for the purpose of making a decision regarding the relevant activities.

gg⁹) Affiliate group - a group of persons who own 50% or more of their shares/stakes in each other and/or in each other's enterprises, and/or own each other's parent enterprises (parent organizations) and/or their subsidiaries and/or affiliated enterprises and/or joint ventures, and/or which fall under the category of first or second heir.

gg¹⁰) Pension agency – a legal entity under public law called the Pension Agency determined by the Law of Georgia on Funded Pensions.

gg¹¹) Virtual asset - a digital representation of value that is interchangeable and not unique, is the subject of transfer or trade in digital form and is used for the purpose of making investments and/or payments. A virtual asset does not include a digital representation of cash, securities or other financial instruments;

gg¹²) Convertible virtual asset - a virtual asset that has an equivalent market value in national or foreign currency, another virtual asset and/or financial instrument, in which it can be exchanged;

gg¹³) Virtual asset service - exchange of convertible virtual asset in national or foreign currency, another virtual asset or financial instrument, transfer and/or storage/administration of a convertible virtual asset or an instrument required for its use, which allows for control over a virtual asset, management of a portfolio consisting of convertible virtual assets (except collective portfolio management) and/or administration of a trading platform for convertible virtual assets and/or lending of such virtual asset and/or initial offering and/or initial offering services;

gg¹⁴) Virtual asset service provider - person who provides virtual asset services for another person.

(effective from January 1, 2023)

Article 3 - Objectives and functions of the National Bank

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

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

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

- a) Develop and implement a monetary policy and exchange rate policy, according to basic directions defined by the Parliament of Georgia;
- b) supervise of the financial sector under this Law;
- c) Ensure the functioning of the monetary system;
- d) Own, keep and dispose of the official international reserves;
- e) Act as a banker and a fiscal agent of the Government of Georgia;
- f) Facilitate secure, sustainable and effective functioning of the payment system;
- g) Issue currency of Georgia;
- h) Produce and disseminate the financial and external sector statistics of the country, according to the international standards and methodologies;
- i) Deleted;
- i¹) Implement a resolution of a commercial bank;

- i²) Participate in the preparation for and management of crises.
- j) perform other functions defined by this Organic Law.

Article 4 - Independence of the National Bank

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

Article 5 - International cooperation

1. The National Bank shall, within the scope of its authority, represent Georgia at international meetings, all boards and organizations.
2. The National Bank shall, within the scope of its authority, cooperate with the respective foreign authorities carrying out the similar functions to those of the National Bank. This cooperation may comprise the coordination of supervisory and resolution actions and exchange of information (including confidential information) if the relevant parties keep such information confidential.
- 2¹. Where conditions for resolution exists, the National Bank may exercise its resolution powers to support the resolution or any other equivalent actions of the foreign authority. The National Bank may refrain from doing so, if it would have adverse effects on the financial stability in Georgia, give rise to material fiscal implications, public policy or the creditors of a commercial bank would not be treated equitably under the foreign resolution proceedings.
3. The National Bank may provide banking services to a foreign government, central bank, and monetary authorities, as well as an international organization whose member the National Bank or the State of Georgia is.

4. Being the representative of Georgia, the National Bank may undertake obligations and carry out operations related to participation of Georgia in the activities of international organizations.

Chapter II - Organising and Managing the National Bank

Article 6 - Organizing the National Bank

1. The National Bank is a unified centralized system.
2. The National Bank shall, on the basis of this Law, define procedures for establishing, functioning and abolishing its structural units.

Article 7 - Managing the National Bank

1. The supreme body of the National Bank shall be the Board of the National Bank which consists of 9 members. If there are fewer than 5 members on the Board, the Board of the National Bank shall not be authorized to perform its functions. In this case, the vacancy (vacancies) shall be filled not later than two months after occurrence of this fact.
2. Members of the Board of the National Bank shall be citizens of Georgia or of a foreign country, professionals in economics, finance or other appropriate fields, and shall be distinguished by their integrity. The number of professionals in other relevant fields (except for economics and finance) on the Board of the National Bank shall not exceed two.
 - 2¹. A member of the National Bank's board shall not be a person who has been convicted of a heavy or aggravated crime, terrorism financing or/ and illicit income legalization or the other economic crime.
3. The chairperson of the Board of the National Bank shall be the President of the National Bank. Apart from the chairperson of the Board, three Vice-presidents of the National Bank and other members shall be on the Board of the National Bank.
4. The Parliament of Georgia shall, on the recommendation of the President of Georgia, elect members of the Board of the National Bank for a period of seven years, by a majority of votes of the total number of Members of Parliament.
 - 4¹. A member of the National Bank's Board shall enjoy immunity. It shall be prohibited to convict, detain or arrest a board member, conduct his/ her personal search or search of his/ her apartment, vehicle, work place, except for the case when he/she commits a crime as provided

for in the Article 64 of the Constitution of Georgia, or in the event of his/ her discharge under the decision of the Parliament of Georgia

5. A member of the Board of the National Bank may be dismissed only under Article 64 of the Constitution of Georgia, by decision of the Parliament of Georgia.

6. A member of the Board of the National Bank may be re-elected. In the case of the termination of the Board member's term of office ahead of time, a new member to replace him/her shall be elected for the full term of office of a Board member.

7. President of the National Bank shall be appointed from among the Board members of the National Bank, and dismissed by the President of Georgia upon recommendation of the Board of the National Bank. Vice-presidents of the National Bank shall be appointed and dismissed by the Board of the

National Bank upon recommendation of the President of the National Bank.

8. The President of the National Bank shall be dismissed if he/she:

- a) is not a member of the Board of the National Bank anymore;
- b) has lost the right to hold the position of a Board member of the National Bank according to Article 13 of this Organic Law;
- c) is unable to perform his/her duties due to his/her health status;
- d) dies.

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

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

Article 8 - Board of the National Bank

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

Article 9 - Powers of the Board of the National Bank

The Board of the National Bank shall be authorized to:

- a) review and approve the key principles of managing and disposing of international reserves;
- b) establish the procedure for determining the official exchange rate of the national currency to foreign currencies;
- c) approve the budget of administrative and capital expenditures of the National Bank;
- d) create special reserves;

- e) review, approve and submit to the Parliament of Georgia an annual report and financial statements of the National Bank;
- f) issue legal acts;
- g) Deleted;
- g¹) determine the basic directions of financial sector supervision and regulation;
- h) approve the organizational structure and the Regulations of the National Bank;
- h¹) appoint the members of the dispute resolution commission in the field of payment system and payment services in the National Bank, including the chairman of the commission, and determine the matters related to the activity of this commission; (Effective from August 1, 2023)
- i) perform other functions set forth in this Organic Law.

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

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

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

1. A member of the Board of the National Bank may resign, if he/she submits a written application to the Chairman of the Parliament of Georgia at least two months before resigning.
2. A member of the Board of the National Bank shall be considered to have resigned from the date indicated in the application.

Article 12 - Meeting of the Board of the National Bank

1. The President of the National Bank, and in his/her absence - the Acting President, shall conduct meetings of the Board of the National Bank.
2. As a rule, the President or the Acting President of the National Bank shall convene meetings of the Board of the National Bank. Meetings may be convened at any time on the basis of the written request of two members of the Board.
3. Each member of the Board of the National Bank shall have one vote. A meeting shall be authorized if attended by more than half of the Board members of the National Bank, of which one shall be the President or the Acting President of the National Bank.
4. A resolution of the Board of the National Bank shall be adopted at a meeting of the Board by a simple majority of those present and voting. Only

Board members participating in the meeting shall have the right to vote. In the case of equal votes, the vote of the President of the National Bank shall be decisive, and in the case of his/her absence - the vote of the Acting President.

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

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

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

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

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

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

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

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

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

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

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

Article 15 - Powers of the President of the National Bank

1. The President of the National Bank shall:

- a) manage the activity of the National Bank;
- b) represent the National Bank before third parties;
- c) appoint and dismiss employees of the National Bank;
- d) distribute duties between the President and Vice-presidents of the National Bank, as well as among the officers of the National Bank;
- e) be authorised to attend the meetings of the Government of Georgia without the right to vote;

- f) determine the staff list of the National Bank and amounts of employees' official salaries, as well as the amount of fringe benefits of any kind;
 - f¹) define a unified procedure for record-keeping at the National Bank;
 - g) issue legal acts;
 - g¹) determine the amount of fringe amount for the insurance of life and health of the members of the board members of the National Bank;
 - h) set up advisory and consultative bodies (committee, commission);
 - h¹) Deleted;
 - i) perform other functions defined by this Organic Law.
2. One of the Vice-presidents shall perform the duties of the President of the National Bank in his/her absence.

Article 15¹. Powers of the National Bank of Georgia regarding personnel policy

1. Only the National Bank of Georgia shall be authorized to:
- a) Establish basic, specific and additional qualification requirements for employment of a person in the National Bank of Georgia; Choose and appoint the person as an employee of the National Bank; Promote and transfer the employee; Determine the time limit to notify the National Bank of Georgia in case of the employee's request of dismissal on the basis of the personal statement, which shall not exceed 30 working days;
 - b) Determine the procedures of sending an employee of the National Bank of Georgia on a mission, the terms of granting travelling allowances and the amount of compensation within the limits existing in relation to public sector.
 - c) Determine the code of ethics for the National Bank of Georgia.
2. Terms and procedures for the recruitment competition, terms of setting up and operating competition commission shall be determined by the legal act issued by the National Bank of Georgia.
3. The terms of promotion, transfer, advancing professional skills and qualifications, encouraging, awarding bonus and dismissal on the basis of personal statement shall be determined by the legal act issued by the National Bank of Georgia.
4. The president of the National Bank of Georgia shall issue legal acts on matters determined in this Article.

Article 16 – (Deleted)

Article 16¹. Financial Sector Supervisory committee of the National Bank

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

2. The function of the Financial Sector Supervisory Committee shall be to develop and implement supervisory and regulatory policies of the financial sector.
3. The Financial Sector Supervisory Committee shall be authorized to:
 - a) Assess and establish the legal acts regarding the financial supervisory regulation;
 - b) Review the remarks of the representatives of the relevant Financial Sector regarding the activities of appropriate structural units of the National Bank.
 - c) Discuss and make a decision on material supervisory issues and specific supervisory cases;
 - d) Request and receive the relevant information from the National Bank's structural units about activities related to the functioning of the Committee.
4. The decision of the Financial Sector Supervisory Committee shall be submitted to the President of the National Bank as a recommendation, and, based on the final decision of the President, the National Bank shall issue legal acts.

Article 16². Resolution Committee of the National Bank

1. A Resolution Committee of the National Bank of Georgia (Hereinafter: the Resolution Committee) shall be established by the Decree of the Governor of the NBG. Members of the Resolution Committee shall be the Governor and Deputy Governors of the National Bank of Georgia. By the charter of the Committee, the heads of the NBG's relevant structural units, other employees and invited persons may be members of the Committee if their attendance is necessary for the informative resolution decision. Solely the Governor and Deputy Governors have the voting rights during the decision-making process. This Committee shall be chaired by the Governor. The rules and procedures of the functioning of the Committee shall be established by the Decree of the Governor of the National Bank.
2. The Resolution Committee shall make decisions regarding approving resolution plans developed by the National Bank, initiating the resolution process for commercial bank and in accordance with the decree of the Governor exercising resolution powers as prescribed in this Organic law and the Law on Activities of the Commercial banks
3. Resolution Committee shall submit the report to the board of the National Bank on an annual basis or upon the request of the board of the National Bank of Georgia. The report

shall include the information regarding the decision taken and resolution powers exercised during the resolution process and current status.

4. The NBG ensures the operational independence between its resolution function and other functions, including supervisory function in order to avoid conflicts of interest.

Article 17 - Monetary Policy Committee of the National Bank

1. The President of the National Bank shall, by an order, set up the Monetary Policy Committee of the National Bank. Members of the Monetary Policy Committee shall be the President of the National Bank, 3 Vice-presidents, and heads of the respective structural units of the National Bank. By decision of the President of the National Bank, other employees of the National Bank and invited persons may be members of the Monetary Policy Committee.

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

3. The Monetary Policy Committee shall be authorized to:

- a) develop the monetary policy and the exchange rate policy of the country;
- b) define procedures for the open market and for other monetary and credit operations, for calculation and observance of the emission and circulation of own securities;
- c) set interest rates on loans, deposits and other monetary operations of the National Bank, except for loans of last resort;
- d) Deleted;
- d¹) Define minimal reserve amount requirements;
- e) perform other duties related to the monetary policy and the exchange rate policy.

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

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

Article 17¹. Audit Committee at the National Bank's Board

1. Audit Committee at the National Bank's Board shall consist of 3 non – executive members of the NBG Board. The member of the Audit Committee shall be elected for the period that corresponds to the office term of the NBG Board member.

2. Composition of the Audit Committee and its Chairman shall be approved by the NBG Board.

3. Within the authority delegated by the National Bank's Board, the Audit Committee reviews and supervises the issues related to financial statements of the NBG, risk management and internal control system and internal and external audit activity.

4. Activities of the Audit Committee shall be governed under the Regulation on the Audit Committee at the National Bank of Georgia to be approved by the NBG Board.

Article 18. Internal Audit Office of the National Bank

1. The Head of the Internal Audit Office of the National Bank shall be appointed and dismissed by the Board of the National Bank with a simple majority of the Board member votes. Head of the Internal Audit Office shall be appointed for the seven - year term of office. He or she shall be eligible for reappointment.
2. Head of the NBG's Internal Audit Office shall be a Georgian citizen, professional in economics, banking or/ and finance areas distinguished by his/ her integrity;
3. Head of the Internal Audit Office shall not be a person who has been convicted of a heavy or aggravated crime, terrorism financing or/ and money laundering or the other economic crime.
4. Head of the Internal Audit Office is discharged from the position if:
 - a) his/ her 7-year office term has expired;
 - b) He/she resigns based on a personal application on which he/ she has to give one-month prior notice to the President of the National Bank;
 - c) He/ she has lost the right to occupy the position under the Article 20 of the Organic Law of Georgia on the National Bank of Georgia;
 - d) He/ she fails to fulfill his/ her duties due to health condition;
 - e) He/ she has passed away;
5. The Head of the Internal Audit Service of the National Bank may be released from the position if he/she fails to exercise his/her authority for four consecutive months due to his/her health condition.
6. Head of the Internal Audit Office shall be reporting to the National Bank's Board and the Audit Committee at the NBG Board;
7. Duties of the Internal Audit Office shall be to:
 - a) periodically audit the National Bank's internal control systems and operations;
 - b) for the purposes of reporting to the Board of the National Bank, draw up the progress report and develop recommendations on budgetary and accounting procedures and internal control systems;
 - c) periodically audit the National Bank's financial statements and related documents.

Article 18¹ – (Deleted)

Article 19 - Remuneration of labor of the personnel of the National Bank

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

1¹. Deleted;

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

Article 20 - Professional secrecy and conflict of interests

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

2. Deleted.

3. Notices on accounts and/ or transactions of individuals and legal entities and on the third parties can be issued only on the basis of court decision, except for the submission of information to the Deposit Insurance Agency as prescribed under the Law of Georgia on Deposit Insurance System and the cases provided for in this Law.

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

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

5¹. Deleted;

5². Deleted;

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

related to such person. An employee of the National Bank may not be charged with supervision or resolution of a person whose shareholder or whose member of the supervisory board or the board of directors is his/her family member or a close relative.

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

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

9. Members of the National Bank's Board and employees of the National Bank shall not be authorized to act on the basis of work related guidelines and/ or instructions that have been issued by any other institution but the National Bank.

Chapter III - Financial Provisions

Article 21 - Capital of the National Bank

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

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

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

Article 22 - General reserve fund of the National Bank

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

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

3. In order to facilitate the stability and transparency of the financial system, and sustainable economic growth in the country, the Board of the National Bank of Georgia shall be authorized to decide on the distribution of sums in the reserve fund.

Article 23 - Special reserves of the National Bank

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

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

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

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

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

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

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

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

Article 26 - Distribution of net losses of the National Bank

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

- a) If the net loss consists of net operating losses and net revaluation unrealized losses, the amount of net operating losses shall be added to the general reserve fund, and the amount of revaluation unrealized losses shall be distributed among the revaluation reserve accounts. If after such distribution the revaluation reserve accounts become negative, the negative balance shall be distributed to the general reserve fund.
 - b) If a net loss consists of the sum of net operating profits and a greater net revaluation unrealized losses, the revaluation loss shall be compensated from the revaluation reserve accounts. The remaining losses shall be distributed to the general reserve fund.
 - c) If the net loss consists of net operating losses and net revaluation unrealized profits, the losses shall be added to the general reserve fund.
 - d) If after the above distribution the capital of the National Bank becomes smaller than the charter capital, in order to cover the deficit (to fill the charter capital of the National Bank) the Ministry of Finance of Georgia shall transfer to the ownership of the National Bank the circulating (market) government bearer bonds, under terms and conditions similar to those of other government securities.
2. The Ministry of Finance of Georgia shall unconditionally issue the securities defined by paragraph (1)(d) of this article, within five months after the completion of the financial year of the National Bank. After having been issued, these securities shall be reflected in the State Budget of Georgia.

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

Article 27 - Own securities of the National Bank

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

Article 28 - Open market operations

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

Article 29 – Minimum reserve requirements

1. The National Bank may, following the consultations with the Committee for determining the minimum reserve requirements, set for commercial banks and non-bank depository institutions the minimum reserve requirements that are defined by a percentage ratio of attracted funds, and, by decision of the National Bank, may be subject to mandatory retention by the National Bank.

2. The norms of minimum reserve requirements, the procedures for their calculation and compliance shall be established by the National Bank following the consultations with the Committee for determining the minimum reserve requirements. A pecuniary penalty imposed as a sanction for the violation of the norms of minimum reserve requirements shall be transferred to the State Budget of Georgia.
3. If minimum reserve requirements are placed in the National Bank, it may decide to pay an interest on the amount of the minimum reserve requirements.

Article 29¹ – (Deleted)

Article 30 - Discount transactions of the National Bank

1. The National Bank shall be entitled to carry out discount transactions with the commercial bank, non-bank depository institution and the legal entity of public law – the Deposit Insurance Agency, by way of purchasing the securities of the Government of Georgia and the National Bank of Georgia, under the rules and conditions established by it.
2. The National Bank shall be entitled to alienate securities purchased through discount transactions at its own discretion.

Article 31 - Loan and deposit operations of the National Bank

1. Under the procedures and terms set by the National Bank, the National Bank may issue loans to commercial banks and non-bank depository institutions that have accounts at the National Bank, secured by respective collateral.
2. The Board of the National Bank shall approve the list of assets to be pledged as collateral for loans.
3. The National Bank shall be authorized to accept deposits under the procedures and conditions set by it.
4. The National Bank shall be authorized to give loan to a legal entity under public law- the Deposit Insurance Agency under the procedures and conditions set by the decision of the board of the National Bank.
5. Information under the fourth paragraph of this article a loan shall be given only in case of severe liquidity problems, with appropriate collateral. The loan shall be excessively short-term and should have the duration not more than six months. The interest rate shall be close to the market interest rate and at least overnight credit by the National Bank.

Article 32 - Accounts of commercial banks, non-bank depository institutions, other financial institutions, Resolution fund, the legal entity of public law – the Deposit Insurance Agency and the Pension Agency in the National Bank

The National Bank shall be entitled to hold accounts of commercial banks, non-bank depository institutions, significant system participants, the Pension Agency and the legal entity of public law – the Deposit Insurance Agency and accept deposits from them under

the rules and conditions established by it. The National Bank shall be empowered to open an account - Resolution fund, for the purposes of resolution.

Article 33 - Lender of the last resort

1. In addition to the loans permitted under Article 31 of this Organic Law, the National Bank may issue a last resort loan to a commercial bank.
2. The last resort loan, as provided in the first paragraph of this article, shall not be longer than three months, the interest rate shall be higher than the interest rates set by the Article 31 of this Organic Law and shall be secured by assets determined by the NBG Board.
3. Without prejudice to the NBG's mandate under the previous paragraphs, in exceptional cases, the National Bank may, with a view to preserving the stability of the Georgian financial system provide financial assistance to a bank whose solvency is in doubt if the following conditions are simultaneously fulfilled:
 - a) relevant remuneration, including penalty shall be taken into account;
 - b) for periods not exceeding ninety-one (91) calendar days that may be renewed following an explicit decision by the National Bank of Georgia for another period not exceeding ninety-one 91 calendar days. NBG board is authorized to issue a longer-term loan or exceed the above period in case of financial crisis hasn't dissipated or may not be dissipated in the abovementioned timeframes;
 - c) the bank is viable in the context of a realistic time-bound restructuring, rehabilitation or resolution plan that shall be accompanied by a funding plan;
 - d) the loan shall be secured by the unconditional and non-callable guarantee of the Ministry of Finance; the NBG has right to request any additional collateral from the bank;
 - e) the bank to which funding is provided shall be the subject to the additional supervision by the NBG.
4. The Board of the National Bank shall, in accordance with this Organic Law, define the procedures and additional terms for issuing of a last resort loan.

Article 33¹ - Information support for performing monetary and statistics functions of the National Bank

1. In order to provide information support for performing monetary and statistical functions, the National Bank shall be authorized to request a financial sector representative to submit statistical and accounting reports necessary for maintaining monetary, financial and external sectors statistics.
2. The National Bank shall be authorized to request confidential information from a financial sector representative for the sole purpose of performing its statistical functions.

Chapter V - Means of Payment

Article 34 - Currency unit

1. The currency unit of Georgia shall be the Lari. The Lari consists of 100 Tetri.
2. The Lari shall be the only legal tender on the territory of Georgia, except for free industrial zones, duty-free shops and/or cases defined by the National Bank.
- 2¹. When offering and/or advertising property for sale, and/or provision of services by an entrepreneur in the territory of Georgia, the price shall be indicated only in Lari.
- 2². A regulation different from the one provided for in paragraph 2¹ of this article may be determined by an appropriate legal act of the National Bank.
- 2³. Cash payment is conducted on the territory of Georgia on the basis of the principle of rounding the amount. The principle of rounding the sum implies rounding the sum up or down to the nearest multiple of 5.
- 2⁴. The method and the use of the principle of rounding the amount is established by the legal act issued by the board of the National Bank of Georgia.
3. The Lari banknotes and coins put into circulation or realized by the National Bank shall be the unconditional liability of the National Bank at face value, except for the Lari banknotes and coins that have been withdrawn from circulation and/or are a store of numismatic value.

Article 35 - Emission

1. Only the National Bank shall have the right to produce Lari banknotes and coins intended for circulation, collection and/or for other purposes and issue them on the territory of Georgia. The National Bank shall be the copyright holder for Lari banknotes and coins.
2. The Board of the National Bank shall define the face value, size, weight, volume, design, material and other characteristics of Lari banknotes and coins.
- 2¹. Design of Lari banknotes and coins shall be established by the legal act issued by the board of the National Bank of Georgia.
3. If the design and material of a Lari banknote or coin of an existing face value, and/or the year designated on it is changed, or a Lari banknote or coin of a new face value is introduced, they shall be put into circulation by decision of the Board of the National Bank.
4. Emission of Lari banknotes and coins directly for covering the deficit of the State Budget of Georgia shall be prohibited.
5. The National Bank may sell Lari banknotes and coins, as well as numismatic valuables, both inside and outside the country.
6. The Board of the National Bank shall determine the procedures for production and realization of Lari banknotes and coins.

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

Article 36 - Storage and destruction of currency and other valuables

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

Article 37 - Withdrawal from circulation and replacement of Lari banknotes and coins

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

Article 38 - Stock of currency and emission plan

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

Article 39 - Counterfeit banknotes and reproduction of money

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

Article 39¹. Virtual asset

1. Virtual asset is not a legal tender.
2. It is prohibited to make payments with a virtual asset, except for the cases defined by the legal act of the National Bank, which are necessary for the implementation of the virtual asset service.

(To be effective from January 1, 2023)

Chapter VI - International Reserves

Article 40 - Official international reserves

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

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

Article 41 - Banker and fiscal agent

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

Article 42 - Consultations on a draft State Budget of Georgia

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

Article 43 - Depository functions

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

Article 44 - Functions of a financial agent

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

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

Article 45 - Information to be submitted to the National Bank

The National Bank shall be authorized to require and receive any statistical, accounting and other information (including confidential) necessary to perform its functions from state institutions and any other person.

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

1. The National Bank shall not assist the Government of Georgia and state institutions financially, except in the case of paying dividends, provided in Article 25 of this Organic Law. Based on the purposes of the monetary policy, the National Bank shall purchase government securities only on the secondary market.
2. The National Bank of Georgia may purchase government securities on the primary market only in exchange for securities already existing in its portfolio, if the day of payment for them

coincides with the day of issuance of new securities. They shall be purchased at the volume-weighted average price fixed at the auction. The volume of securities purchased by the National Bank at each auction shall be the additional emission of securities offered for sale at the auction and shall not exceed 20% of the total volume of securities sold at this auction.

Chapter VIII - Supervision of the Financial Sector

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

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

Article 47¹ – (Deleted)

Article 47² – (Deleted)

Article 47³ – (Deleted)

Article 47⁴ – (Deleted)

Article 47⁵ – (Deleted)

Article 47⁶ – (Deleted)

Article 47⁷ – (Deleted)

Article 47⁸ - The authority of the National Bank to facilitate a competitive environment in the financial sector

1. In areas defined by this Organic Law, the National Bank of Georgia ensures the fulfillment of requirements laid down in the Law of Georgia on Competition. The National Bank of Georgia reviews complaints/statements on the violation of competition rules by financial sector participants (except for reporting companies), lenders or credit bureau and statements on concentration according to rules laid down in this Organic Law and the Law of Georgia on Competition. The National Bank of Georgia follows rules established by the Law of Georgia on Competition unless otherwise provided by this Organic Law. If the National Bank of Georgia decides on the violation of competition rules, it shall impose a sanction determined by the Law of Georgia on Competition on the violating entity. Together with the sanction imposed on the entity violating competition rules, the National Bank of Georgia is entitled impose other sanctions/supervisory measures.
2. The National Bank of Georgia is entitled to prioritize ensuring financial stability amid fulfilling requirements established by the Law of Georgia on Competition.

3. In order to exercise functions laid down in paragraph 1 of this Article, the National Bank of Georgia is entitled to issue legal acts, including: establishing marginal amounts, in case of exceeding which, would require prior written notice on concentration being sent to the National Bank of Georgia; taking respective measures; issuing written instructions; setting additional requirements; imposing respective restrictions and/or sanctions.
4. If independent legal entity under public law – Competition Agency requests so, the National Bank of Georgia shall request the corresponding information (including confidential information) from entities defined in the paragraph 1 of this Article and deliver it to Competition Agency.

Article 48 – The National Bank’s Supervision Authority

1. National Bank of Georgia is granted the full authority to supervise the operations of commercial banks, banking groups, non-bank deposit institutions, micro-finance organizations, independent securities registrars, brokerage firms (except for the insurance brokerages), stock exchange, central depository, specialized depository, asset management companies, accountable enterprises, currency exchange bureaus, investment funds, payment system operators, and payment service providers, credit bureau and lenders on the grounds of the present Organic Law and the other normative acts of Georgia.

1. National Bank of Georgia is granted the full authority to supervise the operations of commercial banks, banking groups, non-bank deposit institutions, micro-finance organizations, independent securities registrars, brokerage firms (except for the insurance brokerages), stock exchange, central depository, specialized depository, asset management companies, accountable enterprises, currency exchange bureaus, investment funds, payment system operators, and payment service providers, credit bureau, lenders and virtual asset providers on the grounds of the present Organic Law and the other normative acts of Georgia. (To be effective from January 1, 2023).

2. Deleted;

3. For effective fulfillment of supervisory duties, the National Bank shall be authorized to issue relevant decrees, orders, take respective measures, issue instructions in writing, impose respective restrictions, set additional requirements, impose supervisory measures or/ and sanctions;

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

a) The registration of a person as a subject, licensing of a person, authorization, acknowledgment or the acquisition of a significant share of a subject by a person may pose a threat to the stability of the Georgian financial sector;

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

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

- d) An interested person failed upon request of the National Bank to submit to the National Bank full information on the origin of funds necessary to comply with minimum capital requirements set under the legislation of Georgia for commencing a subject's activity, or to acquire a significant share in the cases provided in the legislation of Georgia;
- e) An interested person (entity, administrator, holder of a significant share, beneficiary owner), which, according to the information available to the National Bank, has violated business, banking or/ and financial legislation, that may endanger sound operations of a specific entity or/ and financial sector;
- f) Structure of an interested legal entity group, ownership and governance structure or/ and operations are not transparent enough, which may impede effective supervision at an individual as well as consolidated level or/ and threaten stability and sound operations of a specific entity or/ and financial sector.

4¹. The National Bank shall:

- a) Request and obtain information from representatives of the financial sector on sources of capital, ownership structure, direct and beneficial owners of its significant share (including origin of property and/ or funds);
- b) Cease or restrict certain transactions for a representative of financial sector in case of violation by the latter of the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing, as well as prohibit profit distribution, accrual of dividends and payment, increasing work remuneration, payment of bonuses and the other similar compensation, and impose a penalty, cancel registration and revoke license.
- c) In the event of violation of the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing, suspend the signature right for administrators of financial sector representatives, request their discharge from the occupied position and impose a pecuniary penalty;
- d) Provide commercial banks with a list of persons whose activities may/ or do contain risks from the perspective of money laundering or terrorism financing;
- e) Impose a sanction over a representative of the financial sector for its failure to timely submit the requested information or incomplete submission according to the NBG's rule.

4². Due to violation of the requirements of the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing, the sanctions imposed on financial sector representatives shall be published at the official website of the National Bank according to the National Bank procedure.

4³. For the purpose of facilitating prevention of illicit income legalization, the National Bank of Georgia shall exercise supervision over representatives of the financial sector according to the risk – based approach.

4⁴. The National Bank of Georgia is entitled to publish information on sanctions imposed for violating laws on securities market on its official website, in accordance with its rule.

4¹. The National Bank shall:

- a) Request and obtain information from accountable persons in accordance with the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing, on sources of capital, ownership structure, direct and beneficial owners of its significant share (including origin of property and/ or funds);
- b) Cease or restrict certain transactions for a representative of accountable persons in case of violation by the latter of the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing, as well as prohibit profit distribution, accrual of dividends and payment, increasing work remuneration, payment of bonuses and the other similar compensation, and impose a penalty, cancel registration and revoke license.
- c) In the event of violation of the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing, suspend the signature right for administrators of accountable persons in accordance with the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing, request their discharge from the occupied position and impose a pecuniary penalty;
- d) Provide accountable persons in accordance with the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing with a list of persons whose activities may/ or do contain risks from the perspective of money laundering or terrorism financing;
- e) Impose a sanction over accountable person in accordance with the Law of Georgia on Facilitating the Suppression of Money Laundering and Terrorism Financing for its failure to timely submit the requested information or incomplete submission according to the NBG's rule.

4². For the purpose of facilitating prevention of illicit income legalization, the National Bank of Georgia shall exercise supervision over representatives of the financial sector according to the risk – based approach.

4³. The National Bank of Georgia is entitled to publish information on sanctions imposed for violating laws on securities market on its official website, in accordance with its rule.

(To be effective from January 1, 2023)

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

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

7. Under this law, the Organic Law of Georgia on the National Bank of Georgia or under the normative acts of the National Bank, the rule for using electronic document and electronic signature (including other electronic documents and electronic signatures than determined under the law of electronic documents and electronic trust services) may be determined in other way than in the law of electronic documents and electronic trust services.

7¹. Correspondence between the subject of supervision and the National Bank can be exchanged in a material or electronic form. They shall have equal legal force. The National Bank shall be authorized to define the rule for using an electronic signature in its correspondence/ relations with the subject of supervision. The electronic signature used under the rule defined by the NBG shall have the legal force equal to the material one.

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

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

10. Entities provided for in Paragraph 1 of this Article shall be entitled to develop the security policy on use of the electronic signature in service delivery and coordinate it with the National Bank. Electronic signature, used in the course of the specific service delivery on the basis of security policy agreed with the National Bank, shall have the legal force equal to the material one and can be applied in all those cases when the Georgian legislation requires material form of a document.

11. In the event an entity intends to use an electronic signature, the legal force of which is recognized under the law and its security policy is not coordinated with the National Bank, the entity shall notify the NBG in advance about using such electronic signature.

12. The National Bank shall be entitled to set the rule for financial sector representatives and lender on protection of customers rights (including provision of essential information to customers in the course of service delivery);

13. The National Bank shall be authorized to publish drafts of normative acts related to financial sector for the purpose of obtaining comments from stakeholders prior to their approval. This shall not apply to the drafts of those normative acts, adoption of which is essential for the purposes of resolution and/or for maintaining the stability of financial sector or/ and which shall come into force immediately.

14. The National Bank of Georgia shall be entitled to provide any information (including confidential information) directly or indirectly related to an entity, specified in the Paragraph 1 of this Article, to an auditor (audit firm) and valuator of the entity. This authority is exercised by the National Bank for adequate fulfillment of supervisory requirements and/or resolution requirements or/and assessment. No one shall have the right to request from the NBG submission of information provided for in this paragraph. Provision or/ and non-provision of the information specified in this Paragraph by the National Bank shall not become the ground for inadequate performance of auditing by an auditor (audit firm) and valuator. Auditor (audit firm) and valuator shall observe confidentiality of information received from the NBG except for cases provided for in the legislation.

15. The National Bank of Georgia may exercise functions as defined by the Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives, including issuing relevant legal acts, issuing written instructions, setting additional requirements, imposing respective restrictions or sanctions.

Article 48¹ - Regulation of the activity of qualified credit institutions (Deleted)

Article 48² - Registration and supervision of a payment system operator and a payment service provider

1. The National Bank shall exercise supervision of a payment system operator and a payment service provider according to the legislation of Georgia by registration and revocation of

registration, inspection, establishment of additional requirements, determining initial and ongoing capital, by imposition of restrictions and sanctions.

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

3. The National Bank shall define the issue of granting and revoking the status of a significant system and the status of a significant payment service provider according to the legislation of Georgia, grant the status of a significant payment service provider or exceptionally significant payment service provider in accordance with the rules laid down by the National Bank, define fit and proper criteria and capital and asset requirements.

4. The National Bank shall be entitled to define fit and proper criteria for administrators of payment service provider and payment system operator under a legal act.

4¹. Deleted

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

Article 48³. Credit and Banking Activity

1. No one shall have the right to accept deposits and use them for credit disbursement without a license issued by the National Bank;

2. A business entity or an affiliate group shall not attract returnable funds (including loans) from an external individual without registration as a micro – finance organization, or non-bank depository – credit license or banking license or/ and advertise such an activity;

3. Deleted

4. The restriction under the second paragraph of this article shall not be applied to:

a) Public offering of securities;

b) Private offering to experienced investor in accordance with the law of Georgia on security market;

c) Insurance activity in accordance with the law of Georgia on Insurance;

d) Non-state pension schemes in accordance with the law of Georgia on the Provision of Non-state Pensions and Non-state Pensions Insurance;

e) The activity of a brokerage company in accordance with the law of Georgia on security market;

f) Disbursing the loan by the individual to other individual entrepreneur.

g) Lending of a partner/shareholder of an entity to this entity;

- h) capital injection in the entity by the partner/shareholder of this same entity
- i) Services related to the electronic money in accordance with the law of Georgia on payment systems and payment services;
- i¹) Investment funds and asset management companies defined by the Law of Georgia on Investment Funds;
- j) Special cases determined the National Bank.

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

1. The National Bank shall be authorised to:

- a) Exercise supervision over the activity of a commercial bank and a non-bank depository institution. The supervision shall include the issuance and revocation of licenses (including conditional licenses), inspection and regulation, issuance of written instructions, setting additional requirements, supervisory measures and sanctions;
- b) Require and receive information on the sources of the capital of a commercial bank and on both direct and beneficiary owners of its significant shares;
- b¹) Request and receive any information (including confidential information) within its competence on direct owners of a commercial bank as well as beneficial owners and set additional requirements for them under the legal act;
- c) Exercise supervision and inspect a commercial bank and a non-bank depository institution, inspect their subsidiaries, audit the components of accounting documents and financial statements, and other materials, and receive any information from them in a form defined by itself, within the scope of its authority; in the case of detecting, as

a result of an audit, signs of a crime, the materials shall be handed over to the appropriate bodies;

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

e) Suspend the signature right of administrators of commercial banks and a non-bank depository institutions; impose monetary penalties on them and require their dismissal; require a commercial bank and non-bank depository institution to pay a monetary penalty; revoke a license of a commercial bank and a non-bank depository institution;

f) Determine, by a normative act, the procedures for issuance and revocation of a license for a commercial bank and a non-bank depository institution, establish the amount of a monetary penalty and the procedures for imposing it. The sum of a monetary penalty shall be transferred to the State Budget of Georgia;

f¹) Determine the relevant restrictions and/or individual/additional requirements, the stages and terms of their fulfillment when issuing a conditional license to a commercial bank, in order to reduce risks; as well as the terms and conditions of issuing a conditional license;

f²) In accordance with the procedure established by the Law of Georgia on the Activities of Commercial Banks, in exceptional cases, without fully submitting the information/documentation defined by the legal act of the National Bank on the suitability criteria for commercial bank administrators, grant conditional consent to the appointment of a commercial bank administrator and determine the deadline for the complete submission of information/documentation of no more than 6 (six) months;

g) Exempt a commercial bank and a non-bank depository institution, for a certain period of time and/or under certain conditions, from compliance with the norms established by itself;

h) Deleted.

h¹) Review and assess recovery plans submitted by banks and require the changes and/or additions to the plan as defined by the legislation;

h²) Impose early intervention measure under the Law on Commercial Banks;

i) Deleted.

i¹) Deleted.

j) In special cases, for the purpose of stable functioning of the financial system, immediately take appropriate measures for commercial banks: set additional days off for banks apart from public holidays under the Organic law of Georgia – the Labour Code of Georgia; announce days off under the Organic law of Georgia – the Labour Code of Georgia as banking days; set certain restrictions and/or exempt from such restrictions, and perform other actions necessary to maintain sustainability of the financial system.

j¹) For the fulfillment of efficient resolution and resolution objectives as defined by Article 55¹ of the present Law, the NBG may impose simplified supervisory requirements.

k) The National Bank may, under the procedures established by the National Bank, verify fulfilment by a commercial bank and a non-bank depository institution of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to implement the Foreign Account Tax Compliance Act (FATCA).

l) Exercise supervision of commercial banks using risk-based approach.

2. The National Bank shall appoint a liquidator and a temporary administrator of a non-bank depository institution. He/She shall be accountable to the National Bank. The full authority of

all organs (including the general meeting of shareholders) of a a non-bank depository institution shall be transferred to a liquidator and a temporary administrator.

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

4. Deleted.

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

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

Article 49¹. Supervision of Banking Group

1. The purpose of the banking group supervision shall be facilitating stability of financial sector and sound operation of banking group member commercial bank or banks.

2. When exercising supervision over the banking group activities, the National Bank shall be entitled to:

- a) Examine a banking group, conduct inspection by means of an on-site examination as well as off-site supervision, audit accounting records, reporting components and the other materials, request and receive any information from them about themselves as well as other members of the group (including confidential information) within its competence at an individual as well as consolidated level;
- b) Have full access to data and documents of the Supervisory Board, management and employees of each banking group;
- c) Assess risk profile, risk management framework and internal control mechanisms of the banking group for the purpose of assessing existing/ potential impact of non-bank legal entities representing members of banking group or a bank;
- d) Set requirements related to formation of banking group structure, inter alia, request change/ simplification of bank's ownership or/ and group structure, if the complexity of such structure impedes effective supervision process or/ and

- endangers or is expected to endanger stability and sound operation of the bank or/ and financial sector;
- e) Set for banking group member (bank/ banks) or any member of the banking group or/ and several members of consolidated banking group:
 - e.a) Minimum capital requirements;
 - e.b) Liquidity requirements;
 - e.c) Requirements corresponding to large exposure and managing conflicts of interest;
 - e.d) Leverage requirements;
 - e.e) Information disclosure requirements;
 - e.f) Corporate governance requirements;
 - e.g) Reporting and auditing requirements;
 - e.h) Fit and proper criteria for administrators;
 - e.i.) other additional requirements.
3. The National Bank shall be entitled to set requirements or/ and written instructions for the bank based on banking group related risks or in case of violating requirements or/ and limits defined under this Article.
4. The National Bank shall be entitled to set consolidated supervision rule for the banking group under a normative act.

Article 50. Supervision of the Micro-Finance Organizations and Currency Exchange Bureaus

1. National Bank of Georgia shall be authorized to:
- a) Supervise the operation of micro-finance organizations. Supervision shall entail the registration of such micro-finance organizations and revocation of registration, inspection and regulation, communication of instructions made in writing, additional requirements, restrictions and sanctions;
 - b) Request and receive information on the sources of origin for equity of micro-finance organizations, direct owners of significant shares in such micro-finance organizations, as well as beneficiary owners (including the information on the origin of property and/or funds);
 - c) Define requirements in a legal instrument (regulation) towards the owners of significant shares in micro-finance organizations;
 - d) Supervise and inspect the micro-finance organizations, audit their books and accounts, components of reporting and other materials to receive any information from such in the form defined by itself (including those of confidential) within the scope of its competence;

- e) Suspend or restrict certain types of transactions to the micro-finance organizations, and/or attraction of funds by them; prohibit them from distributing profit, allocation and payment of dividends, except for the remuneration, bonuses and other, similar remuneration; request the attraction of additional capital;
 - f) Define the fit and proper criteria for the administrators of micro-finance organizations in a legal act (regulation);
 - g) Terminate the right to signature of an administrator of a micro-finance organization; enforce a pecuniary penalty and demand his/her dismissal;
 - h) Define the standards of asset classification and possible loss provisioning of micro-finance organizations in a legal act (regulation);
 - i) Define the minimum threshold for the regulatory capital of the micro-finance organizations and rules of their formation.
 - j) Define the rules of liquidation of micro-finance organizations in a legal act (regulation).
2. National Bank of Georgia shall supervise the Currency Exchange Bureaus through their registration, revocation of their registration, inspection, communication of instructions made in writing, definition of requirements towards them and sanctioning.
 3. Regulations issued by the National Bank of Georgia shall define the rules for registration of micro-finance organizations and currency exchange bureaus by the National Bank of Georgia, along with rules on revocation of their registration, size of pecuniary penalties and rules of levying. Proceeds from such cash penalties shall be directed to the State Budget.
 4. National Bank of Georgia shall be authorized to request and receive any information from currency exchange bureaus (including confidential information) in line with the rules defined by itself.
 5. National Bank of Georgia shall be authorized to inspect the compliance of the micro-finance organizations with Foreign Account Tax Compliance Act (FATCA) as agreed by the US Authorities and Government of Georgia on the grounds of rules defined by itself.

Article 50¹. Protection of Consumer Rights in Service Delivery by Currency Exchange Bureaus

1. Currency exchange bureaus shall be obliged to provide comprehensive information on the exchange rate and service fee (if applicable) to their customers when rendering services.
2. Voidance of the currency exchange transaction and refund of the exchanged currency may be performed in line with the rules defined in Paragraph 3 of the present Article.

3. National Bank of Georgia shall be authorized to define the rules for informing customers of the currency exchange bureaus while delivering their services, along with rules of avoidance of currency exchange transactions.

Article 50². Protection of Confidential Information by Currency Exchange Bureaus

1. Currency exchange Bureaus shall maintain the confidentiality of information. Information can be issued only on the basis of court decision of a tax authority as prescribed under Administrative Procedure Code of Georgia and under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to implement the Foreign Account Tax Compliance Act (FATCA).

2. The information about the consumers at the currency exchange bureaus (information about any transaction, performed operation) can be given only to the parties of the relevant transaction and their authorized representatives, the National Bank, the dispute resolution commission in the National Bank, in cases defined by the legislation of Georgia to the Financial Monitoring Service of Georgia, Personal Data Protection Service during inspections cases laid down in the Law of Georgia on Personal Data Protection. Any information about the consumer will be given to other persons only on the basis of the relevant court decision or the prior written consent of the user.

3. Judicial and investigative bodies and tax authority are prohibited from transferring information to another institution until the court issues the corresponding decision, including via massive information means, as well as public dissemination of the following, except for cases laid down in paragraph 1 of this Article, when information is transferred on the basis of the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to implement the Foreign Account Tax Compliance Act (FATCA).

Article 51 - (Deleted)

Article 52 - Supervision of securities market

The National Bank shall be authorised to:

- a) regulate relations arising from the issuance and circulation of securities by issuers; ensure detection, prevention and elimination of violations in the field of issuance and circulation of securities;
- b) issue and revoke licenses of regulated participants in the securities market;
- c) set minimum capital requirements for regulated participants in the securities market;
- d) approve an issue prospectus;
- e) monitor, audit and research regulated participants in the securities market;
- e1) Require and receive explanation in writing or/and orally from any person for the possible violation of this Law, rules set by the National Bank of Georgia or the Securities Legislation

or/and for possible jeopardizing of the investors' interests, as well as, in the scope of the Memorandum of Understanding, on the basis of the written request made by the foreign authority which has the similar functions as the National Bank of Georgia;

f) The National Bank may, under the procedures established by the National Bank, verify fulfilment by a participant in the securities market of the requirements defined under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA).

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

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

Article 52¹. Supervision of a credit bureau

1. The national Bank is authorized to exercise supervision over the activity of a credit bureau. For the purpose of financial stability, protecting the rights of consumers, information security and business continuity, the supervision of a credit bureau shall include inspection and regulation, issuance of written instructions, requirements (including for financial and

operational requirements), restrictions (including service fee), and sanctions and for this purpose to promulgate the relevant normative acts.

2. A business entity, who intends to perform the activity of a credit bureau, shall register at the National bank and fulfil the requirements set by the National bank. The rules of registration, revocation of the registration and regulation is determined by the normative acts of the National Bank.

3. A lender shall inform a credit bureau regarding the loans/credit in accordance with the rules set by the National Bank.

4. National Bank of Georgia is authorized to define the rules on providing information to the Credit Bureaus, keeping and accessing rules to information data on the territory of Georgia.

5. In case of violation of this law and/or normative acts of the National Bank, the National Bank is authorised to impose financial penalty to the entities who are subject to its supervision according to the 1st paragraph of article 48 on National Bank of Georgia.

Article 52². Supervision of a lender and protection of confidential information

1. For the purpose of protecting the rights of consumers, the National Bank is authorised to exercise the supervision over the activity of a lender. The supervision shall include registration and revocation of registration, inspection and regulation, issuance of written instructions, setting requirements, restrictions and sanctions.

2. A lender shall register at the National bank and fulfil the requirements set by the National bank. The rules of registration, revocation of the registration and regulation is determined by the normative acts of the National Bank.

3. In case of violation of this law, normative acts and/or requirements of the National Bank, the National Bank is authorized to impose sanctions (including, monetary penalty) on a lender in accordance with the rules set by the National Bank. The amount of a monetary penalty shall be transferred to the State Budget of Georgia.

4. The obligation of registration under the second paragraph of this article shall not apply to:

a) Representative of Financial Sector

b) In case a business entity gives loan to its enterprise partner/shareholder and/or its employee.

5. A loan holding entity (a business entity) is obliged to meet the requirements determined by an order of the Minister of Internal Affairs of Georgia with regard to the security and the possession and operation of special software for recording movable things received as a means of security for monetary claim.

6. A Lender shall maintain the confidentiality of information. Information can be issued only on the basis of court decision of a tax authority as prescribed under Administrative Procedure Code of Georgia and under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to implement the Foreign Account Tax Compliance Act (FATCA).

7. The information about the consumers at the lender's disposition (information about any transaction, performed operation) can be given only to the parties of the relevant transaction and their authorized representatives, the National Bank, the dispute resolution commission in the National Bank, in cases defined by the legislation of Georgia to the Financial Monitoring Service of Georgia, Personal Data Protection Service during inspections cases laid down in the

Law of Georgia on Personal Data Protection. Any information about the consumer will be given to other persons only on the basis of the relevant court decision or the prior written consent of the consumer.

8. Judicial and investigative bodies and tax authority are prohibited from transferring information to another institution until the court issues the corresponding decision, including via massive information means, as well as public dissemination of the following, except for cases laid down in paragraph 6 of this Article, when information is transferred on the basis of the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to implement the Foreign Account Tax Compliance Act (FATCA).

Article 52³ – Supervision over the activities of the Pension Agency

The National Bank shall be authorized to:

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

- i) carry out the audit of the Pension Agency, the specialised depository and assets management company(ies) on the place of their business activities in accordance with the Law of Georgia on Funded Pensions and other legislative and subordinate normative acts of Georgia;
- j) review and issue legal acts related to the prudential regulation of the investment activities of the Pension Agency in accordance with the legislation of Georgia;
- k) exercise other powers determined by the Law of Georgia on Funded Pensions.

Article 52⁴. Supervision of investment funds and asset management companies

NBG is entitled to:

- a) Supervise the investment fund activities, perform the authorization or registration of an investment fund established in Georgia, recognize the foreign investment fund, as well as revoke the authorization, registration or recognition of an investment fund. The supervision includes inspection and regulation of an investment fund, as well as giving written instructions and setting additional requirements, restrictions and sanctions;

- b) Supervise activities of asset management companies, grant license or registration to the asset management company established in Georgia, recognize foreign asset management company, as well as, withdraw the license of an asset management company, revoke registration or recognition. The supervision includes inspection and regulation of an asset management company, as well as giving written instructions and setting additional requirements, restrictions and sanctions;
- c) Regulate the relations arisen from issuance and circulation of units issued by the investment funds, ensure the detection and prevention of violations in regards to units' issuance and circulation;
- d) Establish additional regulatory framework for specialized depository, which provides services to investment funds and asset management companies. These regulations may relate to the capital of the specialized depository, the experience of the personnel, technical or programming maintenance and other matters;
- e) Establish, amend and abolish rules regarding regulation of investment funds and asset management companies and supervise their fulfillment;
- f) Establish the rule on liquidation of investment fund and an asset management company and appointing the temporary administrator and its' powers;
- g) Impose monetary fines on an investment fund, an asset management company and the specialized depository. The rule of the scale and imposing monetary fine shall be defined by the normative act of National Bank. Monetary fine shall be transferred to the State Budget of Georgia.
- h) Exercise other powers in accordance with the Law of Georgia on Investment Funds.

Article 52⁵. Supervision of virtual asset providers

1. NBG is entitled to exercise the supervision over activities of virtual asset providers. The supervision shall include registration and revocation of registration of the virtual asset service provider, defining fit and proper criteria for administrators of the virtual asset service provider, inspection and regulation to facilitate the prevention of money laundering and terrorism financing, determination of information accompanying the transfer of virtual assets, issuance of written instructions, establishing additional requirements, imposing restrictions and sanctions.

2. Virtual asset provider shall register at the National bank and fulfil the requirements set by the National bank. The rules of registration, revocation of the registration and regulation is determined by the normative acts of the National Bank.

3. It is not allowed to provide virtual asset services by a person who is not a virtual asset service provider registered by the National Bank or a representative of the financial sector, who is authorized to provide virtual asset services by the corresponding legislation.

4. The virtual asset service provider shall not conduct activity other than providing the virtual asset service, supporting activities necessary for the provision of this service and exchanging its own virtual asset.

5. The National Bank is authorized to resort to suspension or limitation of the implementation of certain types of activities/operations (including in accordance with the types of virtual assets) to the virtual asset service provider and the representative of the financial sector, who has been granted the authority to provide virtual asset services by the corresponding regulation, as well as business relationships with other virtual asset service providers that pose increased risks related to money laundering and terrorist financing and/or the risk of evasion of international financial sanctions, hinder the traceability and/or supervision of the transactions carried out.

6. The National Bank is authorized to impose sanctions (including monetary fines) on the virtual asset service provider and the provider's administrator for violation of this law and the legal acts of the National Bank in accordance with the rules set by the National Bank. The amount of a monetary penalty shall be transferred to the State Budget of Georgia.

(To be effective from January 1, 2023)

Chapter IX - (Deleted)

Article 53 - (Deleted)

Article 54 - (Deleted)

Article 55 - (Deleted)

Chapter IX¹. Resolution and liquidation of the Banks and the Management and coordination of Crises

Article 55¹. Resolution objectives and NBG's Resolution Authority

1. The NBG is authorized to implement resolution of a commercial bank and foreign branch of a commercial bank directly or through a special manager it may appoint. Without prejudice of its main objective under the Organic Law of the NBG, the NBG shall pursue the following objectives when carrying its function as a resolution authority:
 - a) ensure the continuity of critical functions;

- b) avoid a significant adverse effect on the stability of the financial system;
 - c) protect budgetary funds and other public funds;
 - d) protect insured deposits;
 - e) protect client funds and assets.
2. NBG has the power to define list of the critical functions of a bank by the separate normative act.
 3. The objectives set out in paragraph 2 hereof (hereinafter: resolution objectives) shall be of equal significance and the NBG shall impose all measures to gain resolution objectives considering the specific circumstances of each individual case. To the extent it is consistent with resolution objectives, the NBG shall seek to minimize the cost of resolution and avoid destruction of value for creditors.
 4. In order to achieve the resolution objectives defined by paragraph 1, the NBG shall carry out the tasks of issuing regulations, imposing written instructions, set additional requirements, conducting resolution planning, administrating of the resolution fund, initiating and carrying out resolution, and exercising the resolution powers.
 5. The National Bank shall be authorized to require and receive any information (including confidential) necessary to perform its resolution functions from any person.

6. Commercial banks and other persons are obliged to comply with any instruction, directive, requirement and limitations set by the NBG and provide all necessary assistance for the achievement of the resolution objectives. Where requested by the NBG, law enforcement agencies shall assist the NBG in the exercise of its powers.
7. The decision on commencement of resolution shall be published in the Legislative Herald of Georgia. With due regard to confidentiality requirements, the NBG shall publish the information about the commencement of the resolution on its website.

Article 55². The resolution Powers of the NBG

1. The NBG is authorized to make a decision on initiating resolution and upon this decision exercise the following resolution powers in order to achieve resolution objectives:
 - a) to take control of the bank under resolution as defined by this Organic law and Law on “Activities of Commercial Banks” in order to achieve resolution objectives that includes attaining the full authority of all bodies of a commercial bank;
 - b) to depart from the principles defined in accordance with subparagraphs “b” and “c” of Article 32 of the Law on the Activities of the Commercial banks of Georgia in the cases defined by the Law on the Activities of the Commercial banks of Georgia;
 - c) to value the assets and liabilities of a commercial bank under resolution regime;
 - d) to remove any or all administrators and/or other employees and appoint their replacements;
 - e) to decide on suspending all or some of the operations, transactions, and other activities of the bank;
 - f) to impose a temporary moratorium on due and payable debts or to impose a stay on early termination rights under qualified financial contracts with commercial banks defined in Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives;
 - g) to apply to the court for a temporary stay of the case against the commercial bank and/or postponement of acceptance of the new case;
 - h) to merge the bank under resolution with another bank or to transfer the shares issued by the bank under the resolution;
 - i) to transfer rights, obligations, assets and liabilities of the bank, in whole or in part, to a third party, provided that deposit liabilities can only be transferred to another bank or a bridge bank;
 - j) exercise write down of shares or other instruments of regulatory capital of the bank under resolution or conversion of these instruments into the common shares or other instruments of ownership;
 - k) to require the bank under resolution to issue new common shares, other instruments of ownership, or other capital instruments;
 - l) exercise write down of bank liabilities or convert them into common shares or other instruments of ownership;
 - m) without prejudice to the bank’s right to terminate contracts as per the contractual terms, to terminate, including by netting, any contract including derivatives contracts.

n) to cancel debt instruments and other liabilities issued by the bank under resolution issued by the bank under resolution, except for secured liabilities or to amend or alter the maturity of these instruments, or amend the amount/terms of interest payable under such instruments;
o) to seek damages in accordance with the legislation of Georgia, including the restitution, any incentive-based payment or other similar type of payment from the bank's administrators, shareholders or other employees who are responsible for the failure of the bank by their actions or omission;

p) except for executing activities defined by the Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives, to bring an action in court to challenge any act or transaction performed by the commercial bank administrator one year before imposing resolution regime and to require that the act or transaction be declared void if as a result of such transaction, persons connected to the commercial bank enjoyed any material benefit or advantage, privilege or preference for the account of this bank, and which inflicted damage to the bank (its creditors).

q) to engage with, at the expense of the bank under resolution, independent attorneys, accountants, auditors, valuation experts, consultants or other professionals for the purposes of effective resolution. Where services of these persons are needed before the initiation of resolution, such relevant expenses shall be borne by the NBG;

r) to take all the measures for the effective management of a bridge bank established by the Ministry of Finance, including giving instructions for the preparation of an exit plan, and approving this plan.

s) to issue a regulation to determine how its powers under this law would apply to the resolution of the branches of foreign banks in view of the nature of such branches.

t) to issue regulations for the purposes of exercising the powers defined by this paragraph.

2. For the purposes of resolution objectives, the NBG may exercise any of its resolution powers, and any of resolution tools defined by this Law and the Law on Commercial Banks individually or in combination with others, and without being subject to a particular order while using them.

3. Notwithstanding any laws, regulations, articles of association, contracts or prospectuses, the exercise of powers by the NBG and the special manager appointed by the NBG shall not be subject to the approval or consent of shareholders, debtors, or creditors of the bank, or of the bridge bank. This shall also include any procedural requirement prior to the exercise of such powers, such as notification, publication of any notice or prospectus or filing or registering any document with any other authority.

4. To ensure the continuity of a bank's critical functions, any party, that provides essential services to the bank under resolution shall continue its services upon a request by the NBG to the bank under resolution, any successor or acquirer of the bank, including the bridge bank, under the terms and conditions existing prior to resolution. The NBG may arrange for the bank under resolution to temporarily provide necessary services to an acquiring bank or bridge bank.

5. For the purposes of promoting resolution objectives, the NBG may at any time amend the banks' articles of association and shall be entitled to require the amendment of all relevant

registers. All entities in charge of maintaining such registers shall fulfill the NBG 's request immediately.

6. Where the application of resolution actions requires the removal or suspension from trading of shares or debt instruments of the bank under resolution, the listing or admission to trading of new shares, the relisting or readmission of any debt instrument written down, or the approval of share acquisitions, necessary actions as appropriate under the respective law shall be taken promptly/in a simplified manner. Disclosure and reporting requirements under the Law on Capital Markets may be exempted or postponed.

Article 55³. Liquidation of a commercial bank

1. Upon the revocation of banking license, the NBG commences liquidation process in accordance with the Law on Activities of Commercial Banks and the NBG's rule.
2. The National Bank shall appoint a liquidator of a commercial bank who is accountable to the National Bank. The full authority of all bodies of a commercial bank shall be transferred to a liquidator.
3. A commercial bank's liquidator shall be authorized to sell bank assets at a public auction, or to select another form of sale in agreement with the National Bank, as well as transfer the right of claim for assets to creditors according to their priority, or transfer the assets and/or liabilities of part of them to the third parties.
4. The liquidation of a commercial bank shall not prejudice preceding resolution actions (if exercising any resolution action) and resolution objectives.

Article 55⁴. Temporary Public Funding

1. For the purposes of financing resolution, the Ministry of Finance may provide temporary public support for the resolution of a bank if support is deemed necessary to maintain the stability of the financial system in Georgia, and no other private funding is available or is/would be insufficient for this purpose. Temporary public support may only be provided if initially equity and claims prescribed in sub-paragraphs (m) to (r) of the paragraph 10 of the Article 37¹² of the Law on Commercial Banks absorb all losses to the extent of their capacity and in line with the hierarchy of claims under the aforementioned Article as a result of the application of resolution tools and powers by the NBG.
2. The National Bank shall submit to the Ministry of Finance the proposal for ensuring temporary public support in paragraph 1, which shall contain an overview of envisaged resolution tools and measures, along with a rationale, including the amount, manner and timeframe for the provision of financial support, bearing in mind the resolution principles regulated in the law that regulates the commercial banks.

3. Upon a positive decision on the request defined by paragraph 2, the Ministry of Finance may provide temporary public support by:
 - a. participating in the capital of a bridge bank;
 - b. acquiring the equity of the bank under resolution and/or assuming obligations associated with bank's certain regulatory capital instruments;
 - c. providing financing to the resolution fund as per Article 55⁵;
 - d. providing loans, guarantees and/or financing in any other form, including directly, that will be necessary for the achievement of the resolution objectives.
4. The Ministry of Finance may acquire shares in the bank under resolution or the bridge bank directly or through an entity that it owns, and it shall take all measures to ensure that the bank is managed on a commercial and professional basis. Where the MoF acquired shares in a bank or bought the bank's regulatory capital instruments under this article, the bank shall prepare an action plan, which, to the satisfaction of the NBG, will involve actions to ensure its long-term viability.
5. The Ministry of Finance and the NBG shall develop a joint regulation providing detailed rules on the provision of temporary public support by the Ministry of Finance.
6. The NBG shall impose ex-post payments on banks operating in Georgia to recover the temporary financial support funds extended under this Article, which shall be paid through the resolution fund. The payments will be calculated on the basis of objective and proportionate criteria. Proportionality implies payments proportionate to the liabilities that do not include the liabilities that are regulatory capital instruments or insured deposits. Objectivity includes bank's risk profile.
7. Criteria and rules for imposing payments will be determined by the joint regulation of the ministry of Finance and the NBG, which will prescribe the base for such levies, the items to be excluded from this base, the rate, which may include risk-based rates, the maximum cap for these levies and the time horizon for the aforementioned cap and the payment of the levies. The maximum cap of levies shall be determined in accordance with the criteria that liquidity and insolvency of a bank must not be jeopardized shall be taken into account.

Article 55⁵. Resolution fund

1. In order to implement the resolution efficiently, the NBG shall open an account - Resolution Fund (hereinafter referred to as the "Fund") defined in the Article 32 of this Organic Law. The fund shall be used solely for the purposes of temporary public funding of resolution by way of providing loans to the bank under resolution or the bridge bank, guarantees for the liabilities of these banks, contributions to close any difference between the liabilities and the assets transferred to an acquirer in a sale of business tool or a bridge bank tool, contributions under paragraph 12 of the Article 37¹⁰ and compensation under

Paragraph 4 of Article 37¹¹. To the extent necessary, guarantees and loans can be extended in relation to a purchaser in the context of sale of business tool and merger.

2. The Fund is administered and managed by the NBG. The NBG shall not be held accountable for the liabilities of the Fund. The Fund's assets cannot be subject to seizure, attachment or any other enforcement action.
3. The NBG shall prepare financial reports of the Fund separately from its own books, and secure an independent audit of the financial reports of the Fund. The value of the Fund's assets shall be in line with the International Financial Reporting Standards.
4. The Fund shall be financed from funds provided by the Ministry of Finance, grants, borrowings, or other financial sources in the relevant limits set by the Budget Code. The Ministry of Finance may issue guarantees for the liabilities of the Fund.
5. More detailed conditions and manner of establishing and managing the Fund shall be jointly regulated by the National Bank and the Ministry Finance, including any obligatory consent and reporting requirement for certain transactions, the investment of Fund assets its dissolution and withdrawals of the recoveries by the Ministry of Finance.

Article 55⁶. Crisis-Preparedness and Crisis-Management

1. An interagency Committee for Financial Stability, hereinafter called "the Committee," is hereby established with the objective to support the stable functioning of the financial stability and to develop relevant mechanisms for financial crisis and crisis management. The Committee is composed of the Ministry of Finance, the National Bank, the Deposit Guarantee Fund and Insurance State Supervision Service. With a unanimous decision, membership may be extended to other public bodies. The Committee is chaired and represented by the Minister of Finance, and in his absence - by the Vice Minister. Any member of the Committee may delegate the authority to participate to the Committees on others.
2. The Committee shall convene at least semi-annually and in case the NBG requires.
3. The National Bank shall ensure the secretariat of the Committee. Unless otherwise provided in its internal rules, the decisions of the Committee are taken by consensus.
4. Participating agencies shall, without prejudice to their respective functions and autonomy, collaborate to the maximum extent possible to achieve the Committee's objective defined in the 1st paragraph of this Article.
5. The National Bank's responsibilities are the following:

- a. alerting the Committee to potential risks to financial stability and providing relevant information;
 - b. providing an early notification to the Committee in case a bank may need to be resolved and, or might require temporary public support and/or last resort loan defined by the paragraph 3 of the Article 33 of this Organic Law.
6. The participating agencies shall grant all information (including confidential) to the Committee that may be relevant for its functioning. Participating agency shall act in accordance with the law of Georgia on confidential information.
7. The Committee's operation is regulated in accordance with the Charter adopted by the Committee, which shall, at a minimum, provide for the procedures for the sharing of information among participating agencies, joint analysis of systemic risk developments, the assessment of systemic risk scenarios, operational planning and simulations for crisis preparedness and crisis management and other issues related to the functioning of the Committee.
8. The Committee/Secretariat will publish a report on its activities with the NBG's annual report.

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

Article 56 - Financial year of the National Bank

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

Article 57 - Accounting

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

Article 58 - Financial reporting of the National Bank

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

Article 59 - Audit of reports of the National Bank

1. Reports of the National Bank shall be audited by an independent auditing firm appointed by the Parliament of Georgia. 2. For the purposes of external auditing of the National Bank's

financial statements, after completion of audit, no later than June 1st, the competent committee of the Parliament of Georgia shall submit the list of the four largest international audit firms to the Parliament of Georgia and the latter shall select one of them through tender or contest. Contract shall be signed with an external audit firm for at least two and maximum four years;

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

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

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

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

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

6. Annually, not later than four months after the end of a financial year, the National Bank shall submit to the Parliament of Georgia a report on the implementation of a monetary, exchange rate, and supervisory policy. The Parliament of Georgia shall approve the reports.

Article 62 - Clearing and payment agreements

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

Article 63. The Mechanism of Clearing, Cashless Settlement and Payments System

1. The National Bank shall be authorized to draft and issue at its own discretion the legal acts regulating clearing, settlement, payment service and payment systems, set the relevant rules and requirements, organize creation and implementation of payments systems in the country, manage and ensure servicing and administration of these systems, assist other banks in creation of payment systems and supervise payment systems applied in Georgia.
2. The National Bank shall be entitled to register securities issued in Georgia in its securities settlement system, ensure settlement with these securities through this system, open accounts for local and foreign governments, central banks, central depositories, custodians and the other financial institutions for keeping securities and their settlement and define the respective rules and criteria for this purpose.

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

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

1. At maturity, the National Bank shall have the preferential and unconditional right to satisfy any of its demands from funds available in a debtor's accounts, from cash balances, or from tangible assets owned by a debtor. This procedure shall not apply to funds available in the reserve requirements account at the National Bank.
2. The National Bank may exercise a preferential right to place the available funds in its account and, by selling other assets at an auction, withhold the amount due from the proceeds, after deduction of the costs associated with the sale of assets. The National Bank shall determine the procedures for holding auctions. If an auction is declared failed, the National Bank shall be authorised to satisfy its requirement by directly obtaining the title to property. The relevant bodies shall be obliged to issue a document to the National Bank confirming its title to such property.

3. By decision of the Board of the National Bank, the aforementioned powers may be or may not be applied to a commercial bank that is undergoing the process of liquidation or resolution.

Article 64¹. Protection of Consumer Rights

1. The National Bank under the respective legal act may introduce the following requirements against representatives of financial sector and lender:
 - a) rules other than those formulated in paragraphs 4, 5 (except for the interest rate), 7 and 8 (advance repayment fee) of Article 625 and Paragraph 8 of Article 868 of the Civil Code of Georgia;
 - b) the rule on protecting consumer rights (including consumer's right to refusal of a contract and providing essential information to a consumer) upon disbursement of a loan/bank loan or attracting funds;
 - c) regulations different from those provided for in Article 276(3), Article 300(2¹) and Article 301(1²) of the Civil Code of Georgia, or additional regulations.

Article 64². Dispute resolution commission in the field of payment system and payment services in the National Bank

1. Disputes between payment service user and payment service provider that is connected to rights and obligations that follow from this Law, the Law of Georgia on Payment Systems and Payment Services as well as normative acts issued on the basis of aforementioned laws are examined by an independent dispute resolution commission (Hereinafter – “Dispute Resolution Commission”) in the field of payment system and payment services in the National Bank. The basis for the initiation of dispute examination by the Dispute Resolution Commission is the submission of a complaint by the payment service user against the payment service provider to the Dispute Resolution Commission and its acceptance.

2. The Dispute Resolution Commission is guided by the principles of competition, fairness, transparency, objectivity, impartiality and equality of the parties when considering the complaint.

3. The Dispute Resolution Commission examines disputes for free.

4. The procedure for the creation and operation of the Dispute Resolution Commission, the organizational structure, the procedure for dealing with the parties, as well as issues related to dispute examination and decision-making are regulated by the Law of Georgia on Payment Systems and Payment Services, legal acts of the National Bank and other legislative and normative acts of Georgia.

5. The Dispute Resolution Commission shall be entitled to contact the relevant structural unit(s) of the National Bank for consultation and/or receiving information (including confidential information) regarding the dispute.

6. The Dispute Resolution Commission shall be entitled to initiate the request of additional information/proof (including confidential information). The Dispute Resolution Commission shall also be entitled to obtain information/proof (including confidential information) necessary for the exercise of its authority from any natural person or legal entity.

7. In case of non-submission of the requested information and/or proof on the basis of paragraph 6 of this Article, the Dispute Resolution Commission is authorized to impose the fine on the violator, except for the user (complainant).

(Effective from August 1, 2023)

Article 65 - Activity prohibited for the National Bank

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

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

Article 66 - Exclusive powers of the National Bank

The National Bank shall be authorised to:

- a) issue loans, acquire the right to equity participation, or otherwise participate in the activity of any organisation, whose operation is related to performing the functions and attaining the objectives of the National Bank;

- b) define a list of employees of the National Bank system, who have the right to carry firearms, as provided by law;
- c) ensure manufacturing, procurement and sale of gold bars;
- c1) execute operations with gold and/or financial instruments related to gold under procedures it has established. The Law of Georgia on Securities Market shall not apply to these financial instruments, and they shall be registered and circulated under procedures established by the National Bank;
- d) ensure production, purchase and sale of articles necessary for the popularization of the national currency.
- e) manage Deposit Insurance Fund;
- f) In case of need, give appropriate material and technical assistance to a legal person-Deposit Insurance Agency in accordance with the decision of the board of National Bank.

2. In purposes of f subparagraph of first paragraph of this article material and technical support shall not include money assistance, except a loan in accordance with fourth paragraph of article 31 of this law.

Article 66¹. Board of the National Payments

1. In order to develop payments systems and payment services, the National Bank shall be entitled to create the Board of National Payments, which will facilitate discussion and close cooperation between representatives of this sector, users and other interested parties related to this sector. The Board of National Payments is authorized to coordinate market initiatives and establish common approaches for market development, as well as promote innovation in this area.
2. Participants of the Board of National Payments can be employees of the National Bank, invited persons and other interested persons. The composition of the Board of the National Payments and the rules of its activity are determined by the legal act issued by the Governor of the National Bank.

Article 67 - Regulatory provisions

1. When performing its duties, the National Bank shall enjoy autonomous (independent) regulatory power. The National Bank shall keep a public register of normative acts, directives and instructions.
2. The formats and standards defined in the issues of electronic settlement of accounts and information security, which are established under an appropriate procedure by the National Bank within the scope of its authority, shall be forwarded to commercial banks and non-bank depository institutions individually. They shall be effective from the date defined by the National Bank.
3. Unless immediate entry of a normative act into force is needed, the National Bank shall send a draft normative act to the Ministry of Justice of Georgia for a legal expertise, except for cases defined by a normative act of the Minister of Justice of Georgia.
4. An adopting (issuing) body (official) shall determine the need for the immediate entry into force of a normative act. A normative act issued by the National Bank, in order to be assigned a state registration code, shall, immediately, but not later than the following working day, be

submitted to the Ministry of Justice of Georgia. A normative act, which is to enter into force immediately, shall become effective from the date specified in it.

5. If the norm of immediate entry into force of a normative act is applied, this normative act shall include a separate article to specify the reasons of its immediate entry into force.

6. The National Bank, in the course of its activities, shall be authorized to create, receive, send, keep and issue any document in a material and/or electronic form (including, in the form of archive materials), which may have legal consequences, as well as to use an electronic document management system and an electronic and/ or qualified electronic signature. An electronic document and its printed version shall have the same legal force as a material document. For purposes of this paragraph, the National Bank shall be entitled to define its policy under a legal act for electronic document management system and use of electronic signature.

Article 68- Administration standards

1. The National Bank shall exercise powers granted to it under this Law on the basis of the principles of equality and impartiality and in compliance with accepted administration standards.

2. The National Bank shall refrain from using the powers specified in paragraph 1 of this article to achieve such a goal that is not in line with these powers, or shall exercise its rights to the extent exceeding the necessary measures to achieve a respective legitimate goal.

3. To fulfil the provisions of this Law, the decisions of the National Bank shall be subject to the principles of impartiality. Their motivation must be objective and rational. All decisions shall be executed in compliance with legal standards and shall serve the goals set.

4. If an individual administrative-legal act of the National Bank is being appealed to court, the plaintiff shall bear the burden of proof according to Article 17(2) of the Administrative Procedures Code of Georgia.

5. If an administrative act of the National Bank is being appealed to court, the effect of such administrative act may not be suspended until the final judgement on appeal is made, unless otherwise decided by the National Bank.

5¹. The court shall defer to the quantitative and qualitative assessments of the facts conducted by the NBG as a basis for its examination unless there is a manifest error included.

5². If NBG's decision regarding imposing resolution regime, other resolution related decision and/or revocation of banking license is appealed to court and repealed by the court, the

National Bank of Georgia might be charged only for proven actual damages that must not be compensated from the resolution fund.

6. Neither current nor former employee of the National Bank shall be personally liable to any party for any action or omission, as long as such action was done or refrained from in good faith by such person and in the ordinary course of his or her duties in accordance with the Georgian legislation. The National Bank in disputes emerged with respect to fulfillment of work duties shall defend the interests of the current or former employee, if disputed action or omission was determined by fulfillment of those duties (except for the case when the dispute is raised by the NBG itself against such employee), which may be expressed in providing legal services to the employee, compensation of dispute related costs and the other measures, which the NBG may deem expedient for protection of an employee's interests. This paragraph also refers to temporary administrator, special manager and liquidator and administrators of bridge bank acting in the framework of authority set by the NBG.

6¹. Deleted.

6². Deleted.

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

8. Deleted.

Chapter XII - Transitional and Final Provisions

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

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

Article 70 - Transitional provisions

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

2. The National Bank of Georgia shall be reorganised.

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

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

5. Buildings, technical means and other property on the balance sheet of the Georgian Financial Supervision Agency shall be transferred to the National Bank of Georgia.
6. Normative acts regulating the financial sector of Georgia shall remain in force until new normative acts are issued by the National Bank of Georgia.
7. Licenses and permits issued and registrations made with regard to the activity of the financial sector, which have not been revoked, shall remain in force.
8. After entry of this Organic Law into force:
 - a) the National Bank of Georgia shall ensure the compliance of legal acts falling within the scope of its authority with this Organic Law;
 - b) the Government of Georgia shall ensure compliance of the legislation of Georgia with this Organic Law.
9. Article 25 of this Organic Law shall not apply to the distribution of net profits of the National Bank for the 2008 financial year, which shall be disposed of according to the legislation effective in 2008.
10. From 1 March 2014 through 1 June 2015, the National Bank of Georgia shall exercise, with regard to investment funds, the power of a supervisory body provided under the Law of Georgia on Collective Investment Undertakings.
11. Before the amount of an extra salary for a Board member of the National Bank is determined under an appropriate legal act of the Parliament of Georgia, the Board of the National Bank may determine the extra salary for a Board member of the National Bank.
12. Legal acts regarding the approval of the amount of an extra salary for a Board member of the National Bank issued before the legal act under paragraph 11 of this article becomes effective shall remain valid.

Article 71 - Entry into Force of this Law

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

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

President of Georgia M. Saakashvili

Tbilisi

24 September 2009

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