

**Order N 223/04 of
President of the National Bank of Georgia
December 16, 2020
Tbilisi**

On Approving the Procedure for Recognizing a Person as a Sophiscated Investor

In accordance with Article 15, paragraph 1, subparagraph "g" of the Organic Law of Georgia "On the National Bank of Georgia" and Article 2, paragraph 57 of the Law of Georgia "On the Securities Market", I order:

Article 1

To approve the procedure for recognizing a person as a sophiscated investor in the attached form.

Article 2

This order shall enter into force immediately upon publication.

The President of National Bank

Koba Gvenetadze

The procedure for recognizing a person as an sophiscated investor

Article 1. General provisions

1. This rule determines the list of persons who are considered sophiscated investors, as well as establishes the conditions for recognizing a person as a sophiscated investor.
2. For the purposes of this rule, the securities market intermediary shall be considered:
 - a) a brokerage company licensed on the basis of the Law of Georgia "On the Securities Market";
 - b) a commercial bank licensed on the basis of the Law of Georgia "On the Activities of Commercial Banks", which carries out one or more activities defined by Article 23 of the Law of Georgia "On the Securities Market";
 - c) A licensed/registered asset management company or an authorized/registered investment company that does not have an appointed asset management company based on the Law of Georgia "On Investment Funds".
3. The terms used in this rule have the meaning defined by the Law of Georgia "On Securities Market" and other legislative acts.

Article 2. Sophiscated investors

1. The following legal entity or organizational structure without the status of a legal entity shall be considered an informed investor:
 - a) financial institution (including financial institution licensed/regulated by the authorized body of a foreign country) and international financial institution;
 - b) a legal entity whose equity amount calculated in accordance with international financial

reporting standards exceeds 1 million GEL;

c) the body of the state, autonomous republic or municipality of Georgia or a foreign country, including the body authorized to manage the state debt and the central bank;

d) a person acting on behalf of or for the benefit of the pension scheme.

2. The following natural person is considered to be a sophisticated investor:

a) a member of the financial institution's governing body (including the director), the Head of the brokerage, trade and/or investment department, the Deputy Head and any employee of these departments who has the authority to independently conclude transactions on behalf of such financial institution;

b) A person provided with significant property. In particular, a person whose proven property exceeds 3 million GEL or whose annual income for each year in the last 3 years exceeds 200,000 GEL. In addition, when calculating the income of an individual entrepreneur, expenses related to his entrepreneurial activity should be taken into account.

3. In addition to the persons referred to in paragraphs 1 and 2 of this article, a person who can make investment decisions independently, assess the risks associated with investing in securities/financial instruments and meets at least two of the following 3 criteria may be recognized as an sophisticated investor by a securities market intermediary:

a) During the last four quarters, the person must have carried out at least 10 transactions per quarter, the total value of which must be at least 200,000 GEL;

b) The value of a person's portfolio of securities and financial instruments, which for the purposes of this subsection includes securities/financial instruments and bank deposits, must be at least 1,000,000 GEL;

c) The person should have at least 1 year of work experience in the financial sector in a position that requires relevant sophisticated of transactions/services related to financial instruments/securities.

4. In addition to the person provided for in paragraph 3 of this article, a person who has been granted this status by the order of the President of the National Bank of Georgia dated February 19, 2010 No. 16/01 may also be recognized as an sophisticated investor by the securities market intermediary. by a financial institution authorized to grant the status of a licensed and sophisticated investor in a specified developed country, and this person submits a document confirming the above to the securities market intermediary.

5. The person referred to in paragraphs 1 or 2 of this article is automatically considered a sophisticated investor. Such a person has the right to request that he be treated as an non-sophisticated investor.

6. A person referred to in paragraphs 3 or 4 of this article may be recognized as an sophisticated investor by a securities market intermediary only if this person himself requests the granting of the said status or expresses his consent to it.

Article 3. Duties of securities market intermediaries and sophisticated investors

1. If a person requested on the basis of paragraph 3 or 4 of Article 2 of this rule to grant the status of an informed investor or express consent to such, the securities market intermediary shall ensure the following:

a) to obtain all the relevant information and supporting documentation to ensure that the person complies with the requirements specified in Article 2, paragraph 3 or 4 of this Rule;

b) to obtain the written consent of the person, by which the person confirms that he/she agrees to accept the status of sophisticated investor, that the information presented by him/her

is true and accurate, and that he/she fully understands and takes into account the risks associated with investing and trading in appropriate financial instruments/securities;

c) to inform the person in writing about the risks associated with the status of an sophisticated investor.

2. Securities market intermediaries must ensure the development of policies and procedures related to the recognition of persons defined in Article 2 paragraphs 1-4 of this rule.

3. When accepting each new client, securities market intermediaries must ensure that they are assigned the appropriate status (sophisticated /non- sophisticated) and inform the client about this.

4. If a person has been assigned the status of an sophisticated investor and he wants to remove this status or, in connection with a certain transaction, wants to be treated as an non-sophisticated investor, he must apply to the securities market intermediary, who is obliged to act in accordance with the person's request.

5. sophisticated investors are obliged to inform all securities market intermediaries with whom they have relations about any event that may cause a change in their current status.

6. If the securities market intermediary becomes aware that a person no longer meets the requirements on the basis of which he was granted the status of an sophisticated investor, the securities market intermediary must ensure that the status is changed for him and inform the client about this.

Article 4. Transitional provision

The securities market intermediaries shall ensure the development of the policies and procedures specified in Article 3, paragraph 2 of this rule no later than 3 (three) months after the entry into force of this order.