

Order №167/04
Of the President of the National Bank of Georgia
September 22, 2020

On Approving the Rule on Licensing, Registration, Recognition and Regulation of an Asset Management Company

On the basis of subparagraph "g" of the first paragraph of the Article 15, paragraphs "b" and "e" of the Article 52⁴ of the Organic Law of Georgia On National Bank of Georgia, on the basis of the Law of Georgia on Investment Funds Article 19 (5), subparagraph "g" of Article 20, Article 22 (3), Article 23 (2), Article 26 (5), Article 71 (13), Article 78 (2) and in accordance with subparagraph "b" of Article 86 I order:

Article 1. To approve the rule on licensing, registration, recognition and regulation of an Asset Management Company together with the attachments.

Article 2. This Order shall enter into force on October 19, 2020.

Article 1. General Provisions

1. The rule on licensing, registration, recognition and regulation of an asset management company (hereinafter the Rule) regulates licensing, registration, recognition and regulation of an asset management company (hereinafter the Asset Manager) by the National Bank of Georgia (hereinafter – the National Bank), including:

- a) Conditions and procedures for licensing/registration/recognition of an Asset Manager as well as revocation of the license/registration/recognition granted to the Asset Manager;
- b) Financial requirements for an Asset Manager, including minimum capital requirements;
- c) Preparation of Asset Manager's reports and the procedures and frequency for submitting them to the National Bank;
- d) Requirements relating to organizational structure of an Asset Manager, its management body members and persons with qualified holdings;

e) Additional requirements for the Asset Manager.

2. Requirements set out under this Rule regarding Asset Manager, its management body members and persons with qualifying holdings shall apply respectively to licensed Asset Manager, its management body members and persons with qualifying holdings. Requirements set out under this Rule regarding Asset Manager and its management body members shall also apply mutatis mutandis to the branch of a recognized Asset Manager and directors/representatives of the branch. Registered Asset Manager, its management body members and persons with qualifying holdings shall be bound by the relevant requirements imposed under paragraph 2 and paragraphs 4-6 of the Article 3, Articles 4 and 5 and Articles 10 to 12 of this Rule.

3. The requirements under first and 3-5 paragraphs of Article 5, Articles 6-10, subparagraphs “a”-“c” and “e” of the paragraph 3 and paragraphs 4 and 7-8 of the Article 11 of this Rule shall also apply to an internally managed authorized investment company, its management body members and to other persons employed in the same company, as defined in paragraph 5 of Article 5 of this Rule, unless the investment company has appointed an Asset Manager. Internally managed registered investment company, its management body members and persons employed in the same company, other persons specified in paragraph 5 of Article 5 of this Rule and the holders with qualifying holdings shall be bound by the relevant requirements imposed under Articles 5, 10 and subparagraphs “a”-“c” and “e” of paragraph 3, paragraph 4-8 of the Article 11 of this Rule.

4. Licensed Asset Manager may manage investment funds established in Georgia (authorized and registered investment funds) as well as foreign investment funds. Registered Asset Manager may only manage a registered investment fund. With respect to a recognized Asset Manager, the National Bank may prescribe, when granting recognition to the foreign Asset Manager, the type of investment funds management of which will be allowed for such foreign Asset Manager. The National Bank may in particular allow the foreign Asset Manager to manage authorized and/or registered investment funds taking into account the conditions and terms of the license granted to the foreign Asset Manager by the relevant foreign regulatory authority.

5. The rules established by the Law of Georgia on Investment Funds (hereinafter - the Law) and the current legislation shall be applied when calculating the terms defined by this Rule.

6. If a documents that shall be submitted to the National Bank of Georgia under this Rule is issued by a foreign authority, that document shall be legalized or approved with apostille, except for the cases provided for under the legislation of Georgia. Foreign language documents shall be translated into Georgian language and the translation shall be certified by a public notary.

Article 2. Definitions

1. For the purposes of this Rule the following definitions shall apply:

- a) Leverage - Asset Manager increases the portfolio of investment fund through borrowing of cash or securities, or by using financial derivatives or by any other means;
- b) Developed country – a developed country as prescribed under Regulation №16/01 of the President of National Bank of Georgia dated 19 February 2010 on Approving a List of Developed Countries;
- c) Group - a group defined by the Law of Georgia on Accounting, Reporting and Auditing.

2. Other terms used in this Rule are defined as per Georgian legislation.

Article 3. Licensing, Registration, Recognition as an Asset Manager

1. In order to apply for an Asset Manager license, an applicant shall communicate in writing to the National Bank, providing the corresponding application form (Annex №1) and the documents specified in Article 9 of Law of Georgia on Licenses and Permits, as well as the following documents and information:

- a) An extract from the Register of Entrepreneurial and Non-Entrepreneurial (Non-Commercial) Legal Persons, which proves that the applicant is registered as a limited liability company or joint stock company;
- b) Articles of association of the applicant, including changes made thereto (if applicable);
- c) Information regarding the ownership structure of the applicant, which shall include information regarding persons with qualified holdings and their ultimate beneficiary owners as well as intermediary owners and which shall prove that they comply with the requirements set out under Article 5, paragraphs 2 and 4 of this Rule. In particular, such information shall include the following documents:
 - c.a) In case of a natural person:
 - c.aa) A declaration completed in accordance with Annex № 2 of this Rule and a copy of the identity document;
 - c.ab) Information regarding citizenship and residence;
 - c.ac) Detailed Curriculum Vitae;
 - c.ad) Criminal conviction certificate;
 - c.ae) Information regarding financial condition, sources of income and origins of that income.
 - c.b) In case of a legal entity:
 - c.b.a) Registration documents;

c.b.b) Audited financial statements of the most recent financial year; if more than six months have passed since the reporting date of the last audited financial statements at the time of submitting the written application to the National Bank, half-year financial statements shall be presented (audited, if available);

c.b.c) Criminal conviction certificate.

d) Information regarding all members of the management body of the applicant, which proves that they comply with the requirements set out under first paragraph and paragraphs 3-4 of Article 5 of this Rule. In particular, such information shall include the following documents:

d.a) Completed declaration per Annex №2 of this Rule and a copy of identification document;

d.b) Information regarding education and experience of the member of the applicant's management body (including copies of documents certifying education and Curriculum Vitae);

d.c) Criminal conviction certificate;

d.d) Declaration of the management body member of the applicant to the effect that he fully meets the requirements provided by first paragraphs and paragraphs 3-4 of Article 5 of this Rule and the information provided is accurate and not misleading;

d.e) Declaration of the applicant that it has checked the information regarding the member of the management body, and that he/she satisfies the requirements provided in this Rule and that this information is accurate and not misleading;

d.f) In case of a member of the management body with executive functions, job description of the member and information regarding his/her duties and functions;

d.g) Description of all circumstances, which may become a source of conflicts of interest and endanger independence, objectivity and impartiality of a member of the management body.

e) List of additional activities per Article 25, paragraph 4 of the Law (in accordance with Annex №3) that the applicant is willing to undertake if granted the license;

f) A programme of activity, including information on how the applicant plans to comply with the requirements of this Rule and the Law;

g) Information on the agreements related to delegation to third parties (if applicable) in accordance with Article 26 of the Law;

h) Proof that the amount of the applicant's capital is compliant with the requirement of Article 6 of this Rule as well as information regarding the sources of capital;

- i) Applicant's current balance sheet with corresponding explanatory notes for the most recently available date (non-audited)
- j) Applicant's audited financial statements of the most recent financial year; in the event more than six months have passed since the reporting date of the last audited financial statements at the time of submitting license application, half-year audited financial statements shall be submitted. Audit of the financial statements shall be prepared by an audit company which has the right to audit financial statements of a public interest entity per Georgian legislation; in case the applicant applies to the National Bank less than half a year since its incorporation, then a current balance sheet in accordance with subparagraph "i" of this paragraph and corresponding explanatory notes shall be submitted (non-audited);
- k) Documents confirming that the applicant owns or has the right to use the real estate as its office in the future;
- l) If the applicant is a member of a group, information regarding the group structure;
- m) Information and documents that prove that the place of the applicant's registration and the place of its management body is in Georgia;
- n) Information regarding remuneration policy.
- o) Document confirming the payment of the license fee specified in Article 6, Paragraph 3, Subparagraph "h" of the Law of Georgia on License and Permit Fees.

2. For the purpose of being registered as an Asset Manager, the applicant must communicate with the National Bank in a written form and must submit the corresponding application form (Annex №1), document confirming the payment of the registration fee specified in Article 7, Paragraph 1¹, Subparagraph "f" of the Law of Georgia on Registration Fees and the information and documents pursuant to first paragraph of this Article (excluding subparagraphs (e), (h) and (n)-(o)).

3. In order to be recognized as an Asset Manager, the foreign Asset Manager shall communicate to the National Bank in writing, and must submit the relevant application form (Annex №1) and the following information / documents:

- a) An extract from the Register of Entrepreneurial and Non-Entrepreneurial (Non-Commercial) Legal Persons, which proves that on the basis of Law of Georgia on Entrepreneurs the applicant has established a branch in Georgia;
- b) Decision of the management body of the applicant on applying to the National Bank by the branch regarding undertaking asset management activities and, if applicable, one or more additional activities per Article 25, paragraph 4 of the Law;

- c) A document that proves that the applicant has a license/permission for relevant activities granted by the foreign regulatory authority of a developed country;
- d) Confirmation by the foreign regulatory authority of opening a branch by the applicant and of undertaking asset management activities through the branch and, if applicable, of undertaking of one or more additional activities per Article 25, paragraph 4 of the Law;
- e) A document that proves that the branch has access to sufficient capital (provided that the foreign Asset Manager plans to manage an authorized investment fund and/or engage in one or several additional activities pursuant to paragraph 4 of Article 25 of the Law);
- f) Information regarding the representatives and directors of the branch as set out under paragraph 1, subparagraph (d) hereof confirming that these persons comply with the requirements under first paragraph and paragraphs 3-4 of Article 5 of this Rule;
- g) List of additional activities per Article 25, paragraph 4 of the Law (according to Annex №3) that the applicant is willing to undertake if recognized by the National Bank provided that those activities are covered by the license/permission granted to the applicant by the foreign regulatory authority;
- h) Programme of activity which includes information on how the applicant plans to comply with the requirements of this Rule and the Law.
- i) Information regarding remuneration policy.

4. The date of issue of the criminal conviction certificate issued per Georgian legislation shall not exceed 15 calendar days, while the date of issue of criminal conviction certificates issued by authorized bodies in foreign countries shall not exceed 60 calendar days;

5. The National Bank shall have the power to request additional information and/or documents, apart from the information included in the relevant application, from the applicant seeking the license, registration, recognition and determine the manner and timeframe for presenting such information and/or documents.

6. The National Bank shall have the power to implement relevant measures to verify accuracy and compliance of the information and/or documents presented by the applicant seeking the license/registration/recognition.

Article 4. Decision to Grant License, Registration or Recognition for Asset Manager Operations

1. For the purpose of making a determination on licensing, registration or recognition of an Asset Manager, the National Bank shall review the submitted documents and information in view of its compliance with requirements of the applicable legislation.

2. The National Bank shall refuse to grant the license, registration or recognition to the applicant if any of the following grounds exist:

- a) The application and/or the documents submitted do not meet the criteria set by the Law or this Rule;
- b) Close links that exist between the applicant and another person, and/or the laws or regulations of the foreign state governing the person with which the applicant has close links, or difficulties involved in their enforcement, may prevent the National Bank from effectively exercising its supervisory functions;
- c) In the event of an application for recognition of a foreign Asset Manager, the foreign state where the Asset Manager is established is listed as a Non-Cooperative Country and Territory by FATF;
- d) In the event of an application for recognition of a foreign Asset Manager, there is no cooperation arrangement between the National Bank and the relevant foreign regulatory authority;
- e) Other grounds exist, in accordance with the Organic Law of Georgia on the National Bank of Georgia, which provide grounds for the refusal of granting the license/registration/recognition.

3. If the applicant does not submit to the National Bank any documents or other information specified in Georgian legislation or necessary to review the application, the National Bank will determine a timeframe within which the applicant shall submit the requested document or information. The timeframe for submitting such document or information shall not be less than 5 days.

4. The National Bank shall make a decision regarding granting the application on licensing, registration and recognition within 1 month from receipt of the application of which it shall notify the applicant in writing. In case of a refusal the National Bank must provide the applicant with a written response with justification. If the National Bank does not make a decision on issuing a license or refusing to issue a license within the period specified in this paragraph, the license shall be deemed to have been issued. If the National Bank does not make a decision on registration/recognition or refusal within the period specified in this paragraph, the application for registration/recognition will not be considered as satisfied.

5. The National Bank shall have a power to license, register or recognize an Asset Manager on the basis of a risk-based approach without receiving the complete documentation and information required by this rule (except required documentation and information set by Law for licensing, registration or recognition

of an Asset Manager) and, if necessary, set a deadline for the complete submission of such documentation and information.

Article 5. Suitability Criteria for Members of the Management Body and Holders of Qualified Holding

1. Each member of the management body of an Asset Manager shall be of sufficiently good repute and sufficiently experienced. A member of management body of the Asset Manager is presumed to have a sufficiently good reputation and sufficient experience if he/she meets the criteria set forth in paragraphs 3 to 4 of this Article in relation to qualifications, professional experience, competence and a good faith attitude towards the case.

2. Owner of a qualifying share in an Asset Manager should have a good reputation to ensure sound management of the Asset Manager. It is assumed that the owner of a qualifying share of an Asset Manager has a sufficiently good reputation if he/she meets the criteria set out in paragraph 4 of this Article in relation to his or her conscientious attitude towards the case.

3. Each member of the management body of an Asset Manager shall have at least 4-years of relevant working experience in a relevant position in the financial sector.

4. A person is prohibited to be a member of the management body or owner of qualifying share of an Asset Manager if he/she:

- a) In the case of a member of the Asset Manager's management body, he/she been deprived of the right to be a member of a management body;
- b) Participated in an operation which caused serious damage to an Asset Manager or/and to other financial institutions or/and abused the rights of the clients of an Asset Manager or/and lead to insolvency or bankruptcy of an Asset Manager or of any other type of financial institution;
- c) Abused his/her rights while executing its professional duties at an Asset Manager or any other financial institution;
- d) In the past, he/she was a management body member or owner of qualifying share of an Asset Manager or other financial institution, and as a result of his/her activities, the Asset Manager /financial institution became insolvent;
- e) Did not fulfill one or more financial obligations towards an Asset Manager or other financial institute;
- f) Convicted of serious or extremely serious crime, including terrorism financing or/and illicit income legalisation or for other economic crime;

- g) For the last 5 years, administrative sanctions have been imposed for gross violations of the legislation on financial sector regulation;
- h) In the case of a member of the Asset Manager's management body, the court recognized him/her as a recipient of support.

5. The requirements established by this Article shall also apply to members of the management body who have direct or indirect authority and responsibility for the planning, management and control of activities.

Article 6. Financial Requirements

1. An Asset Manager shall have minimum amount of capital amounting to GEL 300,000 (three hundred thousand). Initial contribution of at least 50% of that amount must be done in cash.
2. In case the total assets under management of the Asset Manager's portfolio(s) exceeds GEL 250,000,000 (two hundred and fifty million), the Asset Manager must provide additional capital, which will be calculated as 0.02% of the surplus of the portfolio (current value of portfolio less GEL 250,000,000 (two hundred and fifty million)). Such additional capital shall be invested in liquid assets.
3. The minimum capital requirement defined in paragraphs 1-2 of this Article shall be calculated in accordance with International Financial Reporting Standards.
4. For the purposes of paragraph 2 of this Article, Asset Manager's total portfolio(s) value shall include the values of portfolio(s) regarding which the Asset Manager has delegated its function(s) to a third person. Also, total value shall not include the value of portfolio(s) managed by the Asset Manager through delegation by another Asset Manager.
5. Asset Manager is obliged to ensure protection of minimum amount of own capital indicated in paragraphs 1 and where appropriate, referred to in paragraph 2 of this Article at each stage of its activities according to the size of the portfolio(s) under its management.
6. Asset Manager shall provide additional own capital to cover the liability risk arising from professional negligence. The amount of additional capital provided for in this paragraph shall be at least 0.01 percent of the total value of the portfolio(s) of the investment fund(s) managed by the Asset Manager.
7. The value of portfolio defined by paragraphs 2 and 6 of this Article shall be calculated according to Article 9 of this Rule.
8. Instead of fulfilling the requirement provided for in paragraph 6 of this Article, the Asset Manager shall have the right to have adequate professional liability insurance to cover the potential liability risks caused by professional negligence issued by a licensed insurance organization. For the purposes of this paragraph,

professional liability risks implies the following risks, the occurrence of which may result in damage or property loss:

- a) loss of ownership documents on the investment fund asset;
- b) misleading or incorrect statements made for the owners of the investment fund or its unit;
- c) actions (action, inaction) or errors, which lead to violation of the obligations imposed by law, fiduciary obligations to the owners of the investment fund or its unit, confidentiality obligations, the founding document of the investment fund and/or the Asset Manager agreement;
- d) failure to take appropriate measures to prevent unscrupulous or fraudulent acts;
- e) incorrect valuation of assets or calculation of unit price;
- f) Damage caused by disruption of business process continuity.

Article 7. Organizational Requirements

1. An Asset Manager shall have an organizational structure that shall be adequate and proportional to its size (with functions and duties relevant with each structural unit), systems, resources and procedures in order to ensure stable functioning, continuous provision of services/activities and fulfilling the requirements Georgian legislation.
2. Asset Manager shall act in good faith, independently, professionally and with the belief that its performance is solely in the best interests of the investment fund and its investors.
3. Asset Manager shall establish, implement and apply procedures to monitor on an ongoing basis the total value of assets under management. Monitoring shall reflect an up-to-date overview of the assets under management and shall include the observation of subscription and redemption activity or, where applicable, capital draw downs, capital distributions and the value of the assets invested in for each investment fund.
4. Asset manager shall ensure proper and reliable functioning of its software, information processing systems and other technical tools.
5. Asset manager shall have effective mechanisms for information security and control, including protection of investors'/clients' confidential information.
6. Asset Manager shall take all reasonable action to avoid conflicts of interest and if it is unavoidable it shall identify, manage, control and if necessary, disclose such conflicts of interest, for the purpose of preventing negative impact of such conflicts of interest on the investment fund and its unit holders.
7. Asset Manager shall have:

- a) Organizational structure approved by the management body and job descriptions of the members of the management body;
- b) Proper record keeping policy and procedures, which enables it to provide the National Bank with requested information in a timely manner.
- c) Remuneration policy provided in Article 28 of the Law;
- d) Code of behavior and ethics for the staff, which shall ensure identification and management of potentially prohibited behavior and practice;
- e) Policy and procedures for identifying and managing conflicts of interest;
- f) System and mechanisms for effectively receiving complaints, which shall ensure anonymity of the author of the notice/complaint (in case of such request by the author of the notice/complaint);
- g) Business continuity plan;
- h) Risk management policy and procedures in accordance with Article 8 of this Rule;
- i) Policy and procedures for managing and executing instructions;
- j) Policy and adequate control of the members' of the management body and staff's own transaction execution/trading;
- k) Policy and procedures to ensure investment decisions' compliance with investment funds' objectives, investment strategy and risk limits;
- l) Procedures for adequate and correct valuation of funds' assets and liabilities;
- m) Policy and procedures for voting rights related to the portfolios under its management and securities/financial instruments that form part of such portfolio(s);
- n) Record keeping policy, to ensure that at any stage of its activities record keeping is conducted in a manner that is accurate and complete.

8. Asset Manager shall have monitoring mechanisms for policy/procedures and requirements provided in legislation and ensure control of their fulfillment at every stage of activities.

Article 8. Requirements for Risk Management

1. Asset Manager shall establish, implement and maintain an adequate risk management policy to identify, measure, manage and monitor the risks relating to its activities and risks related to the investment fund management. Such policy shall take into account the nature, scale and complexity of the Asset Manager's business and of the investment fund(s) that it manages.
2. Asset Manager shall functionally and hierarchically separate the functions of risk management from the operating units, including from the functions of portfolio management of investment fund(s).

3. The risk profile of the investment fund shall correspond to the size, portfolio structure and investment strategies and objectives of the investment fund.
4. Asset Manager shall ensure that there are appropriate quantitative and / or qualitative risk limits (concentration limits) according to the investment funds, which should take into account at least market, credit, liquidity and operational risks.
5. Asset Manager shall ensure regular monitoring of risk limits and the development of an appropriate action plan in the event of a violation or possible violation of risk limits.
6. Asset Manager shall not be guided solely by the credit rating assigned by the credit rating agency when assessing the creditworthiness.
7. Asset Manager shall determine the maximum acceptable level of leverage according to the investment fund(s), taking into account the type of investment fund (open-ended, closed-ended, interval), investment strategy and other factors.
8. Asset Manager shall ensure that liquidity management system, policies and procedures are in place according to the types of investment funds.
9. Asset Manager shall regularly conduct stress tests, taking into account the size and risk profile of the investment portfolio. Stress tests should, as a minimum, assess the sensitivity of the investment fund's liquidity profile (for open ended and interval investment funds) and net asset value to various/stressful scenarios/assumptions.
10. Asset Manager shall ensure to have risk limits and leverage calculation rules/policies.
11. Asset Manager shall periodically, at least once a year, review the quality, adequacy and effectiveness of the risk management function.

Article 9. Valuation Requirements for Assets and Units of Investment Funds

1. Asset Manager shall ensure that assets under management are subject to independent valuation either performed by an external valuator or by an in-house valuation function that is functionally independent from the portfolio management function and from the risk management function. Asset Manager's remuneration policies and other measures shall ensure that conflicts of interest are mitigated and that undue influence upon the in-house valuation function is prevented.
2. Asset Manager shall provide each investment fund under its management with appropriate and consistent procedures for the independent valuation of the investment fund assets and the calculation of the net asset value per unit as defined in this Rule and by the constituting instrument of the investment fund.

3. Valuation policies for the units and asset of the investment fund shall be in line with internationally recognized principles, such as International Financial Reporting Standards, taking into account valuation principles of the Chartered Financial Analyst (CFA) as well as the Global Investment Performance Standards (GIPS).
4. Valuation policies and procedures shall, among other things, reflect the characteristics of the key assumptions and models used in the valuation, the rationale for their use, and the relevant sources.
5. Valuation procedures shall ensure that the valuation of assets and the net asset value calculation of the units are performed at the frequency specified in paragraph 5 of the Article 11 of the Law.
6. In case of delegation of the valuation function to the external valuer the Asset Manager shall be guided by the requirements set forth in Articles 26 and 71 of the Law.
7. Asset manager shall ensure that the net asset value of the investment fund unit is disclosed to the unit holders in accordance with the constituting instrument of the investment fund.

Article 10. Obligation of Keeping Records and Documentation

1. Asset Manager shall keep records and documents at any stage of the activity, in such a way as to ensure their accuracy and completeness.
2. Asset Manager shall update the information in a timely manner and maintain the relevant records in such a way that a complete reconstruction (recovery) of the orders and transactions relating to portfolios of investment funds under its management is possible.
3. Asset Manager shall ensure the existence of the following records according to the transactions and deals of the investment fund:
 - a) The name of the investment fund and of the person acting for the account of the investment fund;
 - b) Subject of the transaction (asset);
 - c) Quantity and price;
 - d) Type of order or transaction;
 - e) Date and time of the transaction/deal;
 - f) The name of the person transferring the order or executing the transaction;
 - g) Where applicable, the reason for the revocation of an order;
 - h) The party to the executed transaction/deal, place of the transaction (stock exchange).
4. In case the Asset Manager maintains the registration of the unit holders and the relevant registry, it shall be guided by the procedure approved by the order of the President of the National Bank of Georgia

on the Approval of the Rules for Maintaining the Register of unit holders of the Investment Fund Unit. The registry shall reflect the status of the unit holders (qualified/retail).

5. Asset manager shall ensure the production of relevant records, including telephone conversations and electronic communication records, in the case of investment advice and safe keeping of investment fund units and in the performance of administration activities.

6. Records and documentations shall be retained in a way that enables one to detect any amendment, recover pre-amendment record, and trace date of amendment and person responsible for amendment.

7. Documentations and records required by this Article may exist in material, as well as, in electronic form and the Asset Manager shall keep them for at least 6 years.

8. Documentations and records of the Asset Manager shall be accessible to National Bank in case of request.

Article 11. Obligation of Preparing Financial Statements

1. Asset Manager shall prepare and submit to the National Bank yearly audited financial statements prepared in accordance with International Financial Reporting Standards, within 90 calendar days from the end of a financial year. Above-mentioned financial statements shall be confirmed by such an audit firm that is authorized to execute audit of public interest entities in accordance with the legislation of Georgia.

2. Asset Manager shall prepare and submit to the National Bank a quarterly financial statements prepared in accordance with the international financial reporting standards (IFRS) within 30 calendar days from the end of a quarter.

3. Asset manager shall prepare and submit current notification to National Bank no later than 3 business days from occurring the following events (unless a different notification time limit applies under the Law):

a) Asset Manager no longer meets the financial requirements set forth in Article 6 of this Rule. In such case, the Asset Manager is obliged to submit to National Bank a plan-schedule of measures taken and/or that are to be taken for addressing the existent situation. National Bank is authorized to make amendments to the plan-schedule. In case of not submitting such information to National Bank by an Asset Manager within the time limit defined by the present paragraph, National Bank has a right to revoke the license of the Asset Manager;

b) the total value of asset under management exceeds the limit provided for in the second paragraph of Article 6 of this Rule;

c) Persons own a qualifying shares of the asset manager, their beneficial owners, as well as intermediate owners and members of the management body no longer meet the eligibility criteria and license requirements set forth in this Rule;

d) Changes have been made (except for the changes provided for in paragraphs 4-6 of this Article) in the license documents and/or reports of the Asset Manager;

e) Delegated one or several of its functions to a third person pursuant to Article 26 of the Law.

4. Asset manager shall notify and request prior approval by the National Bank if it decides to:

a) reorganize;

b) to open or/and close a branch;

c) to change its name;

d) to change articles of association;

e) to change place of registration or/and management;

f) to make change in program of activities;

g) to change a member of its management body;

In such a case, the Asset Manager shall submit to the National Bank the information/documentation about the candidate for membership specified subparagraph "d" of first paragraph of the Article 3 of this Rule.

5. A person or jointly acting group of partners/shareholders, who intend to acquire a share in an Asset Manager so that their own or his/her/its beneficial owner's (owners) participation exceeds 10, 25 or 50 per cent in the Asset Manager capital, shall be obliged to submit to the National Bank:

a) information on owners of qualifying shares and beneficial owners provided subparagraph "c" of first paragraph of the Article 3 of this Rule;

b) information on the amount of his/her own shares if the acquisition is completed;

c) information on the origin of the amount needed to acquire qualifying share;

d) based on information available to him/her, the amount of shares owned by the beneficial owner whose share exceeds 10, 25 or 50 per cent, if the acquisition is completed.

6. A direct or an indirect owner of an Asset Manager who intends to sell directly or indirectly the amount of shares so that his or the beneficial owner's share falls under 10, 25 or 50 per cent, he/she is obliged to give a prior notice to the National Bank. The notice should include all the detailed information about the mentioned transaction.

7. The National Bank shall review the information and documentation provided for in paragraphs 4-6 of this Article within 1 month of its submission and shall give its consent or a reasoned refusal to carry out the relevant operation. If necessary, this period may be extended by not more than 1 month, if the

National Bank notifies the applicant in advance. Except in cases provided by law, when the direct consent of the National Bank is required to carry out the relevant operation, the consent shall be deemed to have been issued if the National Bank does not notify the applicant of the refusal to carry out the operation within the period specified in this paragraph.

8. If the National Bank deems that additional information is required in order to make a decision, it shall be authorized to request any other information, including confidential information, within its competence.

Article 12. Revocation of Authorization, Registration or Recognition of Investment Fund by the National Bank

1. The National Bank may revoke a license, registration or recognition of an Asset Manager in one or more of the following circumstances:

- a) The company has submitted an application on the revocation of its license/registration/recognition to the National Bank;
- b) The company has obtained the license/registration/recognition by making false statements or by any other irregular means;
- c) The company no longer fulfils the conditions under which license/registration/recognition was granted;
- d) The company has repeatedly or seriously contravened a requirement imposed in accordance with this Law, other laws in the sphere of financial sector and regulations/instructions adopted thereunder;
- e) The company does not make use of the license/registration/recognition within 12 months or has ceased the activity covered by this Law more than six months previously;
- f) the court has made a decision on deprivation of the right to carry out activities in relation to the Asset Manager;
- g) The company has become insolvent;
- h) the competent authority has made a decision on liquidating the Asset Manager company;
- i) other ground pursuant to legislation of Georgia.