

The Law of Georgia
On Securitization

Chapter I. General Provisions

Article 1. The scope of the Law

1. This law establishes the general legal framework for the transformation of credit risks into securities (hereinafter – securitization), defines the notion of securitization, and sets requirements for the parties involved.
2. Except for cases determined by Paragraph 3 of this Article, this law shall apply to a securitization special purpose vehicle established in Georgia (or, in the case of securitization without the securitization special purpose vehicle - to the originator established in Georgia) and the legal relations connected to it.
3. Articles 21, 23, 24, and Paragraph 2 of Article 25 shall apply to the persons concerned in the same articles (or, in the case of securitization without the securitization special purpose vehicle, to the originator) regardless of the place of the establishment of the securitization special purpose vehicle.
4. An investment fund registered or authorized under the Law of Georgia on Investment Funds is not considered a securitization special purpose vehicle.
5. No person may use the term 'securitization' or its equivalent in a foreign language in the name, business, or for the name and/or description of a financial instrument issued in Georgia, except as determined by this law.

Article 2. Definitions of the terms

1. The terms used herein have the following meanings for the purposes of this Law:
 - a) Securitization - a transaction (or the unity of transactions) conducted in accordance with one of the following schemes or combinations:
 - a.a.) The securitization special purpose vehicle receives credit risk related to the underlying assets through acquisition or another form of assumption (including, though the conclusion of the derivative) and for the purpose of financing of the acquisition of this risk, the special purpose vehicle issues securitization instruments whose value or profitability depends on the mentioned risk;
 - a.b.) (Regardless of the participation of the special purpose vehicle in the scheme), tranching is carried out in relation to the underlying assets in such a way that payments within the scheme depend on the value

and/or the profitability of the underlying asset, and the subordination of the tranches determines the distribution of losses in the scheme.

b) Securitization Special Purpose Vehicle – a legal person or an organization/entity without legal personality, which, through the acquisition of the underlying assets or in another way (including, through the conclusion of a derivative), assumes the credit risks related to the underlying assets and for the purpose of financing this risk, issues securitization instruments, the value and/or profitability of which depend on the mentioned risk;

c) Public Offer – the offering of securitization instruments to more than 20 retail investors or an undetermined number of persons;

d) Private Offer – the offering of securitization instruments that is not a public offer;

e) Securitization Special Purpose Vehicle Established in Georgia – a special purpose vehicle that is registered in Georgia or has its place of administration in Georgia. For the purpose of this law, a securitization special purpose vehicle established in Georgia shall also be considered a securitization fund, which is administered by an asset management company .

f) Originator Established in Georgia – an originator, which is registered in Georgia or has its place of administration in Georgia;

g) Asset Management Company – an asset management company that is registered/licensed in accordance with the Law of Georgia on Investment Funds;

h) Place of Administration – in the case of a legal person, the place where the management body actually fulfills a management function; in the case of an organization/entity without legal personality, its place of business.

i) Management Body – a management body as determined by The Law of Georgia on the Securities Market;

j) Resecuritization - securitization where at least one of the underlying assets is a securitization instrument;

k) Retail Investor – an investor who is not considered as a sophisticated (experienced) investor in accordance with the Law of Georgia on the Securities Market;

l) Originator - a legal person or an organizational entity without legal personality, which complies with one of the following requirements:

l.a.) was involved in the original agreement either directly or through a legal person or organizational entity without legal personality, closely connected to it;

l.b) purchases claims from a third party on its own account and securitizes them;

m) Primary Agreement – an agreement on the basis of which the existing/potential securitized claims against the existing/potential debtors arise;

n) Original lender - a legal person or an organizational entity without legal personality that has concluded the primary agreement either independently or through legal persons or organizational entities without legal personality in close connection with them;

- o) Investor – a natural or legal person or an organizational entity without legal personality holding a securitization risk position through the securitization instrument;
- p) Securitization Instrument – an instrument (including a security, another financial instrument, securitization fund unit, the share of the securitization company, or a debt obligation) that is issued and/or used by a securitization special purpose vehicle or originator and through which an investor holds a securitization risk position. For the purpose of this law, if the securitization instrument is a contract, any reference, as determined by this law, to the issuance of the securitization instrument will be considered the conclusion of such agreement;
- q) Institutional Investor – an investor who is one of the following persons:
 - q.a) A commercial bank licensed in accordance with the Law of Georgia on the Activities of Commercial Banks;
 - q.b) A micro bank licensed in accordance with the Law of Georgia on the Activities of Micro banks;
 - q.c) A microfinance organization licensed in accordance with the Law of Georgia on Registered Microfinance Organizations;
 - q.d) An insurance organization licensed in accordance with the Law of Georgia on Insurance;
 - q.e) A registered/licensed asset management company or a registered/authorized investment fund as determined by the Law of Georgia on Investment Funds;
 - q.f) A brokerage company licensed in accordance with the Securities Market Law of Georgia;
 - q.g) A person acting on behalf of a pension scheme in accordance with the Law of Georgia on Funded Pensions;
 - q.h) A person acting on behalf of a voluntary pension scheme.
- r) Constituting Document - incorporating agreement of a securitization company or management rules of a securitization fund;
- s) Underlying asset – a claim (including future claims) whose credit risk is being securitized;
- t) Control – the relationship between the parent and subsidiary enterprise as determined by the International Financial Reporting Standards enacted based on the Law of Georgia on Accounting, Reporting, and Audit, also a similar relationship between any individual and the enterprise. For the purpose of this subparagraph, the subsidiary enterprise of the subsidiary enterprise is considered to be the subsidiary company of the (higher) parent enterprise of both subsidiary enterprises.
- u) Close Connection – a connection between two or more individuals or legal persons:
 - u.a.) Via shareholding, meaning the direct holding of 20 percent or more of the voting rights of the enterprise, either directly or through control;
 - u.b.) Via control;
 - u.c.) Via the permanent control of the same person;

- v) Substantial Share – a shareholding of 10 percent or more, either directly or indirectly, or the ability to substantially influence the management of the enterprise, regardless of the number of voting rights;
 - w) Encumbrance measures – measures for securing an obligation as defined by the Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives;
 - x) Regime – a regime as defined by the Law of Georgia on Financial Collateral Arrangements, Netting and Derivatives;
 - y) Tranche – a credit risk segment related to the underlying assets and established on the basis of an agreement, whose position consists of more or less credit loss risks in comparison to the position of the same size existing in another segment, without taking into consideration credit protection provided directly by the third party to the position holder;
 - z) Insolvency – a case in which:
 - z.a.) (regardless of the terms) the assets of the securitization special purpose vehicle or securitization compartment cannot cover its total obligations (including future and conditional obligations), except when there is a high probability that, in case of the continuation of the business, the surplus of obligations compared to assets will be eliminated
 - z.b.) The securitization special purpose vehicle or securitization compartment cannot cover its due obligations (liquidity shortage), except when there is a high probability that, in a reasonably short period, it will be possible to eliminate the liquidity shortage wholly or substantially.
 - z¹) Person – a natural or legal person, also an organizational entity as determined by the relevant legislation of Georgia (including a securitization fund), which is not a legal person;
 - z²) Register Authority – The National Agency of Public Registry under the supervision of the Ministry of Justice of Georgia;
2. Other terms not defined in this Law shall have the meaning assigned to them by the Law of Georgia on the Securities Market and other normative acts of Georgia.

Chapter II. Securitization Special Purpose Vehicle

Article 3. General Provisions

- 1.A securitization special purpose vehicle may be established in the form of either a securitization company or a securitization fund.
- 2.The constituting document of a securitization special purpose vehicle must explicitly state that the special purpose vehicle conducts its business in accordance with this law.
- 3.The constituting document of a securitization special purpose vehicle may specify the possibility of establishing one or more securitization compartments corresponding to distinct parts of its assets and liabilities. In the case of the establishment of several securitization compartments:
 - a) Only the claims of investors and creditors related to the securitization compartment, arising from its establishment, functioning, and liquidation (including those arising after the commencement of the

securitization compartment regime), may be satisfied from the assets of the specific securitization compartment;

b) Assets and liabilities related to more than one securitization compartments must be segregated and assigned to these compartments separately.

c) When amending the constituting document, if the issue pertains exclusively to the assets/liabilities of a specific securitization compartment, only the shareholders/unit holders (as determined by the constituting document) and additionally the creditor and the group of creditors of that compartment have the right to participate in the decision.

4. If securitization instruments are securities, their offer may be conducted either as a public offer or as a private offer, as determined by the legislation of Georgia. The public offer of other securitization instruments is forbidden.

5. It is forbidden for a securitization special purpose vehicle to undertake any activity other than those necessary to conduct securitization or participate in it (including the acquisition of underlying assets and/or assumption of risks, management, and administration of underlying assets, and issuance of securitization instruments), as well as ancillary activities (including administration and acquisition of services for the support of its own business).

Article 4. Securitization Company

1. A securitization company may be established in the form of a Limited Liability Company or a Joint Stock Company.

2. The constituting document of the securitization company must specify the goals of the company and include a description of securitization (including the assumption of risks and issues related to the issuance of securitization instruments). Additionally, in relevant cases, it should outline rules pertaining to the administration of underlying assets and address other matters as determined by the legislation of Georgia.

3. Changes to the constituting document of a securitization company may be carried out in accordance with the Law of Georgia on Entrepreneurs. The constituting document of a securitization company may contain a provision stating that specific changes may be implemented only if approved by the relevant voting majority and/or additionally consented to by the creditor or group of creditors.

4. The securitization company may appoint an asset management company. In such a case, the asset management company shall be granted management and representation rights of the securitization company.

5. Reorganization of a securitization company is prohibited.

Article 5. Securitization Fund

1. A Securitization Fund may be established as a contractual scheme, managed and represented by an asset management company.

2. Article 7 of the Law on Investment Funds of Georgia is also applicable to the securitization fund.

3. The asset management company establishes the securitization fund upon approval of securitization fund rules. Securitization fund rules must address at least the following issues:

- a) The securitization fund's name, purpose, and duration (limited or unlimited);
 - b) Name and identification information of the asset management company;
 - c) Administration and management rules of the securitization fund;
 - d) The possibility for the securitization fund to establish several compartments;
 - e) Circumstances triggering the liquidation or potential liquidation of the securitization fund or its compartment;
 - f) Description of the rights and obligations of the asset management company and, when applicable, the rights and obligations of the investors;
 - g) Terms for substitution of the asset management company and information about investor protection guarantees in case of substitution;
 - h) Rules on assumption of risks and issuance of securitization instruments;
 - i) Terms and procedure for amendments of the rules of the securitization fund.
4. The rules of the securitization fund are deemed to be accepted by the investors by the mere acquisition of securitization instruments issued by the securitization fund.
5. The title of units in a securitization fund shall be documented through an entry in the register of unit holders maintained by the fund or in the records of the nominee holder if the unit has been transferred into a nominee holding according to the the entry in the register of unitholders. The National Bank of Georgia (hereinafter referred to as the "National Bank") shall adopt additional rules concerning the administration of the registry and the holding of securitization fund units.

Article 6. Asset Management company of a securitization special purpose vehicle

1. The asset management company must perform its duties in an independent manner and in the sole interest of the securitization special purpose vehicle and its investors. The asset management company may not use the assets of the securitization special purpose vehicle for its own needs.
2. The management power of the asset management company toward the securitization special purpose vehicle shall cease:
 - a) If there is a termination of the authority to manage assets in accordance with the asset management agreement and/or the constituting document of the securitization special purpose vehicle and/or this law. In such a case, a securitization fund is required to substitute the asset management company;
 - b) If liquidation proceedings are initiated against the asset management company;
 - c) Upon the decision of the National Bank, as determined by Paragraph 3 of this Article.
3. The supervisory authority shall have the power to terminate the authority of an asset management company to manage one or more securitization special purpose vehicles if the asset management company violates the requirements established by this Law, other laws of Georgia regulating the financial sector, legal acts issued on the basis of said laws, or written instructions of the National Bank, or if it clearly jeopardizes the interests of the securitization special purpose vehicle or its investors.

Chapter III. Notification regarding the Commencement of a Securitization; Authorization of Securitization Special Purpose Vehicle

Article 7. Notification of the National Bank regarding the Commencement of Securitization

1. A securitization special purpose vehicle, not authorized in accordance with Article 8 of this Law and not subject to mandatory authorization, or the asset management company representing it, shall notify the National Bank, as determined by the rules of the latter, before commencing the activities of the securitization special purpose vehicle.
2. If a securitization is conducted by the originator without the involvement of a securitization special purpose vehicle, it shall inform the National Bank in the manner determined by its rules. The originator has the right to undertake only a private offer. It may not have more than 20 retail investors.
3. The notification presented in the manner determined by Paragraphs 1 and 2 of this Article, and the content of the securitization will be examined by the National Bank solely in the context of compliance with Paragraph 4 of this Article and Articles 19, 21, 24, and 26 of this Law.
4. An unauthorized securitization special purpose vehicle and an originator, when conducting securitization without a securitization special purpose vehicle, may not have more than 20 retail investors. If the number of retail investors exceeds 20, authorization must be obtained. The authorization for the securitization special purpose vehicle is not mandatory if the excess of the limit set for the number of retail investors is not the fault of the securitization special purpose vehicle, and within 3 months, it decreases the number of retail investors to the permitted threshold.
5. Disposal and encumbrance of a securitization instrument by the investor of an unauthorized securitization special purpose vehicle and of an originator, when conducting securitization without a securitization special purpose vehicle, are permitted only with the preliminary consent of the securitization special purpose vehicle or the asset management company acting on the behalf of the latter (or with the consent of an originator, when conducting securitization without a securitization special purpose vehicle). The securitization special purpose vehicle or the asset management company acting on the behalf of the latter (the originator, when conducting securitization without a securitization special purpose vehicle) has no right to refuse without proper grounds. The refusal will be considered well-founded, if in case of the disposal and encumbrance of securitization instruments the number of retail investors exceeds or may exceed 20 or the consent for the disposal or the consent for the transfer or encumbrance of securitization instruments is prescribed by the constituting document of the securitization special purpose vehicle. The disposal and encumbrance of securitization instruments by the securitization special purpose vehicle or the asset management company acting on behalf of the latter (or by the originator, when conducting securitization without a securitization special purpose vehicle) in violation of the rule determined by this paragraph are null and void.
6. The National Bank shall have the power to determine, through legal acts, the notification and information requirements according to this Article.

Article 8. Authorization of Securitization Special Purpose Vehicle

1. A securitization special purpose vehicle is subject to mandatory authorization as determined by this Law if one of the following conditions is met:

- a) The securitization special purpose vehicle makes a public offer;
- b) The securitization special purpose vehicle has more than 20 retail investors.

2. A securitization special purpose vehicle, not subject to authorization according to Paragraph 1 of this Article, may voluntarily seek authorization from the National Bank.

3. An applicant seeking authorization must present the following documents and information to the National Bank:

- a) Constituting document of the securitization special purpose vehicle;
- b) In the case of a securitization company information on the members of the managing body and documentation proving their good reputation and proper experience;
- c) Information relating to the commercial bank providing services to the securitization special purpose vehicle and the nature of the assets that will be deposited (liquid assets and/or securities);
- d) Public offer application for securitization instruments (securities);
- e) In the case of a securitization company - information and documents on the majority shareholders proving their good reputation;
- f) Information on the original lender and the originator;
- g) Document demonstrating payment of the authorization fee of the securitization special purpose vehicle.

4. Subparagraph “b” of Paragraph 3 of this Article does not apply if the securitization special purpose vehicle is a securitization company, that has assigned an asset management company. In such a case, the agreement concluded between the securitization company and asset management company must be presented to the National Bank.

5. An authorized securitization company must have an adequate organization and sufficient resources to conduct its activities and allowing the National Bank to supervise it without hindrance.

6. An asset management company of an authorized securitization special purpose vehicle must be licensed as determined by the Law on the Investment Funds.

7. Liquid assets and securities of an authorized securitization special purpose vehicle must be kept in a commercial bank licensed in Georgia.

8. Except for the public offer of securitization instruments, an authorized securitization special purpose vehicle has the right to conduct a private offer of other/additional securitization instruments.

9. The National Bank shall have the power to establish, by a legal act, additional requirements for the authorization, operation, accounting, and reporting of authorized securitization special purpose vehicle.

Article 9. Authorization fee of securitization special purpose vehicle and payment procedure

1. The authorization fee for a securitization special purpose vehicle shall be 5 000 (five thousand) Georgian Lari.
2. An authorization fee shall be paid in cash or non-cash form.
3. Non-cash payments shall be made in accordance with existing procedures.
4. Cash payments shall be made in national currency in banks, followed by the issuance of a receipt in the prescribed form.
5. An authorization fee shall be transferred to the state budget in accordance with the procedure established by the legislation of Georgia.
6. Where authorization is refused in accordance with the procedure established by this Law, the authorization fee shall not be refundable.

Article 10. Refusal to Grant Authorization for a Securitization Special Purpose Vehicle

1. The National Bank shall not grant authorization for a securitization special purpose vehicle if any of the following circumstances are present:
 - a) The application or the submitted documents/information does/do not meet the requirements established by this Law and/or a legal act issued by the National Bank based on this Law;
 - b) There are grounds determined by the legislation of Georgia to refuse to approve the prospectus;
 - c) A close connection exists between a securitization special purpose vehicle or an asset management company of a securitization special purpose vehicle on one hand, and any other natural or legal person on the other hand, and/or the legislation of the foreign state applicable to the natural or legal person referred to in this subparagraph (or its non-enforceability) might prevent the National Bank from effectively exercising its supervisory functions;
 - d) There are other grounds to refuse the application according to the Organic Law on the National Bank of Georgia.
2. The National Bank shall make a decision on granting or refusing the authorization of a securitization special purpose vehicle within 45 working days after receiving the respective application. If necessary, this timeframe may be extended by no more than 15 working days, provided that the National Bank informs the applicant in advance. The relevant procedure and additional rules on the authorization of a securitization special purpose vehicle may be determined by the legal act of the National Bank.

Article 11. Changes related to authorized securitization special purpose vehicle

1. A securitization special purpose vehicle or an asset management company acting on its behalf shall notify the National Bank in advance of any change related to the securitization special purpose vehicle if the change pertains to the conditions of the authorization terms of the securitization special purpose vehicle.

2. A change as referred to in Paragraph 1 of this article may be made, unless the National Bank notifies the applicant of the rejection of the proposed change within 1 month of receiving the notification. Where necessary, such period may be prolonged by no longer than 1 month if the National Bank notifies the applicant in advance to that effect.

3. Prior approval from the National Bank is required for any changes in the majority shareholding or a member of the management board of the authorized securitization company, the replacement of the asset management company of the securitization special purpose vehicle, or any amendments to the constituting document.

4. The notification according to this Article and the procedure for the review of such notice are determined by the National Bank.

Article 12. Securitization Special Purpose Vehicle Registry

1. The National Bank shall create and maintain a register of all securitization special purpose vehicles and shall, by means of its official web page, make public information thereon, as provided for by this article and the rules of the National Bank.

2. Each securitization special purpose vehicle and each compartment of the securitization special purpose vehicle shall be assigned a unique identification code in the securitization special purpose vehicle registry.

3. The securitization special purpose register must contain the identification data of the securitization special purpose vehicle and each of its compartments (if available), the status of the securitization special purpose vehicle (authorized or unauthorized), in case of an authorized securitization special purpose vehicle – also information on the asset management company (if available) and its liquidation process.

4. The registering authority is authorized to rely on the registry specified in this Article for registration purposes of special purpose vehicles and their compartments in accordance with the Law of Georgia on Public Registry.

5. The fact of the registration of a securitization special purpose vehicle, as determined in this article, shall not be considered as a positive assessment or confirmation made by the National Bank of the quality of the financial instruments issued by it.

Chapter IV. Liquidation of Authorized Securitization Special Purpose Vehicle

Article 13. Commencement of the liquidation process of securitization special purpose vehicle, general provision regulating liquidation

1. This chapter addresses matters pertaining to the liquidation of the authorized securitization special purpose vehicle and its compartment.

2. The grounds for the commencement of the liquidation of an authorized securitization special purpose vehicle may be one of the following circumstances:

a) Insolvency of the securitization special purpose vehicle (except for the securitization special purpose vehicle comprised of several compartments);

b) In the case of a securitization company – registration of the winding-up in the Registry for entrepreneurs and non-commercial legal persons as determined by the Law of Georgia on Public Registry, taking into account the provisions of this Law;

c) In the case of a securitization fund – the decision of the unit holders and other entitled person(s), if this is determined by the incorporation agreement.

3. It is permissible to liquidate the compartment of an authorized securitization special purpose vehicle without liquidating the securitization special purpose vehicle or its other compartments. The grounds for the commencement of the liquidation of a compartment of a special-purpose vehicle may be one of the following circumstances:

a) Insolvency of the compartment of a securitization special purpose vehicle;

b) The decision made by unit holders or other entitled person(s) of the securitization compartment, if this is determined by the constituting document.

4. In cases specified in Paragraph 2, Subparagraph “a” / Paragraph 3, Subparagraph “a” of this Article, the National Bank shall initiate the liquidation of the securitization special purpose vehicle or securitization compartment upon application by the creditors. To commence liquidation on the grounds of insolvency, only the assets and liabilities of the relevant compartment will be taken into consideration.

5. In cases specified in Paragraph 2, Subparagraphs “b” and “c”, or Paragraph 3, Subparagraph “b” of this Article, the National Bank shall commence the liquidation of the securitization special purpose vehicle and securitization compartment based on the application of the securitization special purpose vehicle or its asset management company.

6. Except for the cases determined by Paragraphs 7 and 8 of this Article, the liquidator of the securitization special purpose vehicle or its compartment is the asset management company or if the securitization company does not have an asset management company – a person appointed by the securitization company. The liquidator appointed by securitization company has the same rights and obligations as the members of the management bodies. The liquidator is accountable to the National Bank.

7. If requirements of the law are violated during the liquidation process, the National Bank has the authority to replace the liquidator appointed under Paragraph 6 of this Article with one appointed by the National Bank.

8. If insolvency is the cause for initiating the liquidation process of the securitization special purpose vehicle or its compartment, or in the case of a securitization company, upon the court's decision regarding the liquidation of the legal entity in a criminal case, the liquidator shall be appointed by the National Bank.

9. The liquidator appointed by the National Bank shall assume full authority over all bodies of the securitization special purpose vehicle and its asset management company during the liquidation process related to the securitization special purpose vehicle and its compartment.

10. At the commencement of liquidation, all enforcement measures against the securitization special purpose vehicle or its compartment will be seized.

11. The National Bank shall submit for registration a decision commencing the liquidation of a securitization special purpose vehicle or its compartment to the registration authority on the same day.

12. The insolvency and liquidation procedures determined by the Law of Georgia on Entrepreneurs and the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors shall not apply to liquidation procedure determined for the authorized securitization special purpose vehicle (or its compartment). The National Bank shall have the power to establish, by a legal act, rules additional for liquidation of securitization special purpose vehicle and its compartment in accordance with this Law.

13. Before the completion of liquidation, a securitization special purpose vehicle or its compartment under liquidation shall be subject to the requirements of the Organic Law of Georgia on the National Bank of Georgia, this Law, and other legislative and subordinate normative acts.

14. The provisions as determined by Articles 14-17 of this Law for the liquidation of securitization special purpose vehicle shall also separately apply to the liquidation of the authorized securitization compartment.

15. Except for the Articles 18, 20, and 22, this Law shall not apply to the liquidation and insolvency of an unauthorized securitization special purpose vehicle and its compartment. The liquidation and insolvency of an unauthorized securitization special purpose vehicle and its compartment shall be regulated according to the Law of Georgia on Entrepreneurs and the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, taking into consideration the peculiarities of Articles 18, 20, and 22 of this Law.

Article 14. Right and Duties of the Liquidator

1. In case of the commencement of liquidation and appointment of a liquidator, the National Bank shall issue an individual administrative legal act about the appointment of a liquidator, which shall be published on the website of the National Bank and in the Legislative Herald of Georgia.

2. A liquidator shall publish an announcement on the decision commencing the liquidation of the securitization special purpose vehicle in the Legislative Herald of Georgia and on the website of the National Bank within 10 days of the entry into force of the said decision. This announcement shall be published again within 1 month of its first publication. Creditors shall submit to the liquidator within 1 month of the second announcement a substantiated written request indicating the amount of and grounds for their claim.

3. A liquidator shall be authorized to undertake all necessary actions for the liquidation of the securitization special purpose vehicle, including the disposal of its assets and the satisfaction of the investors' and creditors' claims. When fulfilling their functions, the liquidator shall act in the best interests of the investors of the securitization special purpose vehicle.

4. The liquidator has the power to sell the assets of the securitization special purpose vehicle under liquidation through public auctions or in agreement with the National Bank, choose another form of realization, including the transfer of claims to creditors according to their ranking, to representatives of the financial sector, or to other persons, and organize the transfer of liabilities. If, during the transfer of assets/liabilities, the consent of the creditor/debtor is required, the creditor/debtor shall be obliged to declare its consent or refusal regarding the disposal of the assets or liabilities to third parties within the timeframe set by the liquidator. After the term set by the liquidator lapses, the consent shall be deemed to

be given. The consent of the creditor/debtor shall not be required if, when transferring the assets or liabilities to the third party, the conditions of the assets/liabilities do not change.

5. The transfer of property to a new buyer, (or to persons who receive the property in kind in accordance with this article) shall result in the cancellation of all rights in rem and obligations related to this property.

6. By filing a claim with a court, the liquidator shall have the power to challenge and demand the annulment of the following actions carried out on behalf of the securitization special purpose vehicle before the start of liquidation:

a) An action aimed at reducing the liquidation mass, disposing of, or hiding from the reach of the liquidation creditors the property or part of the property of the securitization special purpose vehicle;

b) The transfer of property without remuneration or below the market price, carried out before the commencement of the liquidation proceeding, and resulting in the reduction of the liquidation mass or its value;

c) An action that grants a creditor an advantage that otherwise would not have been granted, including the fulfillment of undue creditor claims or the guarantee (collateral) of a creditor claim, except in cases where the guarantee (collateral) was provided at the moment of the conclusion of the main debt agreement.

7. The actions provided in Paragraph 6 of this Article may be challenged, if it was conducted within 1 year before the commencement of liquidation, whereas the counterparty of the challenged action is in close connection with the securitization special purpose vehicle or the asset management company acting on its behalf – within 2 years. An action, conducted by the securitization special purpose vehicle or the asset management company acting on its behalf with the intent to harm the creditors may be challenged if it was undertaken within 3 years before the commencement of liquidation proceedings.

Article 15. Duration of Liquidation Proceedings

1. The liquidation of a securitization special purpose vehicle shall be completed within 1 year of commencing the liquidation proceedings.

2. Upon the request of a liquidator, the National Bank may additionally extend the time limit set for the liquidation of a securitization special purpose vehicle only once, by up to one year, provided that it is necessary for the completion of the liquidation proceedings and for the protection of the interests of the investors.

Article 16. Distribution of Assets of Securitization Special Purpose Vehicle

1. A liquidator shall distribute the assets of a securitization special purpose vehicle among the creditors and other parties according to the requirements of Paragraphs 2-4 of this article. Additionally, among the persons subject to the special rule on the distribution of assets as determined by Paragraphs 2, 4, and 6 of the Article 22 of this Law, the special provisions of the same paragraphs will prevail when distributing the assets.

2. Each collateralized claim shall be satisfied from the object of collateral according to the rules determined by the legislation of Georgia. Unsecured claims (including claims of collateralized creditors

or the portion of the claim that was not satisfied due to the insufficiency of the amount of cash received from the realization of the collateral, except for cases where, according to the legislation of Georgia, such claims would have been considered satisfied) shall be satisfied based on the following ranking:

a) The claims of the National Bank, all costs and remunerations related to the appointment of a liquidator and the liquidation process, as well as liabilities incurred after the commencing of liquidation of the securitization special purpose vehicle;

b) Other claims against securitization special purpose vehicle (including tax claims).

3. If the available assets are not sufficient to fully satisfy the claims referred to in Paragraph 2 of this article, all respective claims shall be fully paid in proportion to the amount of the claim of each creditor of the rank in question.

4. The claim of each following rank shall be satisfied after the claims of a preceding rank are fully satisfied. The liquidator may satisfy the claims of the following rank if there are sufficient assets to satisfy the claims of the preceding rank pursuant to this article and the satisfaction of those claims is not prejudiced. The undistributed assets shall be distributed to the shareholders/unit holders according to the proportion of their share/unit.

5. The fund belonging to the creditors, who are known to the liquidator and have not presented a written request indicating the amount and grounds for their claim, will be deposited into the notary account. In such a case, the provisions of Articles 434-441 of the Civil Code of Georgia shall apply.

Article 17. Completion of Liquidation Proceedings of Securitization Special Purpose Vehicle and Submission of a Liquidation Report

1. Liquidator shall submit to the National Bank a final balance sheet and a report on his/her activities within 1 month after all the claims against the securitization special purpose vehicle have been satisfied and/or all the assets have been sold.

2. The National Bank shall issue an individual administrative legal act on the completion of the liquidation of a securitization special purpose vehicle after receiving a report referred to in Paragraph 1 of this article.

3. The National Bank shall submit the issued individual administrative legal act on the completion of the liquidation of a securitization special purpose vehicle to the registration authority on the same day, for the purpose of registering the completion of the liquidation of the securitization company and removing it from the relevant register.

Chapter V. Securitized Risks

Article 18. Assumption of risks related to the underlying assets

1. Credit risks associated with the underlying assets may be assigned through one of the following methods:

a) The sale of underlying assets to the securitization special purpose vehicle (traditional securitization).

b) Concluding a credit derivative agreement, by providing a guarantee or through other means, in a manner that allows the underlying asset to remain the property of the originator (synthetic securitization).

2. The securitization described in Paragraph 1 Subparagraph "b" of this Article may be executed without the involvement of a securitization special purpose vehicle, by directly transferring the credit risks to the investor(s).

3. The securitization implemented according to this law will not be considered an activity determined by the Law of Georgia on Insurance.

4. The securitization special purpose vehicle may acquire and, subject to Article 20, Paragraph 3 of this Law, transfer claims, existing or future, in one or more transactions or on a continuous basis.

5. In accordance with Article 295 of the Civil Code of Georgia, the transfer of existing claims (including those that are created but not yet due) to or from the securitization special purpose vehicle will take effect between the parties to the agreement and third parties as from the moment the assignment is agreed on, unless otherwise specified in this agreement.

6. A future claim is capable of being assigned provided it can be identified as being part of the assignment at the time it comes into existence or at any other time agreed upon by the parties.

7. Without prejudice to Article 295 of the Civil Code of Georgia, the assignment of a future claim is conditional upon its coming into existence, but when the claim does come into existence, the assignment becomes effective between parties and against third parties from the moment the assignment is agreed upon unless the agreement specifies otherwise. This rule also applies when the regime is initiated against the originator during the period between the conclusion of the agreement about the assignment of claims and the creation of the claim.

8. The agreement of assignment of underlying assets shall be agreed in writing. The validity of transaction or the signatures of the parties to the transaction shall be authenticated according to the procedures laid down by the legislation of Georgia. It is not permissible to impose additional requirements on the formal authenticity of the assignment transaction.

9. Unless the parties to the agreement did not act in a good faith or intentionally gave undue preference to one class of creditors over the other, when a claim is assigned to a securitization special purpose vehicle, such assignment shall be valid, final, and enforceable as between the parties and also the third parties. Additionally:

a) The assignment agreement may not be subject to annulment, rescission, revocation, or termination, nor may it be varied, abated, or challenged by the agreement parties or any person, for any reason whatsoever. Furthermore, the assignment agreement may not be contested by a liquidator, provisional administrator, special manager, the manager/monitor as determined by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, or any person holding similar powers.

b) The originator/original lender does not have any rights upon the assigned assets.

10. For the purposes of Paragraph 9 of this Article, not acting in good faith shall include, among other things, the conclusion of the agreement through duress, deceit, sham, or fraud as determined by the Civil Code of Georgia.

11. The claim assigned to a securitization special purpose vehicle becomes part of its property as from the date on which the assignment becomes effective, notwithstanding any commitment (if existing as such) of

the securitization special purpose vehicle to reassign the claim to the originator at a later date. The existence of such obligation will not render the assignment agreement as sham or fraudulent.

12. The validity of the assignment of a claim to a securitization special purpose vehicle does not require prior consent or notification of the debtor unless otherwise specified by the original agreement between the debtor and originator/original lender.

13. Without prejudice to Articles 269 and 295 of the Civil Code of Georgia, the assignment of claims to a securitization special purpose vehicle entails the transfer of both personal and in rem encumbrance rights, security interests, guarantees, and other rights.

Article 19. Ban of Resecuritization

1. The securitization instrument may not be a underlying asset in securitization, except in cases determined by Paragraphs 2 and 3 of this Article.

2. Resecuritization is permitted if necessary for one of the cases defined below:

- a) For the liquidation of a commercial bank, brokerage firm, or other financial institution;
- b) For the continuation of the activities of a commercial bank, a brokerage firm, or a financial institution to avoid winding-up;
- c) To protect the interests of investors when an underlying assets are non-performing claims.

3. The National Bank has the power to determine, by a legal act, additional cases when resecuritization is permissible.

Article 20. Management of Risks

1. The securitization special purpose vehicle may, through the agreement, entrust the originator and a third party with the collection of claims it holds, as well as acquire any other service related to the management of the underlying assets. Providing such services by the originator or any other person does not require any special license or permission from any administrative body.

2. Unless the agreement between the securitization special purpose vehicle and the servicer, as referred to in Paragraph 1 of this article, specifically provides otherwise, the servicer shall segregate the sums assumed and collected within the provided service from his own assets and those of other customers in a manner that clearly identifies securitization assets belonging to the securitization special purpose vehicle. The servicer shall maintain detailed records regarding the provided service.

3. It is forbidden for securitization special purpose vehicles to sell or otherwise assign underlying assets, except in exceptional cases as determined by the constituting document or terms of issuance of securitization instruments. These terms must, at least, include the procedure for deciding on the sale or assignment of underlying assets and the terms thereof.

4. In the event of the commencement of the regime against the servicer, as determined by Paragraph 1 of this Article, who segregates the sums assumed and collected within the provided service from his own assets and those of other customers, the securitization special purpose vehicle shall have the right to claim

any sums collected on its behalf. Such claims may not be contested by a liquidator, provisional administrator, special manager, the manager/monitor as determined by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, or any person holding similar powers. Any enforcement measures concerning these sums to satisfy other claims against the servicer are forbidden.

5. The securitization special purpose vehicle is prohibited from using its assets as collateral or issuing guarantees, unless the transaction serves the interests of investors or is part of the essence of a particular securitization transaction.

Article 21. Risk Retention

1. Originator or original lender shall retain on an ongoing basis a material net economic interest of the securitization of not less than 5 %.

2. If the originator and original lender have not agreed on who retains the net economic interest according to Paragraph 1 of this Article, it shall be held by the originator with a stake of no less than 5%.

3. Reduction, netting, hedging, or splitting the material net economic interest determined by Paragraph 1 of this Article among the originator and original lender are forbidden, except in cases determined by the legal act of the National Bank.

4. For the purposes of this Article, an entity shall not be considered to be an originator where the entity has been established or operates for the sole purpose of securitizing claims.

5. The calculation methodology of the material net economic interest, as determined by Paragraph 1, shall be specified by the legal act of the National Bank.

Chapter VI. Right and Obligations of Investors, Creditors and Other Parties

Article 22. Investor, creditor and other parties

1. The rights of an investor and a creditor are limited to the assets of the securitization special purpose vehicle. Unless otherwise provided by the relevant agreement, where such rights relate to a compartment or have arisen in connection with the creation, operation, or liquidation of a compartment, they are limited to the assets of that compartment.

2. A securitization special purpose vehicle (or an originator, if conducting securitization without the securitization special purpose vehicle) may issue financial instruments whose value or yield is linked to the specific compartment(s), assets, or risks, or whose repayment is subject to the repayment of other instruments, certain claims or certain categories of shares/units if this is prescribed by the constituting document of securitization special purpose vehicle or the issuance/contractual terms of the securitization instrument.

3. Notwithstanding any provision to the contrary, the voting rights attached to shares of a securitization company which do not have an equal value shall be proportionate to the portion of the subscribed capital

represented by such shares. The voting rights attached to notes and other debt instruments (if applicable) are proportionate to the portion of the debt they represent.

4. The constituting instrument or an agreement (including conditions of issuance/contractual terms of securitization instruments) entered into by the securitization special purpose vehicle (or an originator, if conducting securitization without the special purpose vehicle) may contain provisions through which shareholders/unit holders, investors, and/or creditors consent to subordinate the satisfaction of their claims to the satisfaction of claims of other shareholders/unit holders, investors, and/or creditors. They may also refuse to exercise (or limit) their rights to petition for the regime of the securitization special purpose vehicle or its compartment (including the right to decide on the commencement of the regime) or to use encumbrance measures on its assets. Proceedings initiated in breach of these provisions shall be declared inadmissible.

5. The constituting document may include a condition, based on which a specific creditor or group of creditors shall be entitled to petition for the commencement of the regime of the securitization special purpose vehicle or one of its compartments (including having the right to decide on the commencement of the regime), excluding any other persons (partners).

6. The agreement between the securitization special purpose vehicle and the originator may stipulate that the assets or a portion thereof, remaining after the satisfaction of creditors during the regime, will be fully granted to the originator.

7. The terms of issuance/contractual terms of the securitization instrument are binding upon the securitization special purpose vehicle (or an originator if conducting securitization without the securitization special purpose vehicle), the relevant investors, and any third parties, including in the case of the commencement of the regime for the securitization special purpose vehicle or any of its compartments, taking into account the rights of creditors, that are excluded from these terms. This provision applies to any term agreed upon by the creditors to satisfy their claims.

Article 23. Requirements for Institutional Investors

1. Prior to holding a securitization instrument, an institutional investor (other than the originator or original lender) shall verify that:

a) where the originator or original lender is not a commercial bank, microbank, or microfinance organization, the originator or original lender grants the credits based on sound and well-defined criteria and clearly established processes for approving, amending, renewing, and financing those credits and has effective systems in place to apply those criteria and processes; The mentioned originator or original lender has established proper systems in order to to apply these criteria and processes, ensuring thorough valuation of the solvency of the debtor in accordance with the principles determined by Article 24 Paragraph 2 of this Law;

b) The originator or original lender has retained a material net economic interest in the securitization as per Article 21 of this Law and has disclosed it to the institutional investors.

c) The originator or securitization special purpose vehicle discloses information in accordance with the conditions and manner determined by Article 26 of this Law.

d) In the case of non-performing claims, sound standards are applied in the selection and pricing of these claims.

2. Prior to holding a securitization position, an institutional investor (other than the originator or original lender) shall carry out a due-diligence assessment which enables it to assess the risks involved. That assessment shall consider at least all of the following:

a) the risk valuation of the individual securitization instruments and underlying assets;

b) all the structural features of the securitization that can materially impact the performance of the securitization instruments (including the contractual priorities of payment and priority of payment-related triggers, credit enhancements, liquidity enhancements, market value triggers, and transaction-specific definitions of default);

3. An institutional investor (other than the originator or original lender) prior to holding a securitization instrument shall:

a) establish appropriate written procedures that are proportionate to the risk profile and where relevant, a portfolio of the securitization instrument, in order to monitor, on an ongoing basis, compliance with Paragraphs 1 and 2 of this Article, the performance of the securitization instruments and of underlying assets;

b) be able to demonstrate to the National Bank upon its request, that it has a comprehensive and thorough understanding of the securitization instrument and its underlying assets and that it has implemented written policies and procedures for the risk management of the securitization instrument and for maintaining records of the verifications and due diligence in accordance with Paragraphs 1 and 2 of this Article.

4. An institutional investor has the right to delegate due diligence requirements under Paragraphs 1 and 2 of this Article to a third party, who has relevant experience and is independent from the originator and original lender. The institutional investor delegating these tasks to the third party shall be liable for non-compliance with these requirements, despite delegation.

5. By issuing a legal act, the National Bank shall be entitled to specify details of due diligence requirements determined by this Article and also establish the criteria for qualification of non-performing claims.

Article 24. Criteria for Underlying Assets

1. The claims to be securitized shall be valid and enforceable.

2. The originator and original lender shall apply to loans/credit claims to be securitized the same sound and well-defined criteria for credit-granting which they apply to non-securitized loans/claims. The originator and original lender shall have effective systems in place to apply those criteria and processes in order to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness taking appropriate account of factors relevant to verifying the prospect of the obligor meeting his obligations under the credit agreement.

3. Paragraph 2 of this Article shall not apply to the loans/credit claims that, at the moment of acquisition by the originator from the third party, were non-performing. In such a case, the originator must ensure the application of sound standards in the selection and pricing of these loans/credit claims.

4. When an originator purchases third-party claims and subsequently securitizes them, the originator shall verify that the person directly or indirectly involved in the original agreement fulfills the requirements referred to in Paragraph 2 of this Article.

Article 25. Sale of Securitization Instruments to the Retail Investors

1. It is forbidden for any person, other than those defined in Paragraph 2 of this Article, to sell securitization instruments to retail investors without the participation of a commercial bank, brokerage company, or asset management company as an intermediary.

2. A commercial bank, brokerage company, asset management company (including when acting as an intermediary), investment company or authorized securitization company shall not sell a securitization instrument to a retail investor unless all of the following conditions are fulfilled:

- a) It has performed a suitability assessment of retail investors in accordance with the securities legislation of Georgia and rules determined by the National Bank;
- b) The results of the suitability assessment referred to in Subparagraph “a” of this Paragraph prove that the securitization instrument is suitable for the retail investor;
- c) It immediately communicates the outcome of the suitability assessment to the retail investor;
- d) The minimum amount invested by a retail investor in one or more securitization instruments is GEL 10,000.

Article 26. Issuance of Securitization Instruments and Transparency Requirements

1. The offer and/or sale of a securitization instrument to retail investors, if its price determined by the terms of issuance/contractual terms does not exceed GEL 200,000 may be carried out only if the following conditions are met:

- a) The underlying asset is the claim originating from loans/credits issued by a commercial bank, microfinance organization, or another entity/person as determined by the legal act of the National Bank;
- b) A securitization special purpose vehicle (or an originator, if conducting securitization without the special purpose vehicle) and/or the relevant securitization instrument must have obtained a credit rating from one of the credit rating agencies as determined by the legal act of the National Bank.

2. The originator and securitization special purpose vehicle shall disclose, at least, the following information and documents to the investors, to the National Bank, and, upon request, to potential investors in the manner determined by the legal act of the National Bank:

- a) Information and documents describing securitization necessary to analyze the content of the transaction;
- b) Periodic information about underlying assets.

3. By issuing a legal act, the National Bank shall be entitled to determine additional requirements concerning information disclosure and reporting to be fulfilled by an originator and securitization special purpose vehicle.

Chapter VII. Regulation and Supervision of Securitization Market

Article 27. Powers of the National Bank

1. The National Bank conducts supervision of:

- a) Authorized securitization special purpose vehicle;
- b) Unauthorized securitization special purpose vehicle, institutional investor, original lender, and originator registered in Georgia (except for the licensed insurance organization according to the Law of Georgia on Insurance) to ensure their compliance with the obligations determined by Article 19, Paragraphs 1 and 2, Article 21, Paragraphs 1-4, Article 23, Paragraphs 1-4, Articles 24, and 26.

2. The National Bank, within the regulation and supervision of the securitization market, as per the Organic Law of Georgia on the National Bank of Georgia, this Law, and other legislative and subordinate normative acts of Georgia, shall have the following powers:

- a) Request and receive documents/information (including confidential) from any person;
- b) Conduct on-site inspections of authorized securitization special purpose vehicles;
- c) Request the termination of certain actions if said actions contravene the legislation of Georgia;
- d) Suspend the right of signature of a member of the management body of an authorized securitization special purpose vehicle or of an asset management company or request his/her temporary removal or dismissal;
- e) Impose sanctions on a person;
- f) Make a public statement identifying the person responsible and the nature of the infringement;
- g) Authorize securitization special purpose vehicle and cancel the authorization;
- h) Issue mandatory written instructions;
- i) Issue legal acts;
- j) Exercise other powers conferred under the legislation of Georgia;

3. The National Bank exercises its powers according to this law, on a risk-based approach.

4. The compliance of an insurance company licensed according to the Law of Georgia on Insurance with the obligations determined by Article 19, Paragraphs 1 and 2, Article 21, Paragraphs 1-4, Article 23, Paragraphs 1-4, and Article 26, Paragraph 2 of this law, shall be overseen by the Entity of Public Law - Insurance State Supervision Service of Georgia.

5. The National Bank has the power to establish rules for the exercise of the powers conferred upon it under this chapter through a legal act.

Article 28. Withdrawal of authorization of securitization special purpose vehicle by the National Bank

1. The National Bank has the power to withdraw the authorization of a securitization special purpose vehicle in one or more of the following circumstances:

- a) Securitization special purpose vehicle or asset management company acting on its behalf has requested the National Bank to withdraw the authorization of the securitization special purpose vehicle;
- b) Securitization special purpose vehicle or asset management company acting on its behalf has obtained the authorization by presenting false information to the National Bank or by any other irregular means;
- c) The securitization special purpose vehicle no longer fulfills the conditions under which the authorization was granted;
- d) The securitization special purpose vehicle or the asset management company acting on its behalf has repeatedly or seriously violated the requirement(s) established by this Law, other laws regulating the financial sector, and legal acts issued based on said laws, or instructions;
- e) The authority of the asset management company acting on behalf of the securitization fund has been terminated, and no appropriate replacement has been appointed by this Law;
- f) The liquidation of the securitization special purpose vehicle has been initiated.

2. After the withdrawal of the authorization of the securitization special purpose vehicle, it is prohibited from conducting activities permitted for authorized securitization special purpose vehicles. In the event of a potential threat to investors' interests, the National Bank has the power to suspend or limit specific activities/operations, including prohibiting new securitization.

Article 29. Powers of the National Bank to impose sanctions (monetary fines)

1. The National Bank may, for violations of this Law, and other subordinate normative acts adopted thereunder, or the written instructions of the National Bank, impose a sanction (a monetary fine) on a person concerned (including a person employed in the organization) in the amount and in accordance with the procedure established by a legal act of the National Bank.

2. The sanction (monetary fines) referred to in Paragraph 1 of this article shall be proportional and consistent with the seriousness and severity of the violation taking into account the impact of the violation on the interests of investors.

Chapter VIII. Transitional and Final Provisions

Article 30. Normative Acts to be Issued

The National Bank shall ensure the issuance of the following legal acts by April 1, 2024:

- a) on establishing the notification and information submission rules provided for in Article 7, Paragraph 6 of this Law;
- b) regarding the establishment of the appropriate procedure and additional rules for the authorization of the securitization special purpose vehicle provided for in Paragraph 2 of Article 10 of this law;
- c) regarding the notification and the procedure for its review provided for in Paragraph 4 of Article 11 of this law;
- d) regarding the establishment of additional rules regulating the liquidation of the authorized securitization special purpose vehicle and its compartment provided for in Article 13, Paragraph 12 of this law;
- e) regarding the methodology for calculating the material net economic interest of securitization provided for in Paragraph 5 of Article 21 of this law;
- f) regarding the rule provided for in Paragraph 5 of Article 23 of this law.

Article 31. Enactment of the Law

1. This law, with the exception of Articles 1-29 of this law, shall come into force upon publication.
2. Articles 1-29 of this law shall come into force on April 1, 2024