

Law of Georgia on Mortgage Covered Bonds

Chapter I

General

Article 1. Purpose and scope of the law

1. The purpose of this Law is to increase the access for commercial banks to diversified sources of financing for their operations and to support development of mortgage covered bonds (hereinafter – mortgage bonds) market in Georgia.
2. This Law regulates legal relations regarding issuance of mortgage bonds, supervision of mortgage bond issuers and their activities.
3. The mortgage bonds issued under the requirements of this law may be subscribed on the basis of a private as well as a public offer.
4. It is forbidden to use in the description or the name of a debt security issued in Georgia a label such as a “Mortgage Bond”, “Mortgage Covered Bond”, or their equivalent in a foreign language (including “Covered Bond”) if the said debt security has not been issued in compliance with the conditions laid down in this Law.

Article 2. Definition of the terms

1. 1. For the purposes of this Law, the terms provided herein shall be defined as follows:
 - a) Mortgage bond – debt security issued by a commercial bank (including a refinancing bank), secured by assets to which mortgage bondholders have preferred and direct recourse as creditors in accordance with this Law;
 - b) Cover pool - a clearly defined set of cover assets that secure payment obligations attached to the mortgage bonds issued under a mortgage bond program or refinancing instruments existing under a refinancing program and that are segregated from other assets held by the issuer/debtor of the refinancing bank;
 - c) Program – a mortgage bond program or a refinancing program as defined by this Law;
 - d) Mortgage bond program - a program of the issuer consisting of one or several issues of mortgage bonds and a cover pool securing payment obligations attached to those mortgage bonds;
 - e) Refinancing program - a program of a debtor of a refinancing bank consisting of one or several refinancing instruments and a cover pool securing payment obligations attached to those refinancing instruments;
 - f) Mortgage loan – a loan issued for any purpose, including both the principal and interests (if applicable) receivable therefrom, secured by a mortgage on immovable property in accordance with the Civil Code of Georgia;
 - g) Substitute asset - an asset (including both the principal and interests (if applicable) receivable from such asset) referred to under Article 3 Paragraph 6 of this Law and included in the cover pool;
 - h) Overcollateralization – The percentage, calculated pursuant to the rule prescribed under Article 7 Paragraph 1, by which the nominal value of mortgage loans and substitute assets within the cover pool exceed the nominal value of mortgage bonds taking into account the claims/liabilities arising from registered derivatives.
 - i) Default – failure or expected failure to fulfil contractual obligation of payment. The National Bank of Georgia shall by a legal act establish additional criteria to qualify an event referred to in this subparagraph as a default;

- j) Market value of immovable property – the amount for which an immovable property can be reasonably expected to be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction wherein the parties each act knowledgeably, prudently and without compulsion;
- k) Issuer – commercial bank (including a refinancing bank) which is authorised to issue mortgage bonds according to this Law;
- l) Debtor of a refinancing bank (Debtor) – a financial institution which has assumed an obligation of cash payment towards the refinancing bank through a refinancing instrument;
- m) Refinancing bank - a commercial bank that issues mortgage bonds secured by claims arising from one or several refinancing instruments in accordance with this Law.
- n) Commercial bank - a commercial bank licensed according to the Law of Georgia on Commercial Bank Activities;
- o) Residential property - a residence which is occupied by the owner or the lessee/tenant of the residence;
- p) Public interest entity - an entity defined as such in accordance with the Law of Georgia on Accounting, Reporting and Audit;
- q) Special manager – a special manager as referred to under article 37 of the Law of Georgia on Commercial Bank Activities
- r) Net liquidity outflow - all payment outflows, including principal and interest payments and payments under derivative contracts, arising out of the mortgage bond program or refinancing program that fall due one day, excluding all payment inflows receivable from the cover assets falling due on the same day;
- s) Program creditor – mortgage bond program creditor or refinancing program creditor;
- t) Mortgage bond program creditor - holder of a mortgage bond issued under the relevant mortgage bond program, counterparty to the registered derivative agreement included in the mortgage bond program as well as counterparty to a transaction entered into by the program administrator;
- u) Refinancing program creditor - refinancing bank in relation to rights and obligations arising from a refinancing instrument, counterparty to the registered derivative agreement included in the refinancing program as well as counterparty to a transaction entered into by the program administrator;
- v) Registered derivative agreement – a derivative agreement referred to under Article 3 paragraph 8 of this Law which is registered in the cover assets register;
- w) Program administrator (Administrator) – an administrator of a mortgage bond program as contemplated by Article 19 Paragraph 1 of this Law as well as an administrator of a refinancing program as contemplated by Article 25 Paragraph 1 of this Law;
- x) Cover asset – an asset as contemplated by Article 3 Paragraph 1 or Article 5 Paragraph 1 of this Law which is entered in the cover pool;
- y) Refinancing instrument – any financial instrument and/or contract which is employed by a refinancing bank to provide finance to a debtor through lending or other equivalent means and which is used under this Law with the aim of securing mortgage bonds issued by the refinancing bank;
- z) Encumbrance Measure – any measure taken to make a person meet the obligations stipulated by law and/or an agreement, including coercive enforcement measures (including but not limited to interim protective and emergency court orders), means for securing a claim (including but not limited to measures securing payment of overdue tax liabilities, pledge and mortgage) as well as the use of assets for securing the claims of the program creditors pursuant to this Law;
- z¹) Resolution Committee – The resolution committee of the National Bank of Georgia as designated under Article 16² the Organic Law of Georgia on the National Bank of Georgia;
- z²) Separation of mortgage bond program (program separation) – the legal regime established under Chapter VI of this Law the purpose of which is to manage the program separately from the other assets and liabilities of the issuer/ debtor of the refinancing bank in order to protect interests of program creditors;

z³) Close-out netting – close-out netting as defined under the Law of Georgia on Financial Collateral, Netting and Derivatives.

2. Other terms not defined in this Law shall have the meaning assigned to them by the Law of Georgia on Securities Market, the Law of Georgia on Commercial Bank Activities and other normative acts of Georgia.

Chapter II

Eligibility of Cover Assets

Article 3. Cover assets of commercial banks

1. In order to secure payment obligations attached to mortgage bonds issued by the commercial bank, the following assets belonging to the commercial bank may be entered in the cover pool:

- a) Claims arising from mortgage loans;
- b) Substitute assets;
- c) Claims arising from derivatives.

2. A commercial bank is prohibited from including an asset to the cover pool if one of the following circumstances exists:

- a) an asset which is subject to an encumbrance measure;
- b) an asset which is in default.

3. A mortgage loan referred to under subparagraph (a) of paragraph 1 hereof shall fulfill at least the following general conditions:

- a) The loan agreement shall establish a valid and enforceable obligation of cash payment that has a value that can be determined at any time;
- b) The mortgage shall satisfy all the requirements of validity and enforceability prescribed by the legislation of Georgia;
- c) The commercial bank as a creditor shall be able to recover the value of the claim out of the mortgage collateral without undue delay;
- d) The mortgage shall be of the first rank;

4. As of the date of registration of a mortgage loan in the cover assets register, the ratio between the outstanding principal amount, or part thereof, of such loan contributing to coverage under Article 7 Paragraph 1 of this Law and the market value of the immovable property securing the same shall not exceed 60% for non-residential property and 80% for residential property. This paragraph shall also apply mutatis mutandis to cases whereby more than one mortgage loan is secured by the same immovable property/properties. For the purpose of maintaining stability of the financial sector, the National Bank of Georgia may lower the loan-to-value ratio prescribed in this paragraph for foreign currency mortgage loans.

5. If, after the registration of a mortgage loan in the cover assets register, the ratio between the outstanding principal amount, or part thereof, of such loan and the market value of the immovable property securing the same exceeds the threshold established under paragraph 4 hereof, the amount of the principal of the loan contributing to coverage under Article 7 Paragraph 1 shall be deemed reduced proportionally. In the aforementioned event the issuer shall post additional cover assets in the cover pool if it is necessary to comply with the requirements set out in this Law or any legal act adopted thereunder.

6. The following assets belonging to the commercial bank may be included in the cover pool as substitute assets to secure payment obligations attached to mortgage bonds:

- a) Deposits;
- b) Debt securities issued and/or guaranteed by the government of Georgia, an international financial institution or other entity (entities) as provided under the legal act of National Bank of Georgia;

c) other claims against the government of Georgia, an international financial institution or other entity (entities) as provided under the legal act of National Bank of Georgia.

7. The aggregate outstanding principal amounts of mortgage loans in the cover pool shall not be less than 80% of the aggregate outstanding principal amounts of mortgage bonds. In case of occurrence of circumstances that threaten the stability of financial sector and/or substantial interests of the program creditors, National Bank of Georgia may prescribe a lower threshold but not less than 60% of aggregate outstanding principal amounts of mortgage bonds. The restrictions prescribed under paragraphs 3 to 5 of Article 7 shall also apply mutatis mutandis to the calculation of the amount of principal of a mortgage loan for the purposes of this paragraph.

8. The issuer may manage market risks (including interest rate risk and foreign currency risk), affecting the program through the use of a derivative transaction(s) provided that the issuer registers such derivative transaction(s) in the cover assets register. Derivative transactions may exclusively be entered into for hedging the aforementioned risks and shall additionally meet at least the following conditions cumulatively:

- a) the derivative transaction has been concluded on the basis of a framework agreement that only allows close-out netting for claims arising from derivative transaction(s) entered in the cover assets register;
- b) The derivative is included in the cover assets register upon the prior approval by the counterparty of the derivative;
- c) The derivative transaction is concluded in written form (including electronic form);
- d) Under the terms of the derivative transaction, it may not be terminated or subjected to close-out netting by the counterparty save for on the grounds as permitted under Article 16, Paragraph 3 of this Law;
- e) Under the terms of the derivative transaction, in the event of the other counterparty's creditworthiness falling to an unacceptable level, such counterparty will have to provide adequate collateral or such counterparty shall be replaced by another counterparty;
- f) The counterparty to the derivative transaction is a financial institution.

9. Unless otherwise provided by this Law or terms of issuance of mortgage bonds, the issuer is not obliged to distribute cash flows received from cover assets to the program creditors or place those funds into the cover pool. This provision does not affect the obligation of the issuer to pay coupons and principal on mortgage bonds in accordance with the terms of issuance.

10. Issuer of mortgage bonds under this Law shall ensure that cover assets are segregated from its other own assets, so that they can be identified at any given time and be beyond the legal reach of creditors of the issuer other than the program creditors.

11. 1st, 3 to 5, and 7th paragraphs of this article shall not apply to cover assets securing payment obligations attached to mortgage bonds issued by a refinancing bank in accordance with Article 5 Paragraph 1 of this Law.

Article 4. Real estate valuation standards

1. The valuation serving as the basis for the establishment of the market value of immovable property securing the mortgage loan included in the cover pool shall be conducted by a valuer who is independent from the credit decision process. The valuer must have appropriate knowledge and professional experience.

2. The valuation and calculation of the market value of the immovable property shall be conducted according to internationally recognized valuation standards.

3. The market value of the immovable property securing the mortgage loan included in the cover pool shall be reviewed at least once a year. The market value of the immovable property shall be reviewed more often, if one of the following conditions is present:

- a) There is a significant adverse change in market conditions;

b) A significant decline of prices on the real estate market has occurred or is expected to occur, including when such decline concerns only one specific class or type of real estate.

4. Real estate revaluation is mandatory if, within the framework of the review carried out in accordance with paragraph 3 of this article, it is suspected that the market value of the real estate has significantly decreased.

5. For the purposes of conducting review (monitoring) of the market value of real estate and revaluation thereof in accordance with Paragraphs 3 and 4 of this Article, statistical methods may be employed.

6. The requirements prescribed in this Article shall be specified by the legal act of the National Bank of Georgia.

Article 5. Cover assets securing payment obligations attached to mortgage bonds issued by a refinancing bank

1. The following assets belonging to the refinancing bank may be entered in the cover pool to secure payment obligations attached to mortgage bonds issued by the refinancing bank:

a) Claims arising from refinancing instruments;

b) Substitute assets as prescribed under Article 3 Paragraph 6 of this Law;

c) Claims arising from registered derivatives as prescribed under Article 3 Paragraph 8 of this Law.

2. The restriction set out under Article 3 Paragraph 2 shall also apply to assets that the refinancing bank intends to include in its cover pool.

3. In cases referred to in Article 25 Paragraph 3 of this Law, the cover assets of a refinancing bank may also consist of the cover assets of the debtor that are transferred to the refinancing bank according to the same paragraph.

4. The aggregate outstanding principal amounts of refinancing instruments included in the cover pool of the refinancing bank shall not be less than 80% of the aggregate outstanding principal amounts of mortgage bonds. In case of occurrence of circumstances that threaten the stability of financial sector and/or substantial interests of the program creditors, National Bank of Georgia may prescribe a lower threshold but not less than 60% of aggregate outstanding principal amounts of mortgage bonds. For the purposes of this paragraph, the restrictions prescribed under Paragraphs 3 and 5 of Article 7 shall also apply mutatis mutandis to the calculation of the nominal value of principal amount of a refinancing instrument.

5. Payment obligations attached to refinancing instrument(s) under a refinancing program must be secured by the debtor of the refinancing bank with appropriate amount of cover assets according to the requirements set out under Articles 3, 4, 6 to 8 of this Law.

6. Provisions of this Law governing issuance of mortgage bonds by a refinancing bank shall not apply in the event the refinancing bank or a debtor of the refinancing bank issues mortgage bonds independently pursuant to this Law.

Chapter III

Cover Assets Liquidity and Coverage

Article 6. Requirements for a mortgage bond program

1. Save for the exceptions prescribed under this Law, cover assets included in a mortgage bond program shall exclusively serve to satisfy the claims of the program creditors.

2. Mortgage bonds of each program shall be secured by one cover pool.

3. Within the same program, the issuer may increase the amount of original issuance of mortgage bonds by further issuing mortgage bonds under the same terms in accordance with this law as well as it may issue mortgage bonds of different classes.

Article 7. Coverage

1. The total nominal value of the outstanding principal amounts of mortgage loans and substitute assets registered in the cover assets register shall exceed by at least 5% the total outstanding nominal value of principal amounts of mortgage bonds.
2. In so far as a derivative is also included in the cover assets register, the calculation referred to under paragraph 1 hereof shall take into account the claims and liabilities arising from such derivative.
3. Subject to paragraph 4 and 5 hereof, where a cover asset does not comply with the eligibility criteria set out under Article 3 or 5 of this Law and/or the requirements established by the legal act of National Bank of Georgia on the basis of this Law (including, where a cover asset no longer complies with those criteria after inclusion in the cover assets register), such asset shall not be taken into account for the purposes of calculating coverage under paragraph 1 of this article. With respect to those cover assets which do not comply with the requirements set under the legal act of the National Bank of Georgia adopted on the basis of this Law, the National Bank of Georgia may prescribe a different rule.
4. Only that part of a mortgage loan which is within the loan to value limit laid down under Article 3 Paragraphs 4 and 5 of this Law shall be taken into account for the purposes of calculating coverage under paragraph 1 of this article.
5. If, after registration of the cover asset in the cover assets register, the cover asset falls in default, the amount of the claim contributing to coverage under paragraph 1 of this article may be reduced pursuant to the rule adopted by the National Bank of Georgia. Notwithstanding the foregoing, uncollateralized claims in default do not contribute to coverage under paragraph 1 of this article.
6. Issuer shall check compliance of the amount of cover assets with the requirements set out under paragraph 1 of this article and rules adopted by the National Bank of Georgia pursuant to this Law and report the results to the cover pool monitor and the National Bank of Georgia. The National Bank of Georgia shall in its normative act determine the frequency and the rules to be followed in order to perform such asset coverage tests.
7. In case of a shortfall determined based on the calculations made under paragraph 1 of this Article or normative acts adopted by the National Bank of Georgia pursuant to this Law, the issuer must immediately add the necessary amount of cover assets to the cover pool.
8. The National Bank of Georgia may by a legal act establish a level of overcollateralization that is higher than referred to under paragraph 1 of this article, as well as specify the rules of calculation of coverage.

8. Liquidity Requirements

1. A cover pool must consist of substitute assets that satisfy liquidity requirements determined by the National Bank of Georgia and are sufficient to cover the maximum accumulated expected net liquidity outflow of receivables and payables of the mortgage bond program for the next 180 days.
2. The restrictions prescribed under paragraphs 3 and 5 of Article 7 of this law shall also apply mutatis mutandis to the substitute assets contributing to the liquidity requirement imposed under paragraph 1 hereof.
3. The National Bank of Georgia may determine additional liquidity requirements for unexpected net outflows in market stress situations.

9. Refinancing bank mortgage bond program

The provisions of this Chapter shall apply mutatis mutandis to a refinancing bank mortgage bond program. The National Bank of Georgia may exempt a refinancing bank in this regard from some of the provisions of this Chapter if it at the same time imposes matching requirements regarding maturities, applicable scheduled and early repayment regimes of refinancing instruments and mortgage bonds.

Chapter IV

Granting Authorization and Permission for Issuance of Mortgage Bonds; Disclosure of Information to Program Creditors

Article 10. Authorization for issuance of mortgage bonds

1. A commercial bank must obtain authorization from the National Bank of Georgia for the issuance of mortgage bonds.
2. The authorization to issue mortgage bonds will be granted to the commercial bank if it complies at least with the following conditions:
 - a) Commercial bank has an adequate program of operations in order to issue covered bonds;
 - b) Commercial bank has adequate policies, processes and methodologies aimed at investor protection for the approval, amendment, renewal and refinancing of loans included in the cover pool;
 - c) Commercial bank has the management and staff dedicated to the mortgage bond program which have adequate experience and knowledge;
 - d) Commercial bank has at its disposal enough resources to set-up, manage and monitor cover pool.
3. The National Bank of Georgia may revoke the authorization granted to the commercial bank in the following cases:
 - a) It has obtained authorization through producing false information or other illegal conduct;
 - b) It no longer complies with the conditions under which the authorization was given;
 - c) It has repeatedly or severely violated this Law, other legislation regulating the financial sector, or legal acts or instructions adopted thereunder, endangering implementation of the mortgage bond program taking into account the interests of the program creditors;
 - d) It has not issued mortgage bonds for three years since the receipt of authorization.
4. National Bank of Georgia shall through a legal act determine additional rules for granting and revocation of authorization for issuance of mortgage bonds.

Article 11. Permission for issuance of mortgage bonds. Disclosure of information to the creditors of the program.

1. Before launching a mortgage bond program, the issuer must apply to the National Bank of Georgia for a permission. In order to obtain the permission, the issuer shall submit to the National Bank of Georgia information about the mortgage bond program to be launched. The National Bank of Georgia shall adopt a legal act determining detailed rules and terms for granting the permission.
2. The issuer must disclose to the program creditors information about the flow of the program operations. The information provided must contain all the details that are necessary for the creditors to assess profile and risks of the program. Such information shall be provided to creditors at least on a quarterly basis and include the following minimum mortgage bond program information:
 - a) The nominal value of the cover pool and outstanding mortgage bonds;
 - b) Identification number(s) assigned to the mortgage bonds (if available);
 - c) The distribution of cover assets according to their type as provided by this Law and legal acts of National Bank of Georgia;
 - d) Information about market risk, (including, interest and currency risks), credit and liquidity risks;
 - e) The maturity structure of cover assets and mortgage bonds;
 - f) Information about the level of coverage required in accordance with Article 7 Paragraph 1 of this Law as well as the available coverage and the level of overcollateralization.
 - g) For a registered derivative (if applicable), information about the counterparty and key terms of the contract;
 - h) The percentage of mortgage loans in respect of which a default has occurred.
3. If the issuer is a refinancing bank, program creditors shall also be provided with information prescribed under paragraph 2 hereof about the cover assets securing refinancing instruments.

4. The additional rules for delivery and/or publication of the information provided by the Issuer to the creditors of the program under paragraph 2 of this article shall be established by the legal act of the National Bank of Georgia.

Chapter V

Priority Claims of Program Creditors; Registry and Monitoring of Cover Assets

Article 12. Preferential right of satisfaction from cover assets

1. The cover assets shall constitute the assets which are segregated from the issuer's other assets. They may not be subject to any encumbrance measure for third party claims other than the following program creditors' claims:

a) The claims arising from mortgage bonds and registered derivatives;

b) Claims arising from contracts concluded by the program administrator.

2. Mortgage bond program creditors enjoy, compared to other creditors of the issuer, preferential rights ranking *pari passu* over the assets included in the cover pool to satisfy their claims referred to under subparagraph (a) and (b) of paragraph 1, without there being any need for the conclusion of any special contract between the issuer and mortgage bond program creditors determining right to pledge or any other preferential right.

3. Set-off by third parties against the claims of the issuer comprising cover assets shall be prohibited. This prohibition shall not apply to close-out netting against the claims arising from registered derivative(s).

4. The claims arising from cover assets that do not contribute or only partially contribute to coverage under Article 7 Paragraph 1 of this article shall constitute integral part of the cover pool and shall be fully subject to preferential rights of mortgage bond program creditors pursuant to this Law.

5. This article shall also apply *mutatis mutandis* to the cover assets of the debtor of the refinancing bank and preferential rights of the refinancing program creditors in relation to those cover assets.

Article 13. Cover asset register

1. Assets shall be deemed to be included in the cover pool from the moment of their registration in the cover assets register pursuant to this article. Registration in the cover assets register shall be effected:

a) With respect to claims referred to under paragraph 1, subparagraph (a) and paragraph 6, subparagraph (c) of Article 3 of this Law, by registering the list of the relevant agreements, from which such claims arise, in the Legal Entity of Public Law – National Agency of Public Registry;

b) With respect to other assets, by registration of such assets in the relevant register maintained by the issuer or, in the event of Article 5 Paragraph 5, by the debtor of refinancing bank.

2. The issuer/debtor of the refinancing bank is obliged to check that the assets to be registered in the cover pool register meet the requirements established by this law (including that they are not subject to encumbrance measures). For failure to fulfill this obligation, the issuer/debtor of the refinancing bank shall be liable in accordance with the legislation of Georgia.

3. Registration of cover assets (other than claims arising from derivatives) by or at the initiative of the issuer or refinancing program debtor in the cover assets register shall not require the consent of any third party, including of the borrower.

4. No cover asset may be removed from the cover asset register without the permission of the cover pool monitor or, where applicable, the program administrator/ program liquidator. Any conduct or agreement in contravention of this paragraph shall be considered null and void.

5. It is prohibited to exclude a collateral asset from the register of collateral assets, if this would lead to the violation of any of the requirements established by the legal act of the National Bank of Georgia on the basis of this law.

6. The prohibition provided for in paragraph 5 hereof does not apply after the separation of the program to transactions concluded by the program administrator or program liquidator aimed at meeting the liabilities arising from mortgage bonds / refinancing instruments and from the derivative instruments entered in the cover assets register or covering the costs of management of the program.

7. The rules regarding maintenance of cover asset register by the issuer/debtor, as well as access to the information contained in the register shall be prescribed by a legal act of the National Bank of Georgia.

Article 14. Appointment and dismissal of a cover pool monitor

1. Each issuer shall appoint an cover pool monitor to perform ongoing monitoring of the cover pool. The cover pool monitor may monitor several cover pools of the issuer at the same time.

2. The cover pool monitor shall be a legal person which is eligible to conduct audits of public interest entities. Additional qualification requirements of a cover pool monitor may be determined by the National Bank of Georgia.

3. Cover pool monitor shall be appointed and removed by the issuer upon the prior consent of the National Bank of Georgia. The issuer is entitled to appoint a cover pool monitor for a predetermined time limit. Upon the separation of the program under Article 18 Paragraph 1 of this Law, the office of the cover pool monitor shall remain suspended until the separation is revoked. The cover pool monitor shall provide the program administrator with all such data/information as might be of relevance to the administration of the cover assets.

4. The National Bank of Georgia may request that the issuer remove the cover pool monitor from its position if necessary.

5. In the performance of his duties the cover pool monitor shall be liable for damages caused to the issuer and/or the program creditors only in case of intent or gross negligence. The liability of the cover pool monitor vis-à-vis the issuer pursuant to this paragraph can be expanded under the agreement concluded between the issuer and the cover pool monitor.

6. Provisions of this article and Article 15 shall apply mutatis mutandis to the debtor of a refinancing bank and its cover assets. In this case, the debtor shall have the right to appoint as its cover pool monitor, instead of a person referred to under paragraph 2 hereof, the refinancing bank itself.

Article 15. Rights and duties of cover pool monitor

1. A Cover pool monitor is obliged to:

a) Check that liabilities arising from the mortgage bond program are always secured by a sufficient amount of cover assets in accordance with the Article 7 of this Law;

b) Check that the cover assets are identifiable and segregated from the other assets of the issuer;

c) Check that the value of the immovable property securing the mortgage loan is established in accordance with this Law and the rules adopted by the National Bank of Georgia thereunder;

d) Regularly monitor real estate prices and in the events described under Article 4 Paragraphs 3 and 4 of this Law demand that the issuer carry out its obligations as prescribed by the same paragraphs.

e) In case of identifying cases of infringement of this Law or legal acts adopted thereunder, notify the issuer and National Bank of Georgia thereof immediately;

f) fulfill other duties (as applicable) imposed under the contract concluded with the issuer or under the regulation adopted by the National Bank of Georgia.

2. Beyond the obligation set out under subparagraph (c) of paragraph 1 hereof, the cover pool monitor shall not be required to investigate whether the value of real estate was established correctly.

3. Before issuance of mortgage bonds, the cover pool monitor shall certify in written form the existence of the sufficient amount of cover assets required by this Law and entry thereof in the covered asset register. In the event as prescribed under Article 6 Paragraph 3, such certification shall be made individually for each new issuance.

4. The cover pool monitor shall be entitled to inspect and request the records and information of the issuer related to the mortgage bonds and the assets recorded in the cover assets register.

Article 16. Obligations of the issuer/debtor vis-à-vis program creditors

1. The issuer must fulfill its obligations vis-à-vis the mortgage bond program creditors, irrespective of whether third parties fulfill their obligations deriving from the cover assets vis-à-vis the issuer.

2. Redemption of mortgage bonds and payment of interests (including early repayment) shall be carried out in the manner defined by the terms of issuance of the mortgage bonds.

3. Mortgage bond program creditors may not demand acceleration of fulfillment of obligations arising from mortgage bonds or registered derivatives on the ground of resolution, insolvency and/or commencement of liquidation of / in relation to the the issuer. Acceleration of fulfillment of such obligations may only be demanded by the program creditors on the following grounds:

a) The acceleration is prescribed under the terms of mortgage bonds or registered derivatives, provided that the ground for such acceleration can be only a violation of the payment obligations attached to a mortgage bond/registered derivative or occurrence of any of the event providing cause for declaring the program insolvent;

b) The National Bank of Georgia has approved a decision of program creditors about the liquidation of separated mortgage bond program.

4. This article shall apply *mutatis mutandis* to the obligation of the debtor vis-à-vis the refinancing program creditor.

Article 17. Claims of program creditors vis-à-vis the issuer.

1. The mortgage bond program creditors under the same program are entitled to the following claims:

a) Before commencement of the insolvency/liquidation regime with respect to the issuer, a claim against the issuer on fulfillment of obligations arising from the mortgage bond and/or registered derivative;

b) In the event of commencement of liquidation / insolvency regime with respect to the issuer, a priority claim compared to other creditors of the issuer, ranking *pari passu*, on the the cover assets of the program; when it is impossible to fully satisfy priority claims from the cover assets, the program creditors shall have a residual, unsecured claim against the issuer.

2. The right of dual recourse referred to under paragraph 1 of this Article shall be valid until the full satisfaction of the claim of a mortgage bond program creditor and shall not be interpreted as the right to repeated or double satisfaction of the claim.

3. This article shall apply *mutatis mutandis* to the claim of a refinancing program creditor against the debtor.

Chapter VI

Separation of Mortgage Bond Program, Administration of Separated Program and Its Liquidation

Article 18. Separation of Mortgage bond program

1. Mortgage bond program of a commercial bank shall be considered separated in any of the following circumstances:

a) The banking license has been revoked;

b) A decision on separation of the mortgage bond program has been made according to paragraph 2 of this Article;

2. Taking into account the best interests of the program creditors, the National Bank of Georgia may adopt a decision on the separation of a mortgage bond program in any of the following events is present:

a) The authorization to issue mortgage bonds has been revoked and the separation of the program is necessary for the complete and timely fulfillment of the liabilities arising from mortgage bonds;

b) There is a danger to the fulfilment of the commercial bank's obligations towards its creditors or if there is a reasonable suspicion that effective supervision of the commercial bank is not possible;

c) The decision on the separation of the program is made pursuant to Article 22 Paragraph 5.

3. Subject to paragraph 4 hereof, after the separation of a mortgage bond program, only the claims of the relevant program creditors and the expenses related to administration of the mortgage bond program administration may be satisfied on the account of the cover assets. The claims of the program creditors (including holders of mortgage bonds of different classes issued within the framework of the program) over the cover assets shall rank *pari passu*. The expenses of administration of mortgage bond program shall enjoy priority over the claims of program creditors. Assets remained in the cover pool after covering the administration expenses and the full satisfaction of the claims of creditors will be excluded from the cover pool.

4. Notwithstanding paragraph 3 hereof, if the program administrator has pledged cover assets under a financial collateral arrangement, the collateral taker shall have the priority claim over the pledged assets compared to any other person pursuant to the Law of Georgia on Financial Collateral, Netting and Derivatives.

5. After the moment of separation of the mortgage bond program, the cash (including principal and interest payments made by borrowers on mortgage loans) received on the cover assets shall be ring-fenced from the other cash of the issuer and for this purpose shall be placed on a segregated cash account/accounts with a third party commercial bank/banks. The cash referred to under this paragraph shall be placed into the cover pool.

6. The cover assets (including the cash received on those assets) of one mortgage bond program may not be used for the satisfaction of claims of another mortgage bond program creditors.

7. The separation of a mortgage bond program does not affect the rights and obligations arising from mortgage bonds and registered derivatives, including on the rights of the program creditors prescribed under Articles 16 and 17 of this Law. In spite of the separation of the program, fulfillment of the requirements of this Law regarding adding new assets to the cover pool shall be continued, except for the cases when the banking license has been revoked and liquidation/insolvency proceedings have been commenced in respect of the issuer.

8. In the cases referred to under paragraph 2 of this Article, the separation of the program may be revoked by the decision of the National Bank of Georgia, if the grounds for the separation no longer exist.

9. The Issuer must at all times during the existence of covered bond program have an operational plan in place determining measures that ensure where applicable a smooth transition of the functions prescribed by this Law to the program administrator and an orderly functioning of the covered bond program.

Article 19. Appointment and dismissal of the program administrator

1. In the event of separation of a mortgage bond program, the National Bank of Georgia shall appoint the program administrator. The National Bank of Georgia may appoint the same program administrator for several separated mortgage bond programs.

2. The program administrator shall be accountable to the National Bank of Georgia. The National Bank of Georgia may at any time request specific information or report from the program administrator that is related to the management of the mortgage bond program.

3. The National Bank of Georgia may at any time dismiss the program administrator and appoint other person instead.

4. The program administrator shall be a natural person with enough experience and a good reputation. The program administrator may not simultaneously be the special manager referred to in the Law of Georgia on Commercial Bank Activities or the liquidator of the issuer. The program administrator is

obliged to ensure the avoidance of conflicts of interest and not to allow his own interests to be placed above the interests of the creditors of the program or to exceed his official authority.

5. The National Bank of Georgia may determine the remuneration of the program administrator that must be in compliance with his qualification and the difficulty of his duties. The remuneration and the reasonable expenses incurred by the program administrator shall be covered at the expense of the separated mortgage bond program.

6. The program administrator is responsible for his act or omission in the same fashion as a member of a management body of a company under the Law of Georgia on Entrepreneurs. In case of violation of his duties, the program administrator is liable to the program creditors. The program administrator shall not be held responsible for damages if he acted in good faith, taking into account the best interests of the program creditors, on the basis of the information at his disposal.

7. The National Bank of Georgia shall send the decision on the appointment or removal of the program administrator to the registration authority for the purpose of making entry into the register.

Article 20. Rights and duties of program administrator

1. Upon separation of the mortgage bond program, the right of management (including, disposal) of cover assets is vested in the program administrator. The program administrator may on behalf of the issuer conclude agreements and take appropriate actions (including enforcement of mortgages, procuring liquid funds to repay outstanding mortgage bonds on time, etc.) that are necessary for the proper administration of the cover pool in the interest of the complete fulfilment of the claims of the program creditors in accordance with the issuance/contractual terms. Within his capacity, the program administrator acts as a representative of the issuer vis-à-vis third parties in and out of court.

2. Within two weeks of his appointment, the program administrator must evaluate whether the mortgage bond program complies with the requirements of Article 7 Paragraph 1 and Article 8 Paragraph 1 of this Law and also whether there are grounds to declare the program insolvent. The program administrator shall immediately inform the National Bank of Georgia about his evaluation. While evaluating the program, the program administrator must consider the following options: continuation, restructuring (including, partial or full transfer of the program) or liquidation of the program.

3. If liquidation proceedings have been commenced respecting the issuer, upon completion of the evaluation by the program administrator pursuant to Paragraph 2 of this Article, the liquidator of the issuer shall be entitled to demand that the assets that are part of the overcollateralization and will clearly not be necessary for coverage be excluded from the cover pool. The program administrator may refuse to exclude the cover assets based on the results of the evaluation carried out by him. In case of disagreement between the parties about this matter, the decision will be made by the National Bank of Georgia.

4. The program administrator may extend the maturity dates of the principle payments on mortgage bonds of one or several issuances under the program subject to the requirements of paragraph 5 hereof. In total, the extension period may not exceed 12 months. Furthermore, the program administrator may extend the maturity dates of interest payments arising from mortgage bonds falling due within one month after the appointment of the program administrator to the end of that monthly period. Notwithstanding Article 16 paragraph 3, extension by the program administrator of the maturity dates of the principal and/or interest payments shall not entitle program creditors to demand acceleration of obligations. The program administrator may only exercise his/her authority equally for all mortgage bonds (under the same terms) of an issuance. If mortgage bonds have been issued in tranches with different terms, the program administrator shall exercise the right of maturity extension in a way that the order of redemptions within the program shall not be changed. Unless otherwise provided under terms of issuance, deferred amounts shall bear interest for the duration of the extension in accordance with the terms and conditions applicable up to the extension. Deferred interest shall also bear interest in the same way (under the same rules and

conditions) as deferred principal amount. The exercise of power by the Program Administrator's provided for in this paragraph shall not require consent of the holders of mortgage bonds.

5. Unless the extension does not exceed the period of one month after the appointment of the program administrator, he may only extend the maturity date if, at the time the maturity date is being extended, all the following conditions are met:

a) The mortgage bond program is not insolvent within the meaning of Article 24 Paragraph 1 Subparagraph „a” of this law;

b) The extension of the maturity is necessary in order to avoid the insolvency of the program within the meaning of Article 24 Paragraph 1 Subparagraph „b” of this law;

c) There is reason to believe that the program will be able to timely meet its liabilities after the expiry of the maximum possible extension date, taking into account further possibilities for extension.

6. The program administrator may offer the program creditors one or several proposals about continuation, restructuring (including full or partial transfer of the program) or liquidation of the program. The program administrator shall present the proposal(s) which he deems appropriate for the satisfaction of the claims of the program creditors to the fullest extent possible.

7. The program administrator is obliged to present to the program creditors the proposal(s) prescribed under Paragraph 6 of this Article if, in accordance with Article 22 Paragraph 5, full and timely satisfaction of the claims of the program creditors is not expected following the application of resolution tool(s) by the resolution committee or if the program is declared insolvent.

8. The program administrator is obliged to provide the program creditors with all necessary information for them to make a well-informed decision on the proposal(s). If necessary, the program administrator may require that as a condition of providing the information program creditors enter into confidentiality arrangement. Decision on the proposal(s) is adopted by the program creditors through a meeting of creditors which shall be organized by the program administrator. The meeting of creditors must be held at the earliest 5 business days and at the latest two weeks after the program administrator has presented his proposals. The program creditor shall present at the meeting his as well as, if applicable, the program creditors' proposals. The meeting shall be considered valid, if program creditors program creditors with at least 75 per cent of the all voting rights are present at the meeting. The voting rights of the program creditors shall be proportionate to their claims. Mortgage bonds held by the issuer shall not be considered for the purposes of this paragraph. Creditors shall make decisions with simple majority of the votes of the creditors presented at the meeting. In the event more than one proposal is presented to the program creditors pursuant to this paragraph, the proposal receiving the most votes shall be deemed to be adopted. If the program creditors fail to make a decision pursuant to this paragraph, the program administrator may (and if paragraph 7 is applicable – is obliged to) present to them a renewed proposal. Accordingly, the rules under paragraphs 6, 7 and this paragraph shall apply. The National Bank of Georgia may by its regulation prescribe rules in regard to convocation and conduct of the meeting of program creditors.

9. The proposal approved by the program creditors must be presented to National Bank of Georgia for approval. The National Bank of Georgia may refuse to approve the proposal if it clearly violates the principle of equal treatment of creditors (except where the creditor expressly agrees to unequal treatment) or contradicts requirements of the law of Georgia as well as in the cases determined by the regulations of the National Bank of Georgia. Furthermore, the National Bank of Georgia may refuse to approve the proposal if the resolution committee applies a resolution tool in accordance Article 22, Paragraphs 4, 6 or 7 which contradicts the proposal adopted by the program creditors or, in the event of a partial transfer of the program, the transfer violates requirements under Article 21. If the National Bank of Georgia refuses to approve the proposal pursuant to this paragraph, the program administrator may (and if paragraph 7 is applicable – is obliged to) present to the program creditors a renewed proposal. Accordingly, the rules

under Paragraphs 6 to 8 of this Article shall apply. The proposal approved by the National Bank of Georgia pursuant to this paragraph is mandatory for the program creditors and shall be carried out by the program administrator.

10. The special manager (if applicable), liquidator or other representative of the issuer is obliged to ensure access by the program administrator to any information or document which is related to the program and/or is necessary for the program administrator to carry out his functions. In addition, the program administrator and the special manager (if applicable) / liquidator of the issuer shall notify each other of any information which might be of importance for the resolution / liquidation proceedings of the issuer or the management of the cover assets.

11. The program administrator shall be entitled to make use of staff and material of the issuer in the performance of his task. At the request of the program administrator, the issuer (including, the liquidator of the issuer, special manager within their capacities) shall perform all acts (transactions) necessary for the implementation of the program and refrain from acts (transactions) which threaten to prevent the same. The program administrator shall ensure compensation of the expenses incurred within this paragraph as the costs related to the program management.

12. While managing the mortgage bond program, the program administrator must comply with the legislation regulating activities of commercial banks as well as other laws applying to the issuer.

13. The program administrator is obliged to report to the National Bank of Georgia about the performance of the mortgage bond program and fulfillment of his duties, pursuant to the frequency and rules determined by the National Bank of Georgia.

Article 21. Transfer of mortgage bond program

1. Upon prior consent of the National Bank of Georgia, the program administrator may fully or partially transfer the mortgage bond program to another commercial bank authorized to issue mortgage bonds pursuant to this Law.

2. A full transfer of the program means the transfer of all the cover assets and all the obligations related to the program (including the obligations arising from mortgage bonds issued under the program) to the receiver of the program. The full transfer of the program does not require consent of the program creditors.

3. A partial transfer of the program means the partial transfer of the cover assets and the obligations related to the program (including the obligations arising from mortgage bonds issued under the program) to the receiver of the program. Partial transfer of the program requires a decision adopted at the creditors' meeting in respect of which Article 20 Paragraphs 8 and 9 shall apply.

4. In the event of partial transfer of the program, the proportion of the relevant cover pool which remains at the transferor (the issuer) must comply with the provisions concerning the cover pool coverage determined by the legislation of Georgia.

5. The agreement on the transfer of the mortgage bond program must contain at least the following information:

- a) Business names, identification numbers and legal addresses of the transferring and acquiring bank;
- b) The agreement on the transfer of the assets recorded in the cover assets register and of the liabilities to the program creditors and, if applicable, an agreed consideration;
- c) A list of all the contracts, rights and obligations to be transferred and the exact denomination thereof;
- d) The conditions and procedure for the transfer of rights and obligations, and for the transfer of related documents and administrative records.

6. In the event of full transfer of a mortgage bond program, the consideration (if applicable) received from the transfer shall primarily cover the management costs of the mortgage bond program. Any residual funds remaining after deducting the expenses may be disposed by the issuer. In case of a partial transfer of the program, the consideration (if applicable) received therefrom shall be included into the cover pool to the

extent that it is necessary to comply with the requirements of Article 7 Paragraph 1 and Article 8 Paragraph 1 of this Law.

7. The receiver of the program shall, within a reasonable time of the transfer of the program, provide the creditors with all the information necessary for the exercise and performance of the respective rights and obligations. The receiver of the program shall be subject to all the requirements of this Law related to the management of the mortgage bond program (including, coverage of the program liabilities) and periodic reporting to the program creditors.

8. Transfer of the program by the program administrator in full or in part shall not require, save for otherwise provided by this article, consent of any third party (parties), including of borrower.

Article 22. Mortgage bond program in the resolution proceedings commenced with respect to the issuer

1. In the event of commencement of a resolution regime in relation to the issuer in respect of which the mortgage bond program is/has been separated pursuant to this Law, the resolution committee may fully or in part prevent the program administrator from exercising the rights prescribed under Article 20 Paragraphs 1 and 4, Article 21 of this Law (except for seeking satisfaction of the issuer's claims arising from the cover assets, including by foreclosure of the collateral) within no more than 90 calendar days of the commencement of the resolution regime but no later than the day of the adoption of the decision on the application of a resolution tool. Under these circumstances, the resolution committee/special manager shall be entitled to exercise resolution powers in relation to the mortgage bond program subject to the restrictions imposed under this Law and the Law of Georgia on Activities of Commercial Banks.

2. Beyond the period referred to under paragraph 1 hereof, the resolution committee/special manager may not exercise any resolution power in relation to the mortgage bond program which has been separated in accordance with this Law save for the application of resolution tools pursuant to paragraphs 4, 6 and 7 of this Article.

3. Before the resolution committee adopts a decision concerning the application of any of the resolution tools provided that such decision affects the mortgage bond program, the program administrator or, if he/she has not been appointed, the program creditors shall be informed to that effect in advance. The program administrator (if applicable) shall promptly communicate such information to the program creditors. The information based on this paragraph can be provided to program creditors by public publication on the website of the National Bank of Georgia instead of individual notification.

4. If the resolution committee applies a resolution instrument following or in spite of which full and timely satisfaction of the claims of the program creditors is expected, the program creditors and the program administrator (if applicable) must tolerate such measures. For the purpose of this Law, full and timely satisfaction of the claims of the program creditors:

a) is expected if, among others, the resolution committee adopts a decision on full transfer of the assets and liabilities of the mortgage bond program;

b) is not expected if, among others, the resolution committee adopts a decision on bail-in of the claims of the program creditors, conversion of those claims or partial transfer of the assets and liabilities of the mortgage bond program.

5. Before the resolution committee makes a decision on the application of a resolution tool(s) following which it is expected that the claims of the program creditors will not be fully and timely satisfied, the program creditors shall be given an opportunity, except for the cases prescribed under paragraph 7 of this article, that they vote for one or several proposals about continuation, restructuring (including full or partial transfer of the program) or liquidation of the program according to Article 20 Paragraphs 6 to 9 of this Law. For that purpose, the National Bank of Georgia shall make a decision on the separation of the mortgage bond program and appoint the program administrator.

6. In the event as prescribed under paragraph 5, the resolution committee may only apply the resolution tool(s) referred to under that paragraph if the program creditors fail to adopt any of the proposals presented to them by the program administrator at the creditors' meetings convened twice successively or the National Bank of Georgia declines twice successively to approve the proposal adopted during the program creditors' meetings.

7. The program creditors and the program administrator (if applicable) must tolerate the application by the resolution committee of a recapitalization instrument of bail-in or conversion within the limits of the Law of Georgia on Commercial Bank Activities.

8. If, subject to this article, the resolution committee makes a decision on a full or partial transfer of the program, such transfer shall be made to a commercial bank authorized to issue mortgage bonds under this Law and comply with the requirements under Article 21 paragraphs 4 to 7.

Article 23. Satisfaction of unsecured claims of program creditors in the event of the issuer's liquidation

1. Upon liquidation of the issuer, the creditors of the mortgage bond program have an unsecured claim against the issuer only to the extent that the cover assets are insufficient to fully satisfy their matured claims. The unsecured claims referred to in this paragraph may, on behalf of the program creditors, be asserted against the issuer by the program administrator or, as the case may be, the program liquidator. This shall not affect the right of the program creditors to assert their claims independently and/or dispute the amount asserted on their behalf.

2. If, while meeting the demands of the creditors of the commercial bank in liquidation, which, in accordance with the Law of Georgia "On the Activities of Commercial Banks", belong to the group of unsecured claims of the creditors of the program, the program creditors have unmatured claims against the commercial bank, the liquidator of the issuer is obliged to withhold the sufficient amount for the potential claims of program creditors (or in their name) in accordance with paragraph 1 of this Article. In order to determine the amount to be retained by the liquidator of the issuer, it should be taken into account, among others, the size and value of the remaining insolvency estate, the size, maturity and creditworthiness of the cover assets, the existing surplus cover and the maturity structure of the mortgage bonds. The amount of the sums to be withheld by the issuer's liquidator pursuant to this paragraph shall be determined by the program administrator/program liquidator.

3. Until the mortgage bond program has been fully transferred to another issuer or the claims of the program creditors have been fully satisfied, it shall be prohibited to revoke the registration of the issuer in the company register.

Article 24. Insolvency of a separated mortgage bond program

1. The National Bank of Georgia may on its own or on the basis of application by the program administrator declare insolvent the separated mortgage bond program of the issuer in respect of which [the issuer] liquidation proceeding has been commenced, if any of the following grounds exist:

a) The assets under the cover pool are not sufficient for the coverage of the claims of the program creditors as well as the program administration expenses and the shortfall is not temporary;

b) It is impossible to fully satisfy the due demand of even 1 program creditor from the cover assets, and this inability is not temporary.

2. If, in accordance with paragraphs 6 to 9 of Article 20 of this Law, after the mortgage bond program has been declared insolvent, at the meeting of creditors of the program convened twice successively, the creditors of the program do not approve any of the proposals proposed to them by the administrator of the program or The National Bank of Georgia refuses to approve the proposal approved by the meeting twice successively, the National Bank of Georgia shall make a decision to liquidate the insolvent program. The National Bank of Georgia may also make a decision on the liquidation of an insolvent program if it is

clear that the program's restructuring proposal approved by the program's creditors cannot eliminate the circumstances that caused the insolvency, or if it is clear that in the event of restructuring, the program's creditors will receive less than they would have received as a result of liquidation.

3. Liquidation of an insolvent program shall be conducted by the program liquidator appointed by the National Bank of Georgia, who enjoys the same powers with respect to the assets and liabilities of the program as the liquidator of the commercial bank. Upon appointment of the program liquidator, the office of the program administrator shall expire. Within his capacity, the program liquidator acts as a representative of the issuer under liquidation vis-à-vis third parties in and out of court. Article 19, paragraphs 10 and 11 of Article 20 shall apply mutatis mutandis to the program liquidator. The program administrator may also be appointed as the liquidator of the program.

4. Taking into account the special provisions established by this law, the rules governing liquidation of a commercial bank shall apply mutatis mutandis to the liquidation of an insolvent program by the program liquidator.

Article 25. Distress of the debtor of the refinancing bank

1. The provisions prescribed under Articles 18 to 24 of this Law regarding separation, administration and insolvency of a mortgage bond program, as well as exercise of resolution powers in relation thereto, shall also apply mutatis mutandis to a debtor of a refinancing bank and a refinancing program.

2. In the event of separation of a refinancing program pursuant to Paragraph 1 of this Article, the National Bank of Georgia may appoint the refinancing bank as the debtor's program administrator.

3. The refinancing bank which according to Paragraph 2 of this Article carries out the functions of the program administrator may appropriate the cover assets of the debtor, with an aggregate net-present value not exceeding the amounts of payments that are due under the refinancing instrument(s), and enter them in the cover assets register of the mortgage bond program. Upon appropriation of the cover assets, the liabilities that become due under the refinancing instrument(s) are considered extinguished up to the amount of the net-present value of the appropriated cover assets. The exercise of the right referred to under this paragraph by the refinancing bank shall not require consent of the debtor.

Chapter VII

Regulation and Supervision of Mortgage Bond Market

Article 26. Powers of the National Bank of Georgia

1. Within the scope of regulation and supervision of the mortgage bond market, the National Bank of Georgia shall have the right in accordance with the Organic Law of Georgia on the National Bank of Georgia, this Law, and other legislative and subordinate normative acts of Georgia, to exercise the following powers:

- a) Request and receive documents/information (including confidential) from any person;
- b) Request the cessation of certain actions if said actions contravene the legislation of Georgia;
- c) Appoint the mortgage program administrator;
- d) Appoint the mortgage program liquidator;
- e) Pursuant to a risk-based approach, conduct an on-site and off-site inspection of an issuer/debtor (including, carry out review of a mortgage bond program/refinancing program);
- f) Pursuant to the Law of Georgia on Commercial Bank Activities, impose one or more supervisory measures and/or sanctions (monetary fine), as referred to in the mentioned law, on the commercial bank, administrator of the commercial bank or a controlling person;

- g) Pursuant to its rules, make a public statement which identifies the person responsible and the nature of the infringement;
 - h) Grant or revoke the authorization of the mortgage bond program, approve implementation of mortgage bond program;
 - i) Issue mandatory written instructions;
 - j) Issue legal acts;
 - k) Exercise other powers conferred under the legislation of Georgia.
2. In order to implement this law, the National Bank of Georgia is authorized to issue sub-regulations, which define additional requirements for the eligibility of cover assets, the maximum limit that the cover assets of the issuer/debtor of the refinancing bank should not exceed in relation to its total assets, structural characteristics of the program, the rules for recording of cover assets, issues of appointment and dismissal of the cover pool monitor, program administrator and program liquidator, their rights and duties as well as additional obligations of disclosure of information by the debtor of the Issuing/Refinancing Bank.
3. The National Bank of Georgia, in accordance with and under the limits of the rules established by it, shall ensure the publication of information on the authorized issuers and their mortgage bond programs on its website.

Chapter VIII

Transitional and Final Provisions

Article 27. The legal acts to be issued

1. Within 90 days from the entry into force of this law, the National Bank of Georgia shall issue the following legal acts:
- a) Regarding the establishment of additional criteria for considering non-fulfillment/anticipated non-fulfillment of the contractual payment obligation as a default provided for in subparagraph "i" of the first paragraph of Article 2 of this law;
 - b) Pursuant Paragraph 6 of Article 4 of this law, the specifying rule for the requirements established by the same article,
 - c) Regarding determination of periodicity and procedure of inspection of cover assets provided for in Paragraph 6 of Article 7 of this law;
 - d) Regarding the determination of the rule for determining the liquidity requirements of substitute assets provided for in the first paragraph of Article 8 of this law;
 - e) Regarding establishment of the procedure for the authorization by the National Bank of Georgia for the issuance of mortgage bonds provided for in Article 10, Paragraph 4 of this law;
 - f) Regarding establishment of the procedure and conditions for the approval of the National Bank of Georgia for the implementation of the program provided for in the first paragraph of Article 11 of this law;
 - g) Regarding establishment of the procedure for providing and/or publishing the information to program creditors provided for in Article 11 Paragraph 4 of this law;
 - h) Regarding the keeping of the register of cover assets provided for in Article 13, Paragraph 7 of this law and establishing the rule for the availability of information in the register.
2. The overcollateralization and/or additional requirements of liquidity (if applicable) of cover assets established by the legal act of the National Bank of Georgia on the basis of Paragraph 8 of Article 7 and Paragraph 3 of Article 8 of this law, shall not apply to the program launched before the entry into force of the said legal act, except for the case of additional issuance of mortgage bonds within the framework

of the mortgage bond program or the use of a new refinancing instrument within the framework of the refinancing program.

Article 28. Entry into force

1. This law, with the exception of Articles 1-26 of this law, shall enter into force upon publication.
2. Articles 1-26 of this law shall enter into force on the 90th day after its publication.

President of Georgia

Salome Zourabichvili

Tbilisi,

29 November 2022 წ.

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