



საქართველოს ეროვნული ბანკი
National Bank of Georgia

SUPERVISORY STRATEGY

2020-2022

The purpose and the scope of the document

The purpose of the supervisory strategy document is to set the strategic priorities for 2020-2022 and plan the necessary activities for its execution, which, in consideration of the mission, the vision and the values, will serve for the fulfillment of the supervisory mandate of the National Bank of Georgia. The document facilitates the effective planning of the activities of the National Bank of Georgia, establishing clear future vision for the employees, enabling the sector to forecast future events, providing access to the investors, international financial institutions, rating companies, public and other stakeholders to the information regarding the supervisory priorities and goals of the National Bank of Georgia.

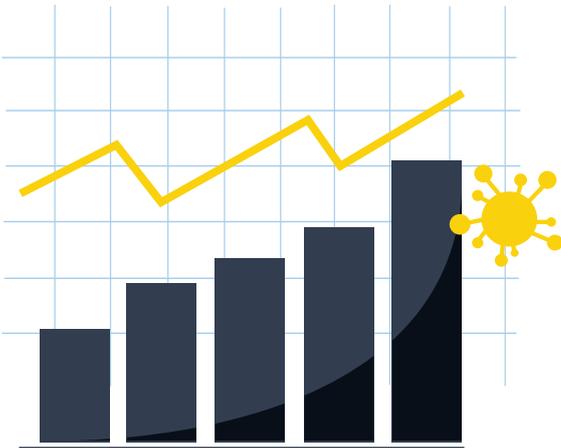
This document does not cover the issues related to the supervision of payment service providers and the representatives of capital market. The matters regarding the supervision of capital market and payment service providers will be added to this document in future. As for the strategy for payment systems, it will be published as a separate document.

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FOREWORD

The National Bank of Georgia finalized working on the supervisory strategy document in the beginning of 2020. However, in an effort to respond to the challenges related to the Coronavirus (COVID-19), it became necessary to make certain modifications to the supervisory plan and timeline. The purpose of these changes is to mobilize the resources of the National Bank of Georgia and its supervised entities to respond to the current challenges.



To mitigate the negative impact of the COVID-19 pandemic and to stimulate the economy, the National Bank of Georgia has taken other supervisory measures, which are in full compliance with the recommendations recently developed by the International Monetary Fund¹, the European Central Bank² and other leading financial organizations in response to the challenges related to the COVID-19 pandemic. More specifically, the National Bank of Georgia plans to mitigate the impact of the COVID-19 by implementing the following steps:

- The NBG will have a countercyclical approach towards the regulatory capital requirements.** This implies the elimination of the existing capital buffers in the financial system to neutralize the negative impacts of the pandemic in order not to limit the lending to the real economy and avoid additional worsening of the situation in the financial sector as well as in the economy as a whole. The lowered regulatory capital requirements will gradually increase in parallel to the improvement of the economic indicators and the exhaustion of the negative effects caused by the pandemic.
- To continue lending to the economy, the NBG will provide the financial sector with the necessary amount of liquidity.** This implies the provision of liquid funds in the framework of the existing instruments as well as implementation of new, stand-by instruments.
- The evaluation of the credit portfolio and the loss recognition will be done proactively.** This approach is facilitated by the capital buffers in the banking sector. However, with the decision of the NBG, exposures, on which the financial institutions offered a grace period, were not provisioned solely for that reason and the supervisory burden was not increased.
- To lift the operational burden off financial institutions, the temporary moratorium on development and introduction of the new supervisory requirements was announced.** This aims for maximum mobilization of the resources of the financial institutions and the National Bank of Georgia to respond to the existing challenges.

¹ International Monetary Fund (March 16, 2020) <https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/03/16/Policy-Steps-to-Address-the-Corona-Crisis-49262>

² European Central Bank (March 12, 2020) <https://www.bankingsupervision.europa.eu/press/pr/-date/2020/html/ssm.pr200312~43351ac3ac.en.html>

The National Bank of Georgia will promote the implementation of the remote channels. For this purpose, the National Bank of Georgia will actively review the products and procedures related to the remote lending and the digital transformation presented by the financial institutions.

Considering the temporary nature of the COVID-19 pandemic, the long-term goals and the strategic priorities of the National Bank of Georgia, which are presented in this document, remain unchanged. Nevertheless, the COVID-19 pandemic may have a material impact on the fulfillment of these goals. Therefore, the National Bank of Georgia actively continues to assess and to take it into account the impact of the COVID-19 pandemic when undertaking the activities.

Legal mandate

In terms of the supervision of the financial sector, the objective of the National Bank of Georgia, defined by law, is to facilitate the financial stability and transparency of the financial sector and protect the rights³ of consumers and investors.

To fulfill these objectives, the National Bank of Georgia supervises the activities of the representatives of the financial sector, the loan issuing entities, credit information bureau. Furthermore, it facilitates a stable and effective functioning of the financial system, an establishment of a competitive environment, control of systemic risks and risk mitigation.



Mission

Our mission is to facilitate a sustainable and healthy development of the financial sector, which is open to the qualified investors, where a competitive environment is ensured and the interests of consumers are protected.

Vision

The National Bank of Georgia is an independent and competent supervisor of the financial sector, which has trust of the society, well-deserved respect among the stakeholders and a working environment that is oriented at employee development.

Values

In the working process, the employees of the National Bank of Georgia are guided by the following values: professionalism, integrity, cooperation, teamwork, transparency and accountability.

Risk appetite statement

A prudential supervisory regime is oriented at sustainable functioning of the financial system. This does not imply inevitable avoidance of bankruptcy of all institutions in the financial system. Instead, it aims at timely identification of risks and threats to the bankruptcy and maximum mitigation of negative effects on stable functioning of the financial system as a whole, by taking appropriate measures.

³ Article 47 of the Organic Law of Georgia "On the National Bank of Georgia"

PERFORMANCE INDICATORS

The work of the NBG can be measured through the following indicators:

1. The ratio of losses of depositors and creditors of the financial sector to the total values of liabilities to depositors and creditors;
2. The ratio of number and assets of bankrupt supervised institutions to the total number and assets of all supervised institutions, respectively.

Apart from the above-mentioned quantitative criteria, the implementation of the mandate of the NBG can also be measured by qualitative factors, such as assessments of the reforms related to the financial sector by the international organizations⁴ and the international rating agencies⁵.

Supervisory regime and principles

To fulfill the supervisory mandate and strategy, the National Bank of Georgia supervises and regulates the financial sector upholding the following principles of the risk-based supervision:

- **Concentration on material risks** - focusing on the risks in proportion to their materiality, in particular, concentration on the type of risks, which create a significant threat to the stability of the financial sector or to safety of financial resources of depositors, creditors and investors (in the order defined by law);
- **Forward-looking approach** - the identification of threats and problems in the financial sector at an early stage and a timely use of necessary corrective measures to appropriately eliminate them.
- **Dialogue with the regulated financial institutions** - – this enables the supervisor to become familiar with the internal culture of the financial institutions, its strategy and incentives; it also supports the strengthening of the internal control mechanisms and sophistication of the risk management by the supervisory board and the directorate;
- **Coordination of micro and macro-prudential supervision** - taking into account ongoing systemic risks of the financial sector, the measures taken to mitigate these risks, the business and credit cycles and other factors of macroprudential policy, while conducting the micro-prudential analysis;
- **Consistency, compliance and compatibility** - ensuring the compliance between the stated requirements for financial institutions, the use of consistent requirements and approaches in the decision-making process towards the financial institutions that share the same characteristics, and proportional response to the risks.
- **Effective use of internal resources** - risk-based supervisory processes and principles-based regulation imply the most effective allocation of supervisory resources and instead of engaging in the passive assessment process of regulatory compliance, focusing on the risks and the practical mitigation techniques.

⁴ For example, the assessment program of the financial sector, which is conducted by joint mission of the International Monetary Fund (IMF) and the World Bank (WB).

⁵ For example, the assessment reports of Fitch, Moody's, Standard and Poor's regarding the reforms performed by the National Bank of Georgia.

VISION REGARDING INNOVATIONS

The rapid development of financial innovations and the efforts to reduce the risks may often contradict each other. The vision of the National Bank of Georgia regarding the financial stability implies a constant care for the improvement of optimal balance between the development of the financial market and risks. To fulfill this vision, the National Bank of Georgia is guided by the following principles:

- **Technological neutrality towards risks** - supervisory approach towards the risks is technologically impartial. To the National Bank of Georgia, it is important to assess the impact of a certain decision on the stability of financial system, regardless of the type of technological mean. The same supervisory requirement applies to the same risk, irrespective of the technological processes on which the business model of the financial institution is based.
- **Open regulation** - supervisory approach is open to the new ideas and initiatives, which serve for the purpose of financial market development and at the same time, do not increase the risk to financial stability and financial system. Anyone, whose innovative idea is hindered by the NBG's supervisory technique, can present evidence, based on international practice and local facts. To facilitate this, the National Bank of Georgia uses the following methods: a dialogue with the financial institutions, open public consultations regarding new regulations, the financial innovations office and regulatory sandbox.
- **Assessment of the unknown risks** - the risk of new financial technologies and its potential impact are usually unknown, especially at the inception phase. The risk-oriented approach does not allow the usage of such technologies. To identify the risk, the National Bank of Georgia can use regulatory sandbox. This implies conduct of various tests by the financial institutions in the environment controlled by the NBG and the discussion of the results with the supervisor. The regulatory sandbox is primarily oriented at the identification of systemic risks.

The importance of the above-mentioned approach and principles particularly increases as a result of the events that followed the COVID-19 pandemic. Their implementation will ensure the development of the remote channels, which respond to the challenges of the COVID-19 and allow safe delivery of financial services.

VALUES

In the process of fulfilling the supervisory mandate and the strategy, each supervisor adhere to the following values:

Professionalism – thorough understanding of the field and aspiration to grow

- Execution of duties and responsibilities on a high quality;
- Decision-making based on complete and thorough analysis;
- Respect towards made decision and its execution;
- Achievement of timely and proactive results; also, ensuring that the benefits received as a result of a certain decision exceed the costs incurred.

Integrity – compliance with the accepted social, ethical and professional standards

- A balanced and fair use of power;
- Impartiality in the process of decision-making and while on duty;
- Preservation of confidentiality.

Cooperation – the skills to establish trustworthy and reliable relationship with the stakeholders

- Respect and appreciation towards the opinion of others both within the National Bank of Georgia and outside;
- Helping the colleagues and cooperation with them in an effort to help them make healthy decisions and deliver successful results.

Teamwork – work towards the common goals

- Coordinated definition of team objectives and recognition of team's achievement in accomplishing common goals;
- Mobilization of resources around the common objectives and orientation on the results of common work;
- Effective work in a team, trust among the team members and encouragement during the working.

Transparency – openness towards the regulated entities, other stakeholders and the public while respecting the confidentiality principles defined by law.

- Open statement of strategy, objectives and achieved results;
- Receipt and processing of the evaluations and remarks and execution of respective corrective actions;
- Providing any stakeholder with the access to public information according to the legally defined rule.

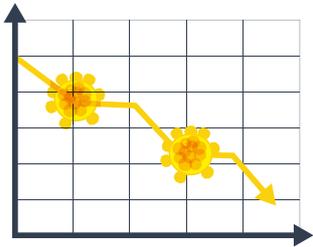
Accountability - responsibility for one's own decisions and the results

- Making difficult decisions as necessary;
- Upholding equal or a higher standard than required for regulated entities;
- Openness to criticism and rapid response to the flaws discovered.

NEW CHALLENGES OF OPERATIONAL ENVIRONMENT

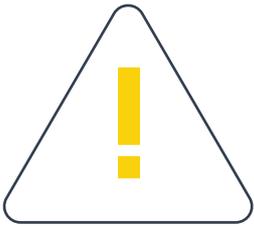
The following new tendencies and challenges characterize the operational environment and influence the financial sector, as well as the supervisory strategy.

Coronavirus



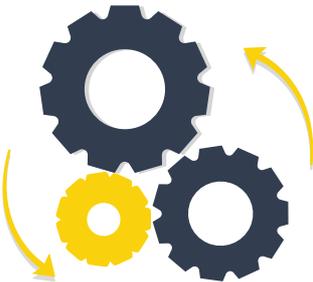
- Negative impact of Coronavirus on the economy;
- Reduced risk appetite of financial institutions on lending;
- Potential increase of non-performing loans;
- Increased importance of the use of remote channels.

Non-financial risks



- Higher expectations towards the financial institutions on corporate social responsibility
- Increase of environmental, social and governance (ESG) risks, including the risks related to the gender equality and climate change;
- Increased dependency on information technologies and higher risks of cybersecurity.

Changes in the industry



- Decline in profitability margin and expected modifications in business models;
- Increased use of innovations by financial institutions, vis-a-vis increased competition;
- Increased use of financial, supervisory and regulatory technologies as well as of artificial intelligence, changes in the roles of financial intermediation, development of instant electronic payments and central bank digital currencies (CBDC).

Political environment



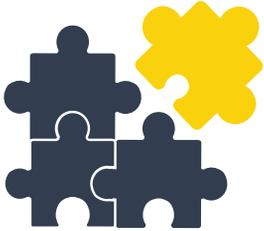
- Influence of political volatility on the activities of financial institutions and on the future strategy of the National Bank of Georgia;
- Necessity of closer cooperation with the government and the parliament, while maintaining the principle of independence.

Globalization



- Expansion strategies of the financial institutions and banking groups outside the country;
- Approximation processes towards the directives defined by the Association Agreement and towards the standards of Basel Committee;
- Membership of Basel Consultative Group, the Group of Banking Supervisors from Central and Eastern Europe (BSCEE) and other organizations;
- Need for approximation towards the international financial reporting standards (IFRS).

Cooperational culture



- Higher expectations and necessity of synergy and information sharing culture;
- Need for deeper cooperation with various state institutions, including the Competition Agency of Georgia, the State Inspector's Service, the auditors, the ministries, the parliament and etc.
- Closer cooperation with organizations outside the country: signing memorandum with the supervisory bodies of various countries, membership of international groups.

OPERATIONAL MODEL AND SUPERVISORY PRIORITIES

Operational model of supervisory function



Strategic priorities



STRATEGIC SUPERVISORY PRIORITIES OF THE NATIONAL BANK OF GEORGIA 2020-2022



STRATEGIC PRIORITIES

Strengthening corporate culture that promotes leadership and initiatives

● Strengthening the leadership culture and promotion of initiatives

- o Promotion of new initiatives on every level of employees to explore the supervisory matters from various angles.
- o Strengthening the leadership culture through the increase of duties and responsibilities of the employees.
- o Promotion of cooperation and information sharing culture.

● Strengthening the assessment of risk management

- o Promotion of risk identification by the supervisors and encouragement to suggest solutions;
- o Strengthening the risk management assessment in parallel to the regulatory compliance examination of the regulated entities.

● Increase rights and accountability of supervisors

- o Maximum increase of the role, responsibilities and accountability of the supervisor in the process of communication with the regulated entity, including with the senior management.
- o Promotion of working groups and joint decision-making in response to the challenges identified in the process of supervision.

● Ensuring a fair system of evaluation of the employee performance

- o Implementation of employee evaluation system, which involves the evaluation of the employees by the managers as well as of the managers by the employees.
- o Strengthening the culture of employee motivation, promotion and recognition on every level of work.

● Acquiring and maintaining talent

- o Implementation of the recruitment program of the employees, who are oriented at growth and development.
- o Ensuring professional satisfaction of the existing employees and their maintenance.
- o Increasing the opportunities for participating in the educational programs necessary for the improvement of relevant skills.

STRATEGIC PRIORITIES

Strengthening cooperation with stakeholders

● Improvement of communication channels

- o Increase of publicity regarding the supervision, including the improvement of publishing legal drafts of normative acts related to the supervision and the enhancement of consulting practices.
- o Enhancement of the official website of the National Bank of Georgia.
- o Implementation of the practice of publishing supervisory strategy.
- o Participation in public expert forums and discussions.
- o Publishing the research and analytical reports.

● Improvement of cooperation framework at the National Bank of Georgia to achieve synergies

- o With the rise of complexity of the financial sector, the enhancement of information sharing practice between the structural units of the National Bank of Georgia (Banking and Non-Banking Supervision, Capital Market and Payment Systems Supervision, Specialized Risks Department, Supervisory Policy Department, Money Laundering Inspection and Supervision, Financial Stability and etc.).
- o Improvement of information sharing practice.
- o Adoption and sophistication of internal policy and procedures regarding the information sharing practices.
- o Ensuring effective organizational structure in order to achieve maximum synergies.

● Intensifying communication with stakeholders

- o Increasing direct communication with the supervised entities, external audit companies, public institutions, supervisors of other countries, international organizations and other stakeholders.
- o Deepening the cooperation with the state institutions (including the Competition Agency of Georgia, the State Inspector's Service, the auditors, the ministries, the parliament and others), involving the signing of memorandums with the relevant authorities.
- o Ensuring an easy access to the information for the individuals seeking registration or license at the National Bank of Georgia.

STRATEGIC PRIORITIES

Facilitation of stable functioning of the financial sector

● Institutionalization of supervisory practice

- o Similar to the commercial banks, the shift of the supervisory regime of other supervised entities to the risk-based principles.
- o Application of risk assessment practices and supervisory policy of commercial banks to the other supervised entities.
- o Enhancement of internal policies and procedures of the National Bank of Georgia in compliance with the risk-based supervision and principles-based regulation.
- o Strengthening the governance in supervisory decision-making process, increasing the role of employees involved in the process, enhancement of the accountability framework and process optimization.
- o Improvement of the supervisory information processing.
- o Preparation of the sectoral research.

● Increasing the quality of regulatory capital and enhancement of corresponding standards

- o Increase the quality of regulatory capital of commercial banks, considering the economic cycles and the financial stress.
- o Improvement of the criteria for capital instruments to strengthen their loss absorbing function.

● Implementation of the resolution framework

- o Recruitment of staff and start operating structural unit responsible for the resolution processes.
- o Implementation of recovery plans in commercial banks and implementation of development practices of the resolution plans at the National Bank of Georgia.
- o Development of respective normative acts on the basis of adopted legislation regarding the resolution.
- o Strengthening the cooperation with the stakeholders (banks, rating agencies, committee of financial stability, the investors and others) connected to the resolution processes.

● Facilitation of corporate governance and effective functioning of risk management

- o Strengthening the roles of independent members of the supervisory board and improvement of the assessment practices for their independence.
- o Facilitation the improvement of the risk management in the supervised entities, strengthening the internal auditors and elaboration of cooperation framework with them.
- o Sharing the data base with the supervised entities regarding the operational losses.
- o Elaboration of the framework of operational risks and cybersecurity for the supervised entities.

● Strengthening the standards of non-financial risk management

- o Taking into account the environmental, social and governance (ESG) standards, including the standards regarding the management of the risks related to the climate change and to other corporate social responsibility (CSR) issues in the supervision process.
- o Support the awareness-raising regarding the non-financial risks both within the National Bank of Georgia and in the supervised entities.
- o Adoption of the Code of Ethics on debt collection for financial institutions.

STRATEGIC PRIORITIES

Approximation to international standards⁶

● Approximation to the directives defined by the Association Agreement⁷

- o Directives and regulation on the activities of the credit institutions and capital adequacy.
- o Directive regarding the supplementary supervision of the financial conglomerates.
- o Directives regarding the framework for the financial accounting.
- o Directives regarding consumer credit and distance marketing.

● Transition of local accounting standards to the international accounting and financial reporting standards

- o Updating the current accounting framework in cooperation with the commercial banks.
- o Implementation of the reporting forms (FINREP/COREP) based on the international financial reporting standards for the commercial banks.
- o Establishing the framework for the cooperation with the external auditors and ensuring their independence.
- o Updating the rule of asset classification and provisioning.
- o Strengthening the monitoring of the implementation of the IFRS 9.
- o Elaboration of the prudential filters for the supervisory ratios.

● Implementation of standards set by the Basel Committee on Banking Supervision

- o High compliance with the main principles of effective banking supervision and implementation of the recommendations received in the framework of FSAP.
- o Ensuring the compliance with the recommendations of the Basel Committee regarding the capital adequacy standards.
- o Proportional⁸ adoption of other standards set by the Basel Committee.

● Improvement of standards regarding the competition

- o Adoption of standards in accordance with the legislation on competition for the representatives of the financial sector
- o Strengthening the monitoring of issues related, but not limited to the cross sales of the banking groups, transactions between the group members and other issues related to the conflicts of interest.

⁶ Approximation to the standards implies taking into account the country context, proportionality and relevance in the process of their adoption.

⁷ This document does not cover the issues related to the supervision of representatives of capital market and payment service providers. Therefore, the document does not mention the directives and regulations regarding these issues.

⁸ The majority of Basel standards apply to the global systemically important banks, however, it defines the principle of proportionality, which implies the adjustment of these standards to smaller and less complex banks.

STRATEGIC PRIORITIES

Development of ecosystems for sustainable financial technologies

Supervisory openness

- o Development of the principles of open regulation and the readiness for their testing in a controlled environment.
- o Extension of the risk-oriented principles to new technologies.
- o Development of financial innovations office as the main channel of communication between the financial innovators and the public.
- o Lightening the entry barriers to the financial market for the entities with innovative business models.
- o Support for consolidation and development of financial innovators community.
- o Cooperation and information sharing with the progressive supervisory community

Development of open banking

- o Promote the opportunities to integrate the services of various financial institutions based on the needs of consumers of the financial sector. Increase the opportunities for the use and control of private financial data by the consumers.
- o Support the use of Open Application Programming Interface (Open API) within the banking space as well as outside of it.
- o Dynamic standardization of financial information and services in the electronic space.
- o Development of machine readable data.

Development of digital banking

- o The use of technological capabilities to increase the access to financial services and support for the development of digital banking channels.
- o Elaboration of the licensing framework for a digital bank.
- o Support for the provision of banking services via electronic channels.
- o Elaboration of the principles for the cloud usage.
- o Development of a modular banking model.
- o Development of a cybersecurity framework for digital bank.

● Regulatory sandbox

- o Creation of a controlled environment to study the unknown risks and the use of regulatory sandbox.
- o Development of a risk examination framework for various technologies.
- o The analysis of the experiment results and upon necessity, reflection of them in the supervisory framework.
- o Cooperation with the supervisors of other countries in the framework of an initiative to create a global regulation laboratory.

● Support for the development of data analysis and SupTech at the National Bank of

- o Facilitation of the enhancement of data analysis, including through the SupTech instruments.
- o Creation and development of the credit registry.
- o Modeling of BigData and its use in the supervisory processes.
- o Implementation of Extensible Business Reporting Language (XBRL).
- o Development of analytical tables for risks (dashboards).

● Development of models

- o Development of models to improve the access to the finances, especially for the retail sector.
- o Creation of a supervisory framework for a sustainable development of statistical and artificial intelligence models.
- o Ensuring ethical use of models.
- o Creation of a favorable ground for productive use of models, including through the increase of data quality and the development of open banking.

RISKS RELATED TO THE FULFILLMENT OF THE SUPERVISORY STRATEGY

Along with the preparation of a supervisory strategy, it is important to identify those risks, which may hinder the execution of the strategy or require modification. The following risks are of particular importance.

- **The changes in the priorities, which became necessary due to the force majeure situations or unexpected external factors, which were not covered in the supervisory strategy.**
- **The risks related to the acquisition and maintenance of necessary human talent to execute the strategy;**
- **The flaws in the infrastructure (building and technologies, including the security, access to confidential information) or the lack of it at the National Bank of Georgia, which interrupts the natural conduct of the processes at the NBG.**

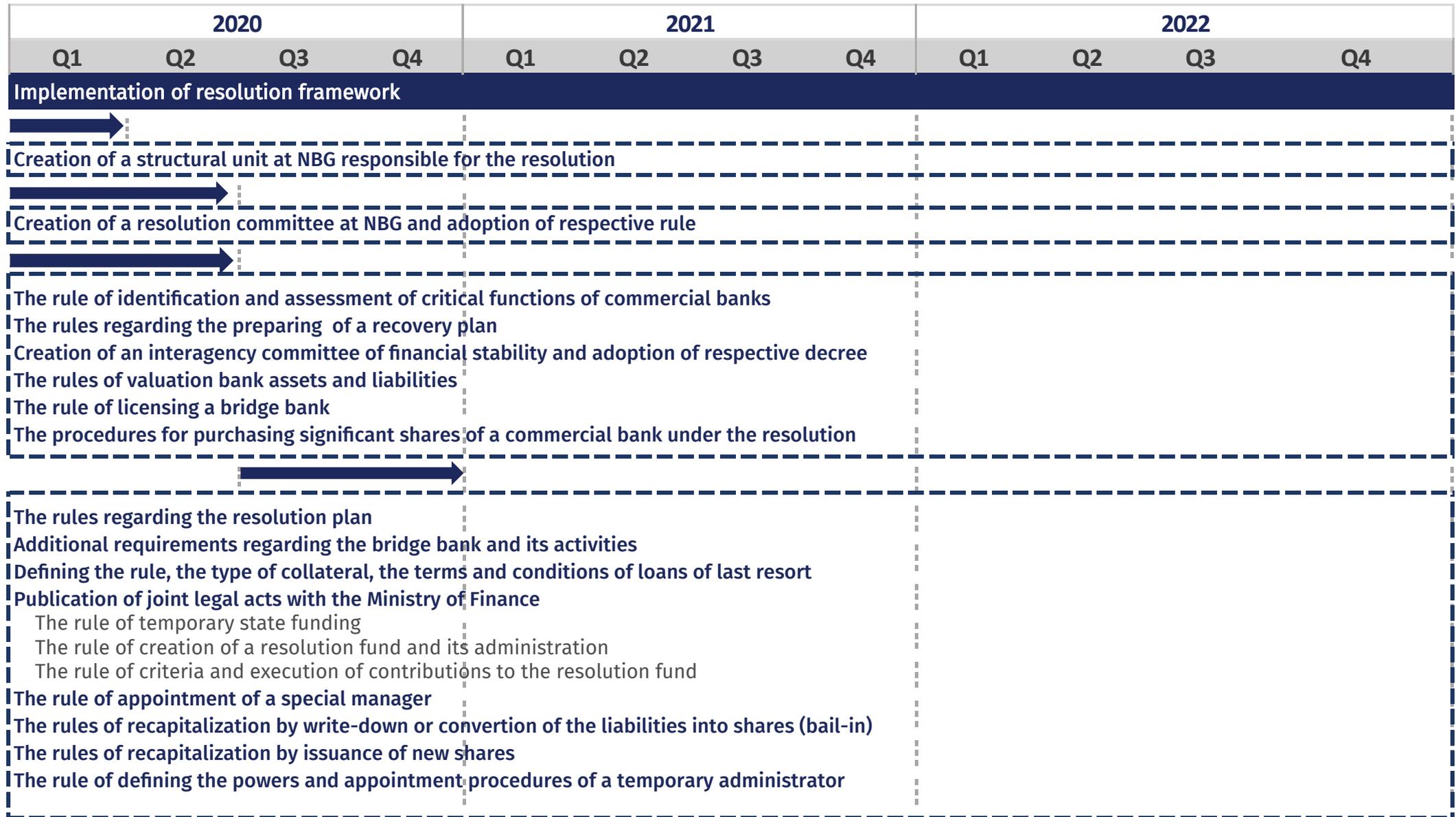
The tendencies, the challenges⁹ and the above-mentioned risks characterizing the dynamic operational environment of the National Bank of Georgia, may influence the priorities defined by this document, the planned changes and the timeline of their execution. To effectively respond to these challenges and effective fulfillment of a supervisory mandate, the National Bank of Georgia reserves the right to adapt these priorities and/or their execution timeline.

The frequency of the strategy renewal

The supervisory strategy document will be updated annually. This does not imply changing the supervisory priorities on a yearly basis but instead the possible modification of the timeline to effectively fulfill the supervisory mandate and the mission

⁹ See page 9 New challenges of operational environment

ROADMAP



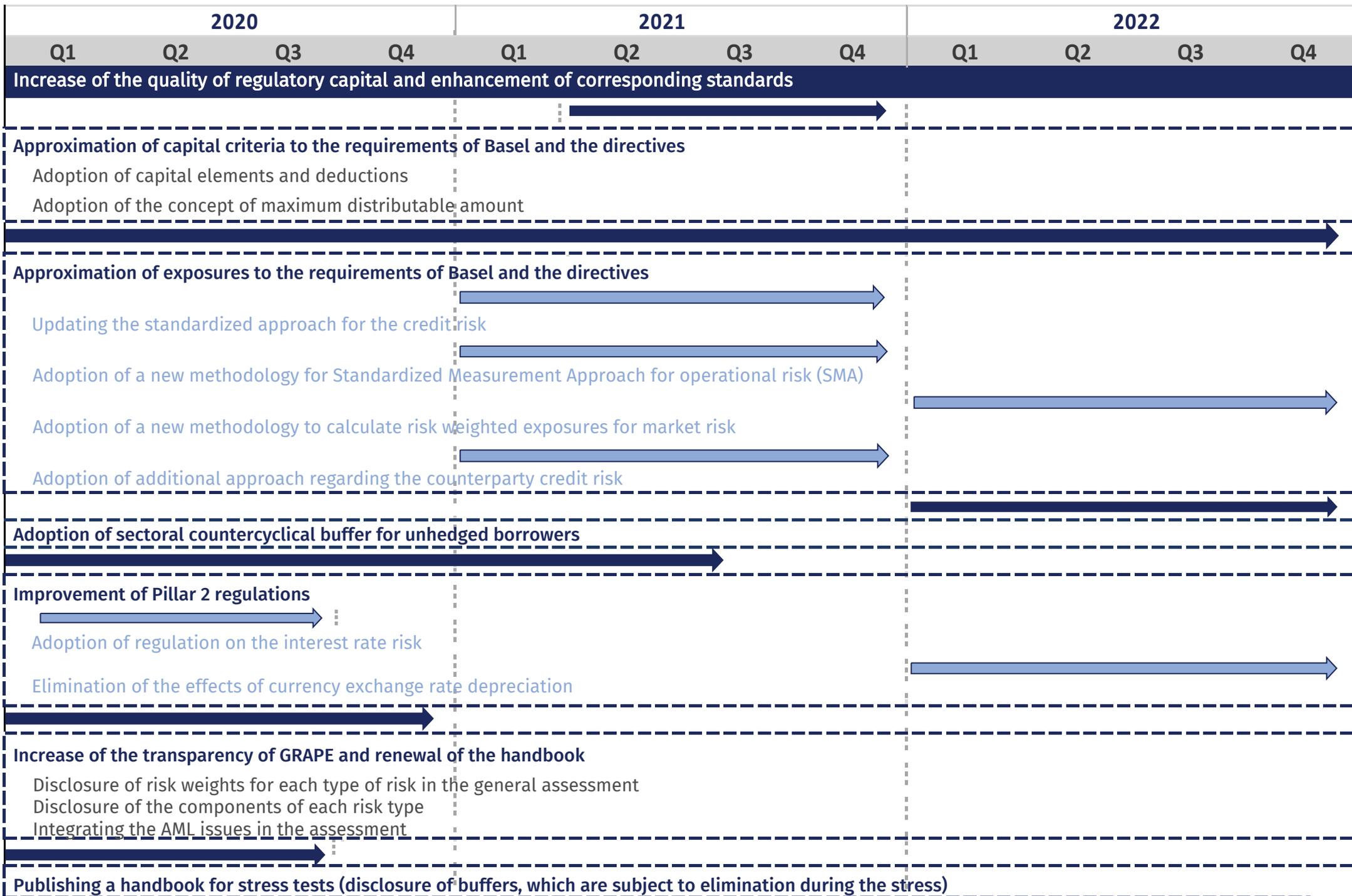
Definition of signs:

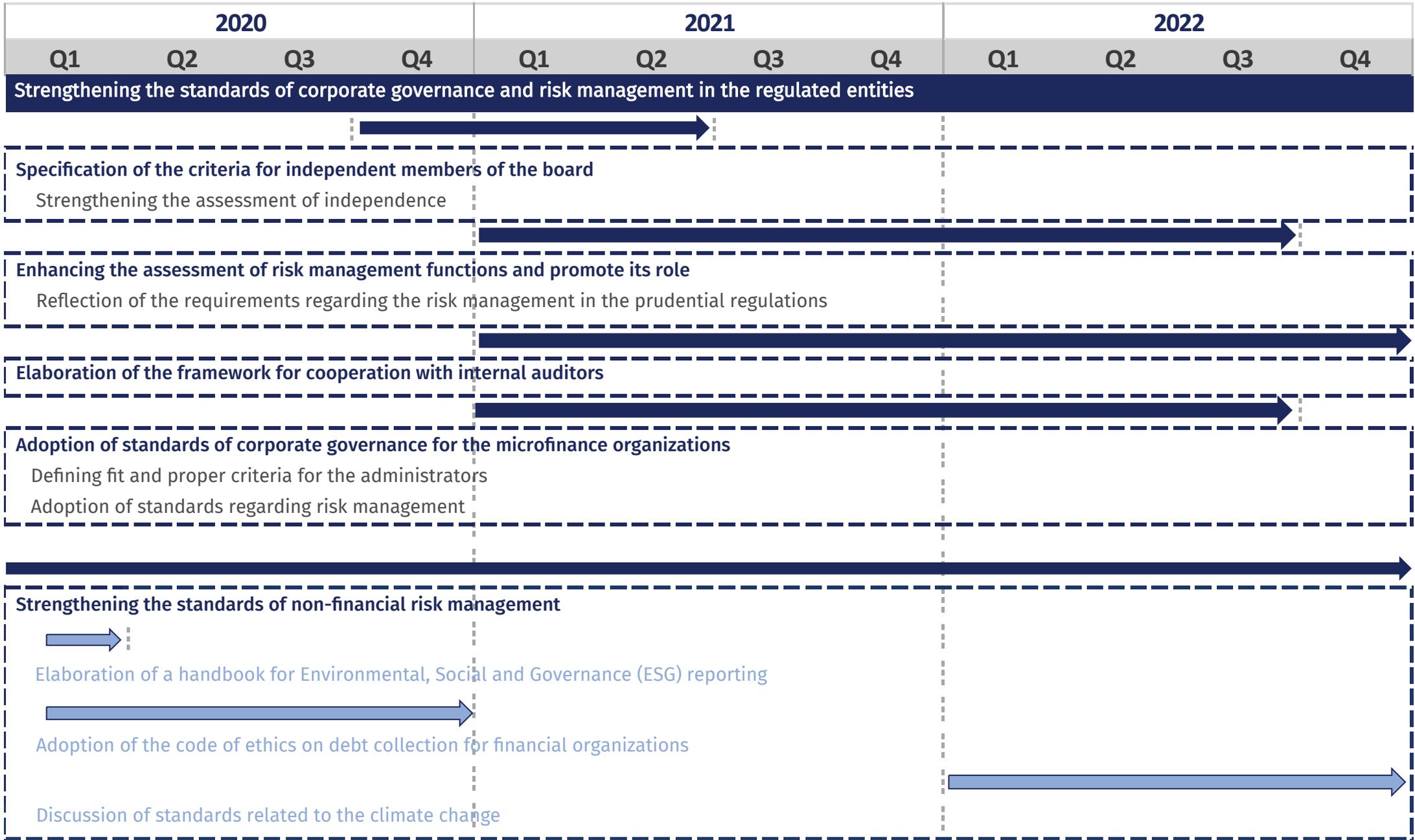


The timeline of the adoption of the changes

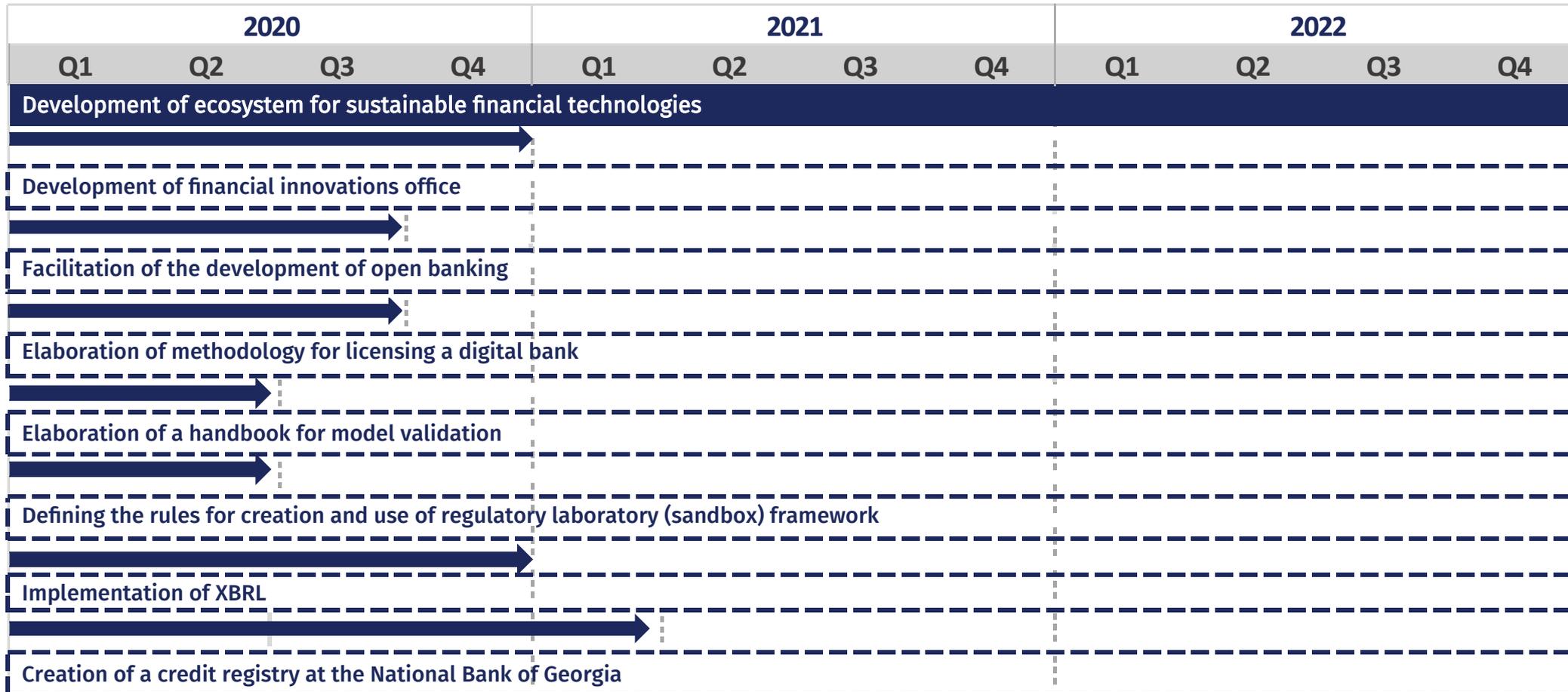


The timeline of the adoption of subcomponents of the changes





2020				2021				2022			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Approximation of local accounting standards to the IFRS											
→											
Approximation of the existing chart of accounts to the IFRS											
→											
Renewal of supervisory reporting forms											
Improvement of FINREP reporting											
Implementation of COREP reporting for commercial banks											
→											
Elaboration of prudential filters for the purpose of calculation of supervisory normatives											
→											
Update/Elaboration of normative acts and instructions											
The amendments in the rule of asset classification and provisioning											
Elaboration of the instructions necessary for the implementation of IFRS											



GLOSSARY

Capital buffers	The amount of regulatory capital in excess of the required minimum amount of regulatory capital.
Capital instruments	Instruments, which satisfy the criteria of a regulatory capital.
Cloud	an internet base for keeping and accessing data, documents and programs.
Digital banking	a business model of a bank which provides banking services mostly via electronic channels and uses new and innovative financial technologies on the local market
Exposures	On-balance or off-balance claims of a financial institution.
Financial innovation office	A means of communication between the National Bank of Georgia and the community of innovators of financial technologies with the purpose of providing an easy way to get direct feedback on supervisory questions, promoting responsible innovations in the financial sector and helping Fintech organizations/startups understand the supervisory approach and regulations of the National Bank of Georgia
Financial Sector Assessment Program (FSAP)	A joint program of International Monetary Fund (IMF) and World Bank, with the purpose of assessing sustainability of a financial sector, the quality of regulatory and supervisory framework and capacity to manage financial crisis in the country.
FINREP/COREP	Supervisory reports developed by the European Banking Authority (EBA) to receive information on supervisory coefficients and other financial information.
Grace period	A period of time, during which a borrower is not charged with interest and commission and/or part of the principle amount and the payments are to be resumed after the end of grace period.
IFRS	International Financial Reporting Standards.
IFRS 9	International Financial Reporting Standard, which defines matters related to the recognition, termination of recognition, evaluation and impairment of financial assets and financial liabilities.
Machine-readable data	Presentation of data in a form that enables its processing and perception through computer softwares.
Macroprudential policy	A combination of policy and procedures created to avoid accumulation of systemic risks, to reduce the probability of a crisis and to facilitate stable functioning of a financial system.

Microprudential policy	A combination of policy and procedures created to facilitate sustainability of individual financial institutions.
Modular banking model	a banking model, in which a banking infrastructure is represented with independent modules based on their scope of activities and the replacement of each is relatively less difficult.
Open application programming interface (OpenAPI)	An interface which provides access to data based on open/public standards.
Open banking	instant sharing of information and services within various financial organizations through electronic technologies.
Principles of open regulation	Discussion of amendments to the regulatory requirements, openness to the dialogue with the industry, which are in compliance with the statement of risk appetite and principles of supervision of the National Bank of Georgia (NBG).
Prudential filter	Supervisory adjustments with the purpose of maintaining the quality of regulatory capital or other supervisory indicators by using approaches, different from the financial accounting framework, in their calculations.
Recovery plan	A plan developed by a commercial bank which together with other elements includes measures for the purpose of restoring a financial condition of a bank during significant financial difficulties.
Regulatory capital	A type of capital, which a financial institution has to have as required by the supervisor and which serves for the purpose of offsetting potential losses.
Regulatory sandbox	A combination of terms and procedures for testing innovative financial products and/or services in a testing environment.
Resolution	Upon having enough grounds to terminate a license of a commercial bank, an alternative option to the liquidation, which implies the restructuring of a bank by the regulator in a manner that does not threaten the financial stability.
Risk analytics dashboard	A graphic representation of the main activity indicators, which simplifies complex data and enables its consumers to easily access information regarding the business activities or specific processes.
Risk based supervision/principles	Supervisory regime/principles, which imply allocation of more supervisory resources to more complex and/or riskier institutions and transactions.
Statement of risk appetite	The strategy of an organization, which defines the risks assumed by this organization, serving for the purpose of achieving its objectives.
SupTech instruments	supervisory technologies, which imply the use of innovation technologies in the supervision process by the supervisory authorities.
XBRL (Extensible Business Reporting Language)	Extensible Business Reporting Language, which is an international standard for sharing supervisory reports.