

The Order No217/04
of The President of the National Bank of Georgia
27th September, 2018, Tbilisi

On the approval of the rule for registration, cancellation of registration and regulation of the loan issuing entity in the National Bank of Georgia

According to the subparagraph “g” of paragraph 1st of the article 15 of the Organic law of Georgia “On the National Bank of Georgia” and according to the article 52² of the same Organic Law, **I order:**

Article 1

To approve the rules of registration, cancellation the registration and regulation of the loan issuing entity in the National Bank of Georgia together with attachments.

Article 2

The present order shall enter into force from January 1, 2019.

The Vice President (Acting)

National Bank of Georgia

Archil Mestvirishvili

The rules for registration, cancellation of registration and regulation of the loan issuing entity in the National Bank of Georgia

Article 1. General Provisions

1. This rule defines the issues concerning registration, cancellation of registration and regulation of the activities of the Loan Issuing Entity (hereinafter referred to as– LIE) in the National Bank of Georgia (hereinafter referred to as – The National Bank).
2. The requirements of this rule applies on those persons, who according to the current legislation are imposed the obligation to register in the National Bank or the obligation to fulfill the requirements set forth by this rule or have the desire to perform LIE activity in the future.

3. LIE may function in the legal form of an individual entrepreneur, limited liability or joint stock company.
4. Only the LIE registered by the National Bank has the right to use the term "Loan Issuing Entity" or its abbreviation "LIE" together with its company name.
5. Except for registered LIE, no one has the right to use the term "loan issuing entity" or its abbreviation "LIE".

Article 2. Definition of Terms

1. For the purposes of this law, terms used herewith have the following meaning:
 - a) Loan Issuing Entity – Entity towards whom 20 or more physical persons (including individual entrepreneurs) have loan/credit obligations at the same time;
 - b) The branch of Loan Issuing Entity – Structural sub-unit of the Loan Issuing Entity, where the activities of the Loan Issuing Entity are implemented directly or partially;
 - c) Special Software – Special electronic program for recording of movable properties received as the means of security of the cash request that corresponds to the requirements of the order of the Minister of Internal Affairs of Georgia;
 - d) Significant Share (except for individual entrepreneurs) – more than 10 % of the shares of cashed or declared capital or / and share / shares with voting rights of the Loan Issuing Entity existing directly or indirect ownership of a person or a group of partners/shareholders acting jointly or/and the possibility of making significant influence on the Loan Issuing Entity by a person or jointly acting partner / shareholder group irrespective of number of share in the capital or/and in shares with voting rights in the Loan Issuing Entity;
 - e) A Group of jointly acting partners/shareholders – a group of closely related partners/shareholders (heirs of the first or second degree defined by the Civil Code of Georgia) or partners/shareholders, linked to each other by commercial interests in addition to Loan Issuing Entity's interests;
 - f) Administrator – a member of the Supervisory Board of the Loan Issuing Entity member of the Board of Directors, and a person who is entitled to undertake obligations on behalf of the Loan Issuing Entity together with one or more persons;
 - g) Beneficiary owner - a person who receives monetary or other benefit on the basis of law or an agreement and who does not have the obligation to transfer this benefit to another person, and if a beneficiary owner is the entity created for the ideal purposes or if an owner is a legal person that has no person who owns a significant interest, a beneficial owner is a member of the management body.
2. Other terms used in these laws are defined in accordance with the Georgian legislation.

Article 3. Registration Requirements

1. In order to register as a Loan Issuing Entity, an authorized entity on representation of partners/shareholders, shall apply to the National Bank (Annex 1).

2. The following documents shall be attached to the application:

- a) Extract from the Register of Entrepreneurial and Non-Entrepreneurial (non-commercial) Legal Entities, in the case of a joint stock company, the Extract issued by the Registrar shall be submitted as well.
- b) Charter of the organization;
- c) The founding structure;
- d) The decision of partners/shareholders on registration as a Loan Issuing Entity
- e) Information on the current financial situation for the latest closed period, consolidated reporting balance (compound of head and branch offices) profit-and-loss statement in MS Excel format (Annex N4), information on the issued credits and attracted finances MS Excel format for the moment of registration (Annex 5);
- f) Information concerning the location of the head office, branches and warehouse spaces of the Loan Issuing Entity (Annex 3). Warehouse space represents a space where movable property is stored in order to secure the loans issued by the Loan Issuing Entity;
- h) Information/documents confirming that the interested entity has had attracted funds only from the owner/owners of the company (including beneficiary owner) or and from financial institutions” (Annex N5)
- i) Documentation (including measuring drawing), which confirms the right to use or ownership of that immovable property or where the activity is carried out or will be carried out in the future by Loan Issuing Entity (the same applies to the branch of LIE and / or warehouse area);
- j) The act/ acts proving the installation of video surveillance system on the outer perimeter of the head office, branch or/and the warehouse space;
- k) The documentation (the document confirming purchase of the cameras, installation document or/and photo material) confirming the existence of video surveillance cameras on the inner perimeter (operating space and cash desk).
- l) The copy of the contract on the service of security alert button in head office and its branch concluded with the security service department of the Ministry of Internal Affairs of Georgia, in case of impossibility of installing an alarm button and signaling system - corresponding certificate from the Ministry of Internal Affairs of Georgia. In this case, the

Loan Issuing Entity is entitled to conclude the agreement with the private company on the alarm button service.

m) Document proving the payment of the registration fee established according to the law of Georgia “on registration taxes”;

n) The following documents concerning the individual entrepreneur, and in case of legal entities – documents concerning significant shareholder partners/shareholders, beneficiary owners and administrators:

n.a) Identification documents (ID or passport);

n.b) The Certificate of Conviction about a significant shareholder. The Certificate of Conviction shall be presented within 15 calendar days from the date of issue of the certificate according to laws of Georgia, and in case certificate is issued by an authorized body of foreign countries, the certificate shall be submitted within 2 months from the date of issue;

3). The documents considered according to this Article shall be submitted by originals or as their certified copies by notary. The documents issued in a foreign country shall be certified by Apostille or legalized. Herewith, they should be accompanied with notarized Georgian translations.

4) The National Bank has discretionary powers to require any other information for registration purposes and receive any other documents/information.

5) The operating space of the LIE/its branch (space isolated from other objects, equipped with relevant equipment, where LIE/branch representative performs operations defined under these rules and where documents related to the this operations are stored) must meet the following requirements:

a) Must not be less than 15 (fifteen) square meters;

b) Must be isolated from other objects;

c) Must have an entrance door independent from other objects, so that it was impossible to enter in the operating area of the Loan Issuing Entity through other objects (exceptions are made for the trade centers, railways and bus stations);

d) Must have an isolated cashier’s unit within the operating space, which will be equipped with inner video surveillance system and an alarm button;

e) Jewelry (Expensive, valuable small items) must be kept in special fireproof safe, placed in a secure/isolated area (including, in the cashier’s unit) which falls into the area of video surveillance. Otherwise, jewelry must be stored at the commercial bank;

f) For the purposes of storing other movable items besides the jewelry, independent warehouse from the operating space, must be arranged in a manner, that it was possible at any time to ensure accounting / inventory of used property as the means of security .

6. Operating and the warehouse space of the LIE must be equipped with signaling system.

7. LIE/branch must be equipped with all items, hardware, operating and special software necessary for the adequate fulfillment of activities.
8. LIE must follow the requirements provided by the order of the Minister of Internal Affairs of Georgia concerning the security, having and maintenance of the special electronic software of accounting for the movable items received as securities of monetary requests.
9. Requirements provided under subparagraph “d” of the paragraph 5 of this Article concerning the arrangement of the cashier’s unit does not apply to the entities issuing/covering/collecting loans only through non cash transactions.
10. Requirements provided under this Article concerning the special electronic software and arrangement of the warehouse space apply to the entities issuing loans secured with movable property and have a liability of storage/securing the inventory used as a security.

Order No270 / 04 of 14 December 2018 of the President of the National Bank of Georgia - website, 17.12.2018.

Article 4. Registration and Amendments

1. After submitting the documentation stipulated by Article 3 of this Rule by the interested legal entity to the National Bank, the National Bank takes a reasonable decision within 45 working days and issues the individual administrative-legal act on the issue of registration of the Loan Issuing Entity or refusal to it. One copy of an individual administrative-legal act shall be sent to the interested legal entity.
2. If an interested legal person gives refusal to the registration of a the Loan Issuing Entity before the period envisaged by paragraph 1 of this article, the National Bank shall issue and individual administrative-legal act on the termination of administrative proceedings, a copy of which shall be sent to an interested person.
3. The National Bank gives 30 calendar days to the interested person to eliminate the defects or/and submit additional information. The term flow envisaged by paragraph 1 of this article shall be terminated during this term. Passing this time limit without results shall be the basis for refusal to the interested legal entity to register the Loan Issuing Entity.
4. The individual administrative-legal act shall include a company name, registration number and date of the loan issuing entity, along with other requisites envisaged by law of Georgia.
5. Information about registration is reflected in the Registry of the National Bank and shall be published on the National Bank's official website.
6. In case the loan issuing entity changes its company name, legal form or actual or/and legal address, opens or closes a branch or ware house space, or/and in case of changes in

their address, the loan issuing entity is obliged to notify the national bank of Georgia in written form within 5 calendar days after making such changes/activities.

7. The loan issuing entity, before changing its administrators, in order to receive consent from the National Bank, shall notify and submit documents under subparagraph “m”, paragraph 2nd of article 3 of this Procedure to the National Bank. If the National Bank fails to respond to the interested person within 15 days from submitting the application, it shall automatically mean that the National Bank has given consent to the relevant operation.

8. In case of non-compliance with the requirements set out in this Rule, the National Bank of Georgia is authorized to request the dismissal of the LIE Administrator.

9.. The National Bank is obliged to make corresponding amendments to the register of the loan issuing entity and an individual administrative-legal act issued on the registration of the loan issuing entity within ten calendar days from receiving the information on amendments according to paragraphs 8 and 9 of this article.

Article 10. The basis for waiver of registration

1. The basis for waiving registration for a Loan Issuing Entity are:

- a) Submitted registration documents/information, that are not in compliance and do not meet the demands provided under this rule;
- b) New loan was issued and/or portfolio purchased prior to registration as Loan Issuing Entity;
- c) It has attracted funds from such entity which is not the owner if the company (including beneficiary owner) or and a financial institution;
- d) It has missed the term provided by the National Bank for the gap elimination and/or submission of additional documentation/information;
- e) Falsehood is found or/and is submitted inaccurate information in the documents submitted to the National Bank for registration;
- f) Interested entity does not meet the requirements provided by the organic law “on the National Bank of Georgia”, this rule and other legal acts issued by the National Bank.

2.. Complex founding structure may become the basis for refusal of registration as the Loan Issuing Entity.

Order No270 / 04 of 14 December 2018 of the President of the National Bank of Georgia - website, 17.12.2018.

Article 6. Cancellation of Registration of the Loan Issuing Entity

1. The National Bank shall issue an individual administrative-legal act on the cancellation of the registration of the Loan Issuing Entity in which the grounds for the cancellation of the registration shall be indicated.

2. The registration may be cancelled:

- a) On the bases of the written request for the cancellation of registration by a person authorized to represent the Loan Issuing Entity based on the decision of the meeting of partners/shareholders;
 - b) If falsification is found in the documents submitted for registration in the National Bank;
 - c) Non fulfillment of the written instruction and/or requirements established by Georgian legislation and legal acts of the National Bank of Georgia.
 - d). if a the Loan Issuing Entity has not started carrying out its activities within six months after its registration date;
 - e). if the Loan Issuing Entity has joined with another entity.
 - g) if a the Loan Issuing Entity fails to submit financial reports to the National Bank twice in a row in manner and periodicity provided by the National Bank;
 - h) if it violates entrepreneurial or/and financial legislation or/and has such a entrepreneurial practice, that endangers or may endanger healthy functioning of a particular entity or/and financial sector;
 - i) If a court's final incriminating ruling entered into force on the deprivation of the right to activity.
 - l¹) Violation of Georgian legislation concerning on the facilitating the prevention of illicit income legalizations during the currency exchange operations;
 - J) Exercise other activities other than activities permitted under this rule;
 - K) Other cases envisaged by the Georgian legislation.
3. The National Bank Of Georgia is entitled to define the particular term to Loan Issuing Entity by an Individual Administrative act on the cancelation (not more than 3 months), in order that the Loan Issuing Entity to ensure bringing itself in compliance with the requirements of the legislation after cancellation of registration.
4. Information about the cancellation of the registration will be reflected in the National Bank's Registry and posted on the National Bank's official website.

Order No270 / 04 of 14 December 2018 of the President of the National Bank of Georgia - website, 17.12.2018.

Article 7. Opening of the Branch and termination of its Activities

1. In order to open a branch office, Loan Issuing entity applies to the National Bank (Annex 2);
2. The application of Loan Issuing Entity must be accompanied with the documentation defined by the subparagraphs "h", "l", "j" and "k" of the second paragraph of the article 3 of this rule. In addition, information must be provided regarding

the location of the head office, branch offices and warehouse spaces of the Loan Issuing Entity (Annex 3).

3. The branch must meet the requirements provided by 5th, 6th and 7th paragraphs of the article 3rd of this rule.
 4. The National Bank takes a decision on issuing or waiving the right of opening the branch and issues respective individual legal-administrative act with the registration number of the Loan Issuing Entity within 15 Working days after receiving the application.
 5. Individual legal-administrative act concerning of the right/waiving of the right to open a branch must include the brand name and the registration number of the Loan Issuing Entity on whose branch, the permit/waiver is issued, the address and as well as the date of issuing the permit, in addition to the legally defined details.
 6. One copy of the legal-administrative act provided by paragraph 5 of this Article is sent to the interested entity.
 7. If the documents submitted by the interested entity do not meet the requirements provided under these rules, National Bank defines to the interested entity the maximum term of 30 calendar days to eliminate the gap and/or to specify the submitted data. In the stated period the flow of the term defined by the paragraph 4 of this article is terminated.
 8. Loan Issuing Entity is responsible of the operations of the branch/branches.
 9. Grounds for terminating the operations of the branch represent the grounds of cancellation of the registration of Loan Issuing Entity defined by the paragraph 2nd of the article 6 of this rule.
 10. Operation of all branches of Loan Issuing Entity are terminated upon the cancellation of registration of Loan Issuing Entity.
 11. National Bank is authorized to terminate the right of functioning to separate branches.
 12. Individual legal-administrative act is issued in case of terminating the functioning of a branch.
 13. In case of issuing permit/waiver of the right of branch opening, respective data is reflected in the registration electronic register of the Loan Issuing Entities.
- Order No270 / 04 of 14 December 2018 of the President of the National Bank of Georgia - website, 17.12.2018.

Article 8. Purchasing of Significant Share

1. The entity, who is going to purchase significant share of Loan Issuing Entity in that amount, that the participation of that person or his/her beneficiary owner (owners) in the capital of Loan Issuing Entity exceed 10%, he is responsible to submit to National Bank documentation provided by the subparagraph “m” of the paragraph 2nd of the article 3 of this rule.
2. National Bank owns a discretionary power to request and receive any other information/documentation for the purposes of evaluating the purpose of the significant share purchase transaction.
3. National Bank reviews the application on the purchase of the significant share within

15 calendar days and gives to the interested entity permission or substantiated waiver on the performance of respective transaction.

4. Not receiving a response from the National Bank within 15 calendar days following the submission of application automatically means consent on the conduct of the corresponding operation.

5. The National Bank gives 30 calendar days to the interested person to eliminate the defects or/and submit additional information. The term flow envisaged by paragraph 1 of this article shall be terminated during this term. Passing this time limit without results shall be the basis for refusal to the interested legal entity to register microfinance organization.

6. An agreement to acquire a significant share shall be invalid, if the interested person has not submitted documents to the National Bank of Georgia according to Subparagraph “m” of Paragraph 2 of article 3 of this Procedure, or if the interested person received a substantiated refusal from the National Bank, but still carried out purchasing a significant share of a Loan Issuing Entity.

Article 9. The rights and obligations of the Loan Issuing Entity / Branch

Order No270 / 04 of 14 December 2018 of the President of the National Bank of Georgia - website, 17.12.2018.

1. The Loan Issuing Entity / Branch is obliged to place an individual administrative legal act confirming the registration issued by the National Bank on a visible place.
2. The Loan Issuing Entity must submit to the National Bank a consolidated quarterly report in MS Excel format (Annex 4), both electronically, and as a hard copy approved by an individual entrepreneur and/or director/authorized representative within 15 business days after the expiration of the reporting quarter. Information submitted in both forms must be identical. In the event of differences between the forms, the hard copy shall prevail. Reports electronically should be sent to the following address: LE@nbg.gov.ge.

2¹) The Loan Issuing Entity must submit the quarterly information on the issued loans and attracted fund in MS Excel format (Annex 5), electronically, within 15 business days after the expiration of the reporting quarter. Reports electronically should be sent to the following address: LE@nbg.gov.ge.

3. Loan Issuing Entity/branch is obliged to have operating and warehouse space, also cash des units according to the paragraphs 5, 6, 7 of the article 3 of this rule.
4. In case of detecting suspicious (falsified) money the Loan Issuing Entity/branch office must make a notice (Annex 7) in three copies, with one copy given to the client, another remains with the cashier and third is sent to the National Bank together with the banknotes for further action. National Bank informs the Loan Issuing Entity the results of the expertise within 15 working days. In the event of detecting genuine/suitable banknotes for payment, respective sum is compensated to the client,

but the false money is not compensated. In case of request, the genuine banknote, but not suitable for payment is returned to the client. If the banknote owner refuses to sign the notice, Loan Issuing Entity must make respective comment in the notice.

5. Loan Issuing Entity is obliged to ensure that the video surveillance system is installed on the outer perimeter, which should satisfy the parameters and specifications established by the Order N1143 of August 29, 2007 of the Ministry of Internal Affairs of Georgia “on Approving the Rules of Installation-exploitation of Video Surveillance System in the places and Outer Perimeter of Casinos and Other Wining Games (“except for encouraging games”). In case if it is not possible to install the surveillance system on outer parameter in accordance with the requirements under this rule, then the interested entrepreneurial entity for the purpose of registration of Loan Issuing Entity is obliged to submit a certificate from the Ministry of Internal Affairs on installation of the video surveillance system of the outer perimeter according to a different layout form the requirements of this rule.
6. The video surveillance system shall be placed as inside the Loan Issuing Entity and as well as on the outer perimeter. The video surveillance system should be placed inside a Loan Issuing Entity with such layout that it was possible to see entering persons visually and their identification. Electronic information received as a result of video recording, is kept with corresponding records and its removal is carried out by the Ministry of Internal Affairs according to the rule “on Approving the Rules of Installation-exploitation of Video Surveillance System in the places and Outer Perimeter of Casinos and Other Wining Games (“except for encouraging games”).
7. If the Loan Issuing Entity fails to ensure the proper operation of the video surveillance system due to the outage of electricity and / or damage to video surveillance system, the Loan Issuing Entity shall immediately inform the relevant territorial body of the Ministry of Internal Affairs of Georgia. The Loan Issuing Entity should eliminate the damage to the video surveillance system in a reasonable time frame.
8. The loan Issuing Entity is obliged to have a video surveillance system installed in the head office and its subunits in accordance with the requirements of this article during the entire period of its activities.
9. The Loan Issuing Entity is obliged to provide credit information bureau information on the loan / credit according to the procedure established by the National Bank.
10. Loan Issuing Entity must own an operational program, which is able to record the information concerning accounting and loan transactions, balances, types of securities, values (including market and evaluated), storage/location and data provided in the Annexes attached to these rules, both in the context of branches, and in a consolidated form (compound of head office and branches).
11. Loan Issuing Entity is obliged to follow the requirements of the order of the Minister of Internal Affairs of Georgia regarding the property and production of a special electronic program for recording items for security and monetary remedies.

12. Loan Issuing Entity/Branch must carry out the activities under the “rules on consumer protection by financial institutions” approved with the order no.151/04 of the President on December 23, 2016 of the National Bank of Georgia.

13. Loan Issuing Entity is entitled to perform the activities related only with issuing/purchasing/ collecting/ of loans and related activities. Herewith, in case of registering as a Currency Exchange office in the National Bank, it is also entitled to perform a currency exchange operation in compliance with the requirements of the rules of registration and regulation of Currency Exchange offices, approved by the National Bank.

13¹) according to the paragraph 13 of this article, for carrying out currency exchange operations in its own operating space, the Loan Issuing Agency is not required to fulfill the requirements related to video surveillance system provided by subparagraph “e” of the paragraph 2 of the article 3rd and subparagraphs “b” and “c” of the paragraph 5 of the rules of registration and regulation of Currency Exchange offices, approved by the National Bank.

13². For recording currency Exchange Operations, the loan issuing entity is obliged to have special operations program defined by the rules of registration and regulation of Currency Exchange offices, approved by the National Bank independently from special electronic program and operation program defined by this rule.

14. Loan Issuing Entity registered by the National Bank of Georgia must maintain transparent financial reporting according with the Annex 4 and Annex 5 of these rules and be guide with the general plan of accounting (Annex 6).

15. Partner/shareholder owner of the significant share of the Loan Issuing Entity beneficiary owner or administrator must not be convicted of serious or especially serious crime, financing of terrorism and/or of illegal income legalization or other economic crimes.

Order No270 / 04 of 14 December 2018 of the President of the National Bank of Georgia - website,

17.12.2018.

Article 10. Sanctions and Limitations

In case of failure to comply with the requirements of this rule the National Bank is authorized to apply sanctions and limitations against the Loan Issuing Entity in accordance with the acting legislation.

Article 11. Transitional provision

Loan Issuing Entity is obliged to submit the registration documents/information to the National Bank from January 1, 2019 to March 31, 2019. The loan issuing entity may carry out the operations related to loan issuance/covering/collecting after submitting documents to the national bank of Georgia before the enactment of the relevant individual administrative-legal act of the National Bank of Georgia. The loan issuing entity, which does not submit the registration documents to the National Bank of Georgia in the above-mentioned period, will have the right to carry out operations until April 30, 2019

for loans issued before January 1, 2019 and related to the existing loans/ credit covering/ collection.

Order No270 / 04 of 14 December 2018 of the President of the National Bank of Georgia - website, 17.12.2018.

Order No1 / 04 of January 3, 2019 of the President of the National Bank of Georgia - web site, 04.01.2019.

