

Order №170/04
Of the President of the National Bank of Georgia
Dated September 22, 2020

**On Approving the Rule on Authorization, Registration, Recognition and Regulation of an
Investment Fund**

Article 1. General Provisions

1. The rule on authorization, registration, recognition and regulation of investment funds (hereinafter the Rule) prescribes conditions and procedure for authorization, registration and recognition of investment funds by the National Bank of Georgia (hereinafter the National Bank), and sets out additional requirements in relation to regulation of investment funds.
2. For the purposes of calculating time limits set out under this Rule, the Law of Georgia on Investment funds and other applicable laws shall apply.
3. If the documents that shall be submitted to the National Bank under this Rule are issued by a foreign authority, such 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 in the Georgian language and the translation shall be certified by a public notary, unless exemptions are provided in this rule.
4. For the registered investment funds, the following shall apply: Article 3 paragraphs 4-6, 10 & 11; Article 6 paragraph 1 (except sub-paragraphs “b”, “d” & “e”; Article 6 paragraphs 9 & 10.

Article 2 Definition of Terms

1. For the purposes of this Rule the terms referred to herein shall have the following meanings:
 - a) 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;
 - b) Material (fact, event or change) – a fact, event or change, in the event of becoming aware of which a reasonable investor would in a substantial likelihood reconsider its investment in the investment fund,

including because such fact, event or change could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of the investor in the investment fund;

c) Group – a group as defined in the Law of Georgia on Accounting, Reporting and Auditing;

d) Leverage – Asset Manager/Investment Company increases the portfolio of investment fund through borrowing of cash or securities, or by using financial derivatives or by any other means;

2. Other terms used in this Rule shall have the meaning ascribed to them under legislation of Georgia.

Article 3. Conditions for Authorization, Registration and Recognition of Investment Funds

1. For the Purposes of authorization of a common fund, a licensed asset management company or recognized asset management company shall apply to the National Bank in writing and submit the application form as provided under Annex №1 and following documents / information:

a) Decision of the asset management company in accordance with Article 9, paragraph 1 of the Law;

b) Constituting instrument in accordance with Article 10 of the Law;

c) Prospectus in accordance with Article 66 of the Law;

d) Key investor information document in accordance with Article 67 of the Law;

e) Information on the agreement concluded with the specialized depository;

f) The document proving payment of the authorization fee in accordance with Article 83 of the Law.

2. For the purposes of authorization of an investment company, the applicant company, or a licensed asset management company or recognized asset management company appointed by the applicant company, shall apply to the National Bank in writing and submit the application form as provided under Annex №1 and the following documents / information:

a) An extract from the Register of Entrepreneurial and Non-Entrepreneurial (Non-Commercial) Legal Persons confirming that the applicant company is registered as a joint stock company under the Law of Georgia on Entrepreneurs;

b) Decision of the shareholders of the applicant company in accordance with Article 9, paragraph 2 of the Law;

c) Constituting instrument (charter) of the applicant company, including changes made thereto (if applicable), in accordance with Article 10 of the Law;

d) Prospectus in accordance with Article 66 of the Law;

e) Key investor information document in accordance with Article 67 of the Law;

f) Information on the agreement concluded with the specialized depository;

- g) Documents proving that the amount of own capital of the applicant company fulfills the requirement set out under Article 6 of Rule approving on Licensing, Registration, Recognition and Regulation of an Asset Management Company (hereinafter Asset Management Company Rule), as well as information on the origin of the funds in capital;
- h) Information regarding the management board of the applicant company as set out under Article 3, paragraph 1, subparagraph (c) of Asset Management Company Rule confirming that these persons comply with Article 5, paragraphs 1, 3 and 4 of that rule;
- i) The program of activities of the applicant company, which includes, among others, information as to how the company intends to comply with its obligations under this Rule and the Law;
- j) Where applicable, information on arrangements made for the delegation to third parties of functions in accordance with article 26 of the Law;
- k) information regarding the remuneration policy;
- l) Current balance sheet of the applicant company and relevant explanatory notes for the nearest probable date (non-audited);
- m) Audited financial statements of last financial year of the applicant company; if six months have passed since the reporting date of the last audited financial statements when a written application for the authorization is submitted to the National Bank, half-year audited financial statements shall be submitted. Audit shall be performed by an audit company which has the right to audit public interest entities as defined by Georgian legislation. In case less than a year has passed since the establishment of the applicant company, current unaudited balance sheet with explanatory notes shall be submitted in accordance with paragraph "l" of this Article;
- n) Documents confirming that the applicant company owns or has the right to use real estate as its office in the future;
- o) Information and documents confirming that the place of management body and the place of registration of the applicant company are located in Georgia;
- p) if the applicant company is a member of a group, information about the group structure;
- q) The document proving payment of the authorization fee in accordance with Article 83 of the Law.

3. Subparagraphs (g) and (i)-(l) to paragraph 2 hereof shall not be applicable as long as the applicant company has designated a licensed or recognized asset management company. In that case, the asset management company shall, in addition to other documents required by applicable rules of law, submit to the National Bank a management agreement concluded with the applicant company.

4. For the purpose of registering a common fund, an asset management company shall apply to the National Bank in writing and submit the application form as provided under Annex №1 and the following documents / information:

- a) Decision of the asset management company in accordance with Article 9, paragraph 1 of the Law;
- b) Constituting instrument in accordance with Article 10 of the Law;
- c) The document proving payment of the registration fee in accordance with Article 7 paragraph 1¹ subparagraph “g” of the Law of Georgia on Registration Fees.

5. For the purpose of registering an investment company, the applicant company or the asset management company designated by the applicant company shall apply to the National Bank in writing and submit the application form as provided under Annex №1 and the following documents / information:

- a) An extract from the Register of Entrepreneurial and Non-Entrepreneurial (Non-Commercial) Legal Persons evidencing that the applicant is registered as a limited liability company, a limited partnership or joint stock company;
- b) Decision of the shareholders of the applicant company in accordance with Article 9, paragraph 2 of the Law;
- c) Constituting instrument (charter) of the applicant company, including changes made thereto (if applicable), in accordance with Article 10 of the Law;
- d) Information and documents as set out under subparagraphs (h)-(j) and (l)-(p) to paragraph 2 hereof;
- e) Information regarding persons with qualifying holdings as stated in sub-paragraph “c” of Article 3 of the Asset Management Company Rule and documents confirming that these persons comply with Article 5, paragraphs 2 and 4 of that Rule;
- e) The document proving payment of the registration fee;
- f) The document proving payment of the registration fee in accordance with Article 7 paragraph 1¹ subparagraph “g” of the Law of Georgia on Registration Fees.

6. Subparagraph 5 of this Article, as well as subparagraphs (h)-(k) to paragraph 2 as contemplated by subparagraph (d) to paragraph 5 hereof shall not be applicable as long as the applicant company has designated an asset management company. In that case, the asset management company shall, in addition to other documents required by applicable rules of law, submit to the National Bank a management agreement concluded with the applicant company.

7. For the purpose of being recognized as eligible for public offering in Georgia a foreign investment fund or the asset management company thereof shall apply to the National Bank in writing and submit the application form as provided under Annex №1 and the following documents / information:

- a) Decision made by the management body/asset management company or unitholders of the foreign investment fund on doing public offering in Georgia;
- b) Document proving that units of the foreign investment fund can be offered to an unlimited number of retail investors under the laws of the country in which the fund is established;
- c) Document proving that the foreign investment fund is authorized, licensed, registered and/or regulated/supervised by at least a supervisory authority of at least one developed country;
- d) Confirmation that the legislation of the foreign country to which the foreign investment fund is subject provides for at least the equivalent requirements to the regulatory regime existing in Georgia, in particular in relation to conducting public offering, providing information to investors, including summary of the prospectus, regarding format and distribution, key investor information document, annual and semi-annual accounts, calculation of net asset value, the functions of the depositary and if relevant regarding the timeframes and terms for purchase/redemption of units.

8. Before doing private offering in Georgia, a foreign investment fund or asset management company thereof shall notify the National Bank and submit the following information/documents in writing or in electronic form:

- a) The name of the foreign investment fund, the name of its asset management company and specialized depositary (if applicable);
- b) Document proving that the foreign investment fund is authorized, licensed, registered and/or regulated/supervised by the relevant supervisory authority of a foreign country;
- c) Decision made by the management body / asset management company or unitholders of the foreign investment fund on doing private offering in Georgia;
- d) Information about the investment policy of the foreign investment fund.

9. The requirement set out under Article 1, paragraph 3 of this Rule to the effect that documents issued by a foreign country be legalized or approved with apostille shall not apply to information and documents referred to under paragraph 8 of this article. Such information and documents may be submitted to the National Bank in the English language.

10. The National Bank shall be empowered to request additional information, apart from the information presented in the relevant application, from the applicant seeking authorization/registration/recognition of the investment fund, and prescribe the manner and time for providing such information or documents.

11. The National Bank shall be empowered to take relevant measures in order to verify the accuracy and compliance of the documents and/or information submitted by the applicant seeking authorization/registration/recognition of the investment fund.

Article 4. Decision on Authorization, Registration or Recognition of Investment Fund

1. To make the determination on the authorization, registration or recognition of an investment fund, the National Bank shall review the information and documents submitted by the applicant and assess whether those information and documents comply with applicable laws.

2. When authorizing or registering an investment fund, the National Bank shall assign an international securities identification number to the relevant class of units of the issuer (investment fund) in accordance with the Regulation №73/04 dated 7 September 2011 adopted by the President of the National Bank of Georgia. An international securities identification number shall also be assigned pursuant to this paragraph to each new class of units of an authorized investment fund or a registered investment fund.

3. The National Bank shall not grant an application requesting authorization, registration or recognition of an investment fund if any of the following circumstances is present:

a) The application and/or the documents submitted to the National Bank does not meet the requirements of the Law or this Rule;

b) The members of the management body of the asset management company, or of the investment company which has not designated an asset management company, are not of sufficiently good reputation or are not sufficiently experienced including with respect to the investment strategy which will be implemented by the investment fund for which authorization/registration/recognition is sought;

c) The specialized depositary does not have necessary resources or capability in relation to the investment fund for which authorization of an investment fund is sought;

d) In the event of an application for recognition of a foreign investment fund, the fund is legally prevented from offering its units in the country under the laws of which it is established;

e) The foreign asset management company submitting the application is not allowed to manage the investment fund for which authorization is sought;

f) Close links that exist between the applicant company or designated asset management company and another person, or the laws or regulations of the foreign state governing one or more persons with which the applicant company or asset management company has close links, or difficulties involved in their enforcement, prevent the National Bank from effectively exercising its supervisory functions;

g) In the event of an application for recognition of a foreign investment fund, the foreign country where the foreign investment fund is established is listed as a Non-Cooperative Country and Territory by FATF;

h) In the event of an application for recognition of a foreign investment fund, the National Bank has not signed a cooperation arrangement with the respective foreign supervisory authority;

i) Other grounds exist, in accordance with the Organic Law of Georgia on the National Bank of Georgia, which provide for the possibility of refusal of granting the authorization/registration/recognition of an investment fund.

4. If the applicant does not submit to the National Bank any document/information required by law or necessary for reviewing the application, National Bank shall prescribe a time limit for the applicant, within which it shall submit the requested document or information. The time limit prescribed for submitting the mentioned document or information shall not be less than 5 days.

5. The National Bank shall make the decision on the authorization, registration or recognition of an investment fund or its refusal within 1 month of receiving the application, which it shall communicate in writing to the applicant. In the event of refusal, the National Bank shall immediately provide a reasoned answer in writing to the applicant. In the event that the National Bank does not make a decision on the authorization, registration or recognition of an investment fund or its refusal within the timeframe defined in this paragraph, the application shall not be considered as approved.

5. The National Bank shall have a power to authorise, register or recognize an Investment fund 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 authorisation, registration or recognition of an Investment fund) and, if necessary, set a deadline for the complete submission of such documentation and information.

Article 5. Requirements Respecting Drawing up a Prospectus of Authorized or Recognized Investment Fund

1. The prospectus of an investment fund which is authorized or recognized shall contain the information necessary in order for the investor to make an informed judgment of the investment proposed to them, and of the risks attached thereto. The prospectus shall include a clear and understandable explanation of the fund's risk profile.

2. The information set forth in the prospectus shall be accurate, clear and not misleading. The prospectus shall not be considered as a recommendation or conclusion of the National Bank as to the accuracy of the content of the prospectus or the value of the investment described therein.

3. Prospectus shall include information referred to in Annex №2.

4. The information referred to under paragraph 3 of this article may not be specified in the prospectus in so far as that information already appears in the constituting instrument of the fund annexed to the prospectus.

5. The constituting instrument of the investment fund shall form an integral part of its prospectus and be annexed thereto. The constituting instrument may not be annexed to the prospectus provided that the investor is informed that, on request, he or she will be sent those documents or be apprised of the place where he or she may consult them.

6. Information may be incorporated by reference in a prospectus where it has been previously published provided that accessibility of the information is ensured. In particular, the prospectus shall include a cross-reference list in order to enable investors to identify easily specific items of information, the source (hyperlink included) of the information thus incorporated, page, paragraph or other characteristic item. Hardly accessible information shall be provided directly in the prospectus without further incorporation.

7. Essential elements of the prospectus shall be kept up to date. Amendments to the prospectus of an authorized investment fund shall be made in accordance with Art. 10, paragraph 6 of the Law.

Article 6. Changes Related to Investment Fund

1. An investment fund or an asset management company acting on its behalf shall give an advance notification in writing to the National Bank of any changes related to the investment fund, if the change concerns conditions of authorization, registration or recognition of the investment fund, including:

- a) Changes to the constituting instrument;
- b) Changes to the prospectus or key investor information document;
- c) Appointment or removal of asset management company;
- d) Appointment or removal of specialized depositary;
- e) Changes to the contract concluded with the specialized depositary or asset management company.

2. The change referred to in paragraph 1 of this Article shall be implemented upon prior consent by the National Bank. The National Bank shall provide approval or refusal to implement changes in writing within 1 month of receiving the notification. This term can be extended by not more than 1 month, if the National Bank notifies the applicant in advance. Save for the cases prescribed under the Law whereby explicit consent by the National Bank is required to implement a change in relation to the investment fund, consent shall be deemed to be given if, within the period set out under this paragraph after receiving the written notification, the National Bank does not inform the applicant on the rejection of the proposed change.

3. In case of receiving an approval from the National Bank, authorized investment fund or an asset manager acting on its behalf shall ensure to publicly publish the changes in the constituting documents and the prospectus in advance, in which case it can go into force not earlier than two months later. Public publishing is not required if the information regarding changes is provided to each unitholder on a durable medium,

in which case these changes may go into force at least after 30 days have passed since every unitholder received the notification.

Article 7. Additional Requirements in relation to UCITS

Apart from the requirements established under the Law, additional requirements for making investments and management of attendant risks by UCITS are provided under the rules of Annex №3 hereof.

Article 8. Obligations of Authorized/Recognized Investment Funds regarding Drawing-Up and Submitting Reports and Providing Information to Investors

1. An authorized/recognized investment fund or asset management company acting on its behalf shall draw-up, submit to the National Bank and publish annual and half-yearly reports in accordance with the Law.
2. In addition, annual/half-yearly reports must incorporate following:
 - a) Number of units in circulation;
 - b) Net asset value per unit;
 - c) A full portfolio statement or a condensed portfolio statement which lists positions/exposures greater than 5% of net assets, distinguishing between the different types of investments and each investment analysed in accordance with the most appropriate criteria in the light of the investment policy of the Retail Investor AIF (e.g., in accordance with economic, geographical or currency criteria) as a percentage of net assets; for each of the investments the proportion it represents of the total net assets of the Retail Investor AIF must be stated;
 - d) A statement of changes in the composition of the portfolio during the reference period. To ensure that unitholders can identify significant changes in the disposition of the assets of the scheme, only material changes are required to be included in the published statement. Material changes are defined as aggregate purchases of a security exceeding 1% of the total value of purchases for the period and aggregate disposals greater than 1% of the total value of sales. At a minimum the largest 20 purchases and the largest 20 sales by value must be given;
 - e) Open derivative positions at reporting measured at market value;
 - f) The risk profile of the investment fund;
 - g) Measures to assess the sensitivity of the investment fund's portfolio to the most relevant risks to which the investment is or could be exposed; if risk limits have been or are likely to be exceeded and where these risk limits have been exceeded a description of the circumstances and, the remedial

measures taken.

3. An authorized/recognized investment fund or asset management company acting on its behalf shall draw-up and submit to the National Bank current reports no later than 3 working days after occurring the relevant event (unless a different notification time limit applies under the Law) in the following circumstances:

- a) Investment fund or asset management company acting on its behalf decides to suspend redemption of units;
- b) Investment fund or asset management company acting on its behalf decides to resume redemption of units;
- c) It has been found that the valuation of the assets/net assets of the investment fund or units thereof is significantly flawed;
- d) It has been found that the prospectus, constituting instrument or key investor information contains significant irregularity/inaccuracy;
- e) Investment fund or asset management company acting on its behalf decides to raise the permitted level of leverage;
- f) Investment fund or asset management company acting on its behalf decides to remove external valuator.

4. An authorized/recognized investment fund or asset management company acting on its behalf shall draw-up and submit to the National Bank for approval current reports in good time before making any of the following decisions respecting the investment fund:

- a) Investment fund or asset management company acting on its behalf decides to enter into merger arrangement;
- b) Investment fund as a feeder fund or asset management company acting on its behalf decides to invest in a master fund;
- c) Investment fund or asset management company acting on its behalf decides to appoint an external valuator.

Article 9. Obligation of Registered Investment Fund to Draw-Up and Submit Reports

1. A registered investment fund or asset management company acting on its behalf shall provide the National Bank with the following information twice a year, as of December 31 and June 30, within 45 days of the end of each period:

- a) Updated information on the number of unit-holders of the investment fund, with the indication to which category of investors (retail or qualified) they belong;

- b) Information about the changes (if any) made to the investment strategy of the investment fund;
- c) Information on the main instruments/assets/liabilities in which the investment fund is trading and on the principal areas of business and most important concentrations of the investment fund.

2. A registered investment fund or asset management company acting on its behalf shall draw-up and submit to the National Bank current reports no later than 3 working days after occurring the relevant event in the following circumstances:

- a) The number of retail investors of the investment fund exceeds 20;
- b) An investment fund or asset management company acting on its behalf appoints a specialized depositary;

Article 10. Revocation of Authorization, Registration or Recognition of Investment Fund by the National Bank

The authorization/registration/recognition granted to the investment fund may be revoked upon the decision of the National Bank in any the following circumstances:

- a) the duration of the investment fund has expired in accordance with the constituting instrument thereof;
- b) upon the application by the investment fund or asset management company acting on its behalf, on the revocation of authorization/registration/recognition of the investment fund in accordance with the constituting instrument thereof and legislation of Georgia;
- c) the investment fund or asset management company acting on its behalf has obtained the authorization/registration/recognition by making false statements or by any other irregular means;
- d) the investment fund no longer complies with one or more of the requirements of authorization/registration/recognition;
- e) the investment fund or the asset management company acting on its behalf has repeatedly or seriously contravened a requirement imposed in accordance with this Law, other laws in the sphere of financial sector and other requirement(s) issued on their legal basis or indication;
- f) the investment fund does not make use of the authorization/registration/recognition granted to it within 12 months, or has ceased activities for more than six months previously;
- g) the authority of the asset management company or the specialized depositary has been terminated and no eligible replacement has been appointed in accordance with the requirements of this Law;
- h) the investment fund has become insolvent;
- i) the court has made a decision on deprivation of the right to carry out activities in relation to the investment fund;
- j) the competent authority has made a decision on liquidating the investment fund;

k) other ground pursuant to legislation of Georgia.

Annex №1: Authorization, Registration, Recognition Application Form

Annex №2: The prospectus shall have the following structure:

1. Title Page / Summary

- a) Name of the investment fund and if present, the asset manager company, indication on whether it is a common fund or an investment company, legal form (in case of investment company) and identification number (in case of investment company); also, information regarding liquidity profile;
- b) The name of persons responsible for drawing up the prospectus, their positions and signatures;
- c) Essential characteristics of the investment fund and its units;
- d) Statement made by persons responsible for drawing up the prospectus to the effect that the prospectus contains all the relevant information with which they are familiar and no omission of information has been made that would affect the content of the prospectus;
- e) Warning to the effect that the investor may lose all or part of the capital invested;
- f) Statement to the effect that the investment fund may face liability if the prospectus is misleading, inaccurate, or if it does not provide key information for the investor to make a decision whether to invest in the given units;
- g) Warning to the effect that the product (units) offered on the basis of the prospectus is not simple and may be difficult for the investor to understand it properly;
- h) The following statement: 'Authorization/Recognition of the investment fund by The National Bank shall not be considered as an opinion on the accuracy of the content of the prospectus or a conclusion or recommendation regarding the value of the investment described therein';
- i) The date of the entry into force of the prospectus and latest amendment thereto.

2. Detailed Table of Contents

3. Risk Factors

Risk factors relating to the investment fund and holding its units;

4. Information about the Investment Fund

- a) Name, date of the establishment and duration (if limited) of the investment fund and, where applicable, its asset management company;
- b) In case of an umbrella fund, reference to the relevant sub-funds;
- c) Statement of the place where the constituting instrument, if it is not annexed, and periodic reports may be obtained;
- d) Information about the organizational structure of the investment fund;
- e) Information about the auditor(s) of the investment fund and third parties or experts involved in drawing-up the prospectus, their addresses, qualifications and, if applicable, interests with respect to the business of the investment fund;
- f) Names and positions of the members of the management body of the investment company and/or asset management company;
- g) Information on the capital of the investment company and/or asset management company;
- h) Information concerning the manner, amount and calculation of remuneration payable by the investment fund to the asset management company, the specialized depositary or third parties, and reimbursement of costs by the investment fund to the asset management company, to the specialized depositary or to third parties; with respect to an investment company, also information concerning the manner, amount and calculation of remuneration payable to members of the management body and reimbursement of their costs;
- i) Information on the specialized depositary and those persons to whom safekeeping functions have been delegated;
- j) If available, information on historical financial performance of the investment fund;
- k) Overview of the regulatory framework that applies to the investment fund and to its investments;
- l) Information on material contracts, which is related to material facts and a counterparty to which is the investment fund or an asset management company acting on its behalf;
- m) Information on professional liability insurance (if applicable);
- n) Information on external valuator (if any) and auditor of the investment fund.

5. Information about Investment Objectives, Policies and Restrictions

- a) Description of rules for determining and applying income;
- b) Description of the investment fund's investment objectives and policy, including whether it is concentrated on investments in geographical or industrial sectors, also any limitations on that investment

policy and an indication of any techniques and instruments or borrowing powers which may be used in the management of the investment fund; also

b.a) the description (category) of assets/financial instruments in which the investment fund may invest;

b.b) the proportion of the assets of the investment fund that may be invested in assets/financial instruments of any description (category);

b.c) the description of the transactions that are permitted;

b.d) the maximum exposure of an investment fund to one person / group of persons;

b.e) the maximum concentration of ownership or influence over a person / group of persons;

b.f) requirements for transactions with persons with whom the investment fund or asset management company thereof, or other investment funds managed by the same asset management company, have close links; and

b.g) other risk diversification requirements.

b.h) the purpose of investing in derivatives and position limits;

b.i) quantitative and qualitative parameters of leverage of the investment fund, also any final changes in the methodology for calculating leverage;

c) Rules and procedures for the valuation of assets, frequency of valuation and means of providing information to investors;

d) rules, procedures and frequency of the assessment of investment fund risks, including of calculation of risk positions (concentration limits).

6. Information on Units

a) Brief indications relevant to unit-holders of the tax system applicable to the investment fund;

b) Details of the types and main characteristics of the investment fund units and, where applicable, indication of the stock exchanges on which units are admitted to trading;

c) The conditions and procedures of issue and sale of units;

d) Conditions and procedures for redemption of units, including circumstances in which redemption of units in open-ended or interval investment fund may be suspended; also, in the case of an umbrella fund, information on the conditions and procedures as to how a unit-holder may pass from one sub-fund into another;

e) Determination of the sale or issue and redemption price of units, including information concerning the charges relating thereto;

f) The description of the profile of the typical investor for whom investment fund is designated;

g) Possible expenses or fees, other than the charges mentioned in subparagraph (e) hereof, distinguishing between those to be paid by the unit-holder and those to be paid out of the assets of the investment fund.

Annex №3: Permitted Investments for UCITS and Requirements Relating to Borrowing and Lending

Requirements Relating to Activities of UCITS

1. UCITS may not invest more than 5% of its assets in transferable securities or money market instruments issued by the same issuer. Investments in deposits with the same commercial bank shall not exceed 20% of the assets comprising assets of a UCITS.
2. The risk exposure to the counterparty of the UCITS in an OTC derivative transaction shall not exceed either 10% of the UCITS assets if the counterparty is a commercial bank specified in Article 53 (1) (e) of the Law, or, in other cases - 5% of UCITS assets.
3. Notwithstanding the individual limits laid down in paragraph 1 and 2, UCITS may not combine its investments in transferable securities and money market instruments, deposits and exposures arising from OTC derivative transactions where this would lead to investment of more than 20 % of its assets in a single body.
4. By derogation from paragraphs 1 and 3 hereof, UCITS may invest up to 100 % of their assets in different transferable securities and money market instruments issued or guaranteed by the government of Georgia, one or more of its local authorities, a third country, or a public international body to which it belongs. In such case the unit-holders shall enjoy protection equivalent to that of unit-holders in UCITS complying with the limits laid down in articles 1 and 3. Such UCITS shall hold securities from at least six different issues, but securities from any single issue shall not account for more than 30 % of its total assets
5. UCITS may acquire units issued by UCITS or other investment fund referred to in Article 53 (1) (d) of the Law, provided that the amount of investment in each investment fund does not exceed 20% of UCITS assets. The total amount of investment in investment fund units (excluding UCITS units) should not exceed in aggregate 30% of UCITS assets.
6. Companies which are included in the same group for the purposes of consolidated accounts shall be regarded as a single body for the purpose of calculating the limits contained in this Article.
7. UCITS shall not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body
8. A UCITS may acquire no more than:
 - (a) 10 % of the non-voting shares of a single issuing body;
 - (b) 10 % of the debt securities of a single issuing body;

(c) 25 % of the units of a single UCITS or other collective investment undertaking within the meaning of Article 1(2)(a) and (b); or

(d) 10 % of the money market instruments of a single issuing body.

9. The limits laid down in sub-paragraphs (b), (c) and (d) of paragraph 8 of this Annex, may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue, cannot be calculated.

10. Paragraphs 7, 8 and 9 of this Annex shall not apply with regard to the following:

(a) transferable securities and money market instruments issued or guaranteed by a Member State by a third country;

(b) shares held by a UCITS in the capital of a company incorporated in a third country investing its assets mainly in the securities of issuing bodies having their registered offices in that country, where under the legislation of that country such a holding represents the only way in which the UCITS can invest in the securities of issuing bodies of that country;

(c) shares held by an investment company or investment companies in the capital of subsidiary companies pursuing only the business of management, advice or marketing in the country where the subsidiary is established, in regard to the repurchase of units at unit-holders' request exclusively on its or their behalf.