

Order N33/01 of the President of the National Bank of Georgia

March 9, 2010, Tbilisi

On the approval of the “Rules for Licensing the Securities Registrar, Submitting Financial Statements, Determining the Minimum Amount of Capital and Terminating the Activities of the Securities Registrar”

Pursuant to the subparagraph “g” of the first paragraph of the article 15th, subparagraphs “b” and “c” of the article 52nd of the Organic Law of Georgia “on the National Bank of Georgia and articles 29th and 32nd of the law of Georgia “on the Securities Market”, **I hereby order**”:

1. “The rules for licensing the securities registrar, submitting financial statements, determining the minimum amount of capital and terminating the activities of the securities registrar” together with attachments shall be approved.
2. The following shall be declared invalid:
 - a) Resolution N19 of July 25, 2002 of the National Securities Commission of Georgia on the approval of the "Licensing rule of securities registrar”;
 - b) Resolution N18 of July 18, 2002 of the National Securities Commission of Georgia on the approval of the rule "On production of reports and determination of forms by the securities registrar".
 - c) Resolution N29 of February 3, 2003 of the National Securities Commission of Georgia on the approval of the rule "On the establishment of requirements for the terms of the written agreement between the securities registrar and the issuer".
3. This order shall take effect immediately after publication.

G. Kadagidze

"The rules for licensing the securities registrar, submitting financial statements, determining the minimum amount of capital and terminating the activities of the securities registrar"

Article 1. General Provisions

This rule determines:

- a) Requirements to be met by an applicant for a securities registrar license (hereinafter referred to as “License Seeker”), license application form and submission procedure, as well as the notification procedure of the National Bank of Georgia (hereinafter referred to as “the National Bank”) in case of updating the information in the license documentation by the license holder;
- b) Minimal amount of equity capital;
- c) The rule of reporting by the securities registrar and the periodicity and procedures of their submission to the National Bank;
- d) The terms and conditions of the termination of the activities of the securities registrar and the termination of the contract concluded with the issuer.

Article 2. Definition of terms

1. For the purposes of this rule, the terms used in the text have the following meanings:
 - a) Declaration – a special form filled out and signed by a member of the license seeker's governing body, which reflects the compliance of the member of the license seeker's governing body (bodies) with the requirements established by the Law of Georgia "On the Securities Market" (hereinafter referred to as "the Law");

- b) Audited financial statements – statements prepared in accordance with international financial reporting standards, which are audited in accordance with international auditing standards;
 - c) Interested person – a legal entity in respect of which an administrative legal act has been issued, as well as whose legal interest is directly affected by the administrative legal act or the action of an administrative body.
2. Other terms used in this rule have the meaning defined by law.

Article 3. Licensing requirements of securities registrar

1. In order to obtain a securities registrar's license (hereinafter referred to as "License"), the license seeker shall apply to the National Bank with an application (Appendix N1), to which it shall attach the documents determined by the law of Georgia "On licenses and permits". (The attached declaration form must be filled in completely by the license seeker. Otherwise, the National Bank will not consider the license application), as well as other information and documentation, in particular:
 - a) Information that the license seeker is registered as a joint-stock company or a limited liability company in accordance with the Law of Georgia on "Entrepreneurs";
 - b) Information that none of the members of the governing body of the license seeker has been deprived of the right to participate in the governing body. No member of its governing body has been convicted of an economic crime in the last 10 years. Also, they have not been charged an administrative fine for a gross violation of the Georgian legislation on securities (declaration form - Appendix N2) for the last 5 years; The declaration form must be filled in completely by a member of the governing body of the license seeker. Otherwise, the National Bank will not consider the license application;
 - c) Information on the identity of the beneficial owner who directly or indirectly owns a significant share (10% or more). Information about the identity of the beneficial owner includes:
 - c.a.) Name and surname;
 - c.b.) In the case of a citizen of Georgia - the data of the identity document (citizen's personal number, date of birth), a copy of this document;
 - c.c) In the case of a citizen of another country – copies of identity documents duly legalized or certified by apostille, through which it will be possible to identify the person;
 - d) Extracts from the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities.
 - e) The license seeker shall submit the audited financial statements of the last year or the last half year (whichever is more recent). If the license seeker applies to the National Bank to obtain a license no later than half a year after its establishment, it submits the current balance sheet (unaudited);
 - f) The document proving license fee payment.
2. In the event of a change in the data provided for in the first paragraph of this article, the license holder is obliged to inform the National Bank about this in writing and submit the appropriate documents within 7 calendar days of making the relevant change.
3. The organizational structure of the license seeker shall meet the following requirements:
 - a) The securities registrar shall have a person responsible for keeping the register;
 - b) The employees of the securities registrar, who participate in the production of the securities register, shall have relevant experience;

c) The securities registrar shall explain to the employees the obligations related to the protection of confidential information obtained during the performance of activities and receive from them written confirmation of compliance with these obligations.

4. The technical means of the license seeker must meet the following requirements: shall have a registry production program, which allows to produce a securities register in accordance with the rules established by the legislation of Georgia. In case of obtaining a license, the license seeker is obliged to use the program that it submitted to the National Bank before receiving the license. (1.12.2011 N 99/04).

5. A license seeker for a securities registrar shall develop the charter and internal regulation of keeping the registry and attach to the license application, which shall be available for review by issuers and registered persons. The abovementioned internal regulation shall include:

- a) list of securities registrar's operations and implementation terms;
- b) the list of documents and forms, on the basis of which the securities registrar carries out the registration of the transfer of securities and other operations in the registry;
- c) the rules for registration, processing and storage of incoming documentation;
- d) securities registrar's service fee;
- e) measures taken to protect against unauthorized access, alteration, destruction, falsification, opening and distribution of information, data, records and other documents, as well as their loss or damage, which relate to registered persons and their accounts;
- f) data protection measures on electronic carriers of information;
- g) In case of unforeseen circumstances, the recovery plan of Securities registrar activity and lost information.

6. The securities registrar shall attach information about their partners (shareholders), managers and employees to the license application, in particular:

- a) names of partners (shareholders) and the amount of share of each of them; Activities during the last 5 years and information about the ownership of public securities in accountable enterprises;
- b) Names of partners (shareholders) holding a significant share and the amount of each of them;
- c) Names, addresses and description of professional experience of management persons;
- d) The names of those employees who will be responsible for the supervision of compliance with the Law of Georgia "On Securities", the relevant rules and the procedures adopted by the securities registrar.

7. Persons who do not have a securities registrar's license are not allowed to use the words "Registrar or securities registrar" or other words in their activities and advertising, if their combination indicates such activities.

Article 4. Financial requirements

1. The audited equity capital of the securities registrar shall amount to at least 250 000 GEL; (1.12.2011 N 99/04)
2. The amount of capital specified in the first paragraph of this article should be calculated according to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and the International Financial Reporting Standards Interpretations Committee (IFRS Interpretations Committee) applicable for the reporting year. (1.12.2011 N 99/04)
3. The securities registrar is obliged to protect the minimum amount of equity capital specified in the first paragraph of this article at all stages of their activity. (1.12.2011 N 99/04)

Article 5. Issuance of license and grounds for refusal to issue

1. Licenses are issued in accordance with the Law of Georgia "On Licenses and Permits".
2. License is not issued, if:
 - a) the application submitted by the license seeker and the attached documents do not meet the requirements of the legislation and were not corrected by the license seeker within the deadline set by the administrative body;
 - b) The license seeker cannot meet the license conditions established by law.
 - c) The license seeker has been deprived of the right to activity in the relevant licensable field by the incriminatory judgement of the court entered into force.
3. The National Bank makes a decision on refusal to issue a license within 30 calendar days after examining the submitted license documentation.
4. In case of refusal to issue the license, the license issuer is obliged to immediately notify the license seeker the substantiated refusal in writing.
5. The decision of the National Bank to refuse to issue an activity license can be appealed in court in accordance with the rules established by the legislation of Georgia.

Article 6. Cancellation of license

1. The National Bank is authorized to revoke the securities registrar's license in accordance with the procedure established by Chapter V and Article 31 of the Law of Georgia "On Licenses and Permits".
2. In the event that the license holder does not fulfill the license conditions of the securities registrar, or the license holder violates the requirements established by the legislation of Georgia and in other cases stipulated by the law of Georgia "On licenses and permits", the National Bank warns the license holder and sets a period of not less than 30 days, during which it shall eliminate the deficiencies.
3. If the license holder is not able to eliminate the deficiencies in accordance with the rules established by paragraph 2 of this article, the National Bank is authorized to revoke the license based on a substantiated decision. The grounds for revocation of the license are also:
 - a) request of the license holder, which it submit to the National Bank in accordance with Article 78 of the General Administrative Code of Georgia;
 - b) Liquidation of the license holder;
4. The National Bank makes a decision on license revocation within 30 days;
5. The National Bank is obliged to immediately inform the license holder about the initiation of administrative proceedings regarding license revocation.
6. The license certificate shall be returned to the National Bank within 3 days after the decision to revoke the license comes into force.

Article 7. requirements towards the activity

1. The securities registrar shall meet the following conditions: after the expiration of one calendar year following the receipt of the license- shall maintain the securities register of at least 25 enterprises;
2. Within 15 calendar days after the expiration of one calendar year following the receipt of the license, the securities registrar shall submit a report regarding the activities. The report should include:

- a) a complete list of issuers whose register is maintained by the registrar;
- b) number of persons holding securities of each issuer;
- c) information about consolidation;

3. In the event that the securities registrar can no longer meet the requirements for activity, it shall still submit a report to the National Bank in the form specified in paragraph 2 of this article; In this case, the National Bank sets a deadline of at least 30 calendar days for the securities registrar, during which the latter must eliminate the abovementioned defect.

Article 8. Reporting

The securities registrar will submit to the National Bank:

- a) annual audited financial statement;
- b) annual report on issuers;
- c) monthly reporting on issuers;
- d) current reporting (notification).

Article 9. Annual audited financial statements

1. The securities registrar must annually prepare and submit to the National Bank the audited annual financial statements of the relevant calendar year no later than 90 calendar days after the end of the year;
2. The annual audited financial statements prepared by the securities registrar shall include financial statements (official registers) and notes drawn up considering international financial reporting standards and international accounting standards;
3. The securities registrar shall submit the annual audited financial statements to the National Bank in both physical and electronic form. The electronic part of the annual audited financial statements shall be submitted in Excel and PDF format;
4. The responsibility for the correct preparation of annual financial statements is entrusted with the members of the company's governing body.
5. The annual audited financial statements contain:
 - a) the balance sheet;
 - b) profit and loss statement;
 - c) reporting on changes in equity;
 - d) cash flow statement;
 - e) explanatory notes;

6. The National Bank publishes the annual audited financial statements submitted by the securities registrar in PDF format on its official website. The National Bank shall not publish the information which will be recognized by it as confidential. (1.12.2011 N 99/04).

Article 10. Annual report on issuers (1.12.2011 N 99/04)

1. Within 15 calendar days after the end of each business year, the securities registrar shall submit to the National Bank an annual report on the issuers the register of it maintains (Appendix No. 3);

2. The securities registrar shall submit the annual report on issuers to the National Bank in both physical and electronic form. The electronic part of the report shall be presented in Excel format.

Article 11. Annual report on issuers (1.12.2011 N 99/04)

1. Within 7 calendar days after the end of each month, the registrar shall submit to the National Bank a statement of their activities, which shall include:
 - a) List of issuers, indicating the number of owners of securities (Appendix No. 4);
 - b) Consolidation results (if there is a new consolidated register), (Appendix No. 5);
 - c) Cases and reasons for refusing to perform the registration operation (Appendix No. 6);
 - d) Information on the beneficial owners of a large package of securities (Appendix No. 7);
 - e) Transfers made with securities of the accountable enterprise (Appendix No. 8);
 - f) Cases of blocking made on accounts (Appendix No. 9).
2. The registrar of securities shall submit monthly reports on issuers to the National Bank in both physical and electronic form. The electronic part of the report shall be presented in Excel format.

Article 12. Current reporting (notification)

The registrar of securities shall submit to the National Bank a current report on the cases listed below within 7 calendar days after the occurrence of the fact:

- a) on the termination of the agreement with the issuer, indicating the reasons and date, as well as indicating the person to whom the register was transferred.
- b) about changes in the registrar's license documents;
- c) about the creation (cancellation) of the registrar's representative office or branch and its status.

Article 13. Signatures

The registrar's reports shall be signed by a duly authorized person of the securities registrar who is responsible for the accuracy of the information contained in the reports.

Article 14. Obligations of the securities registrar upon termination of the service agreement

In case of termination of the service agreement, the securities registrar is obliged to transfer the issuer's securities register within 5 days to the issuer whose securities register it maintained or at the request of the latter, to its new registrar.