

**On Approval of The Criteria Defining the Fitness for Use of
Banknotes and Coins of the National Currency of Georgia and Rules
of Acceptance and Replacement**

Pursuant to the Article 9, subparagraphs 'f' and 'i' and Article 35, paragraph 7 of the organic law of Georgia on "The national bank of Georgia" the Board of National Bank of Georgia resolves:

1. To approve the Criteria Defining the Fitness for Use of Banknotes and Coins of the National Currency of Georgia and the Rules of their Acceptance and Replacement;
2. To declare null and void the Decree No. 3 of 2 February 2005 of the Board of the National Bank of Georgia on the "approval of the Criteria Defining the Fitness for Use of Banknotes and Coins of the National Currency of Georgia and the Rules of their Acceptance and Replacement";
3. This resolution shall become effective upon promulgation.

Board Chairman

Giorgi Kadagidze

Approved under the Decree No 4 of June 27, 2011 of
the Board of the National Bank of Georgia

**Criteria Defining the Fitness for Use of Banknotes and Coins of the National
Currency of Georgia and Rules of their Acceptance and Replacement**

Article 1. General Provisions

This rule determines criteria of defining payment fitness of banknotes and coins of National Currency (hereafter “banknotes and coins”) issued for circulation on the territory of Georgia and their acceptance – replacement terms.

Article 2. Criteria for the determining the fitness for Banknotes and Coins

The banknotes and coins, which do not cause suspicion in genuineness, according to their physical condition, are divided into 4 categories:

- a) To the 1st Category belong the undamaged notes fit for payment operations and with damages, such as:
 - a.a) Banknotes, with insignificant defects (feature tears, inscriptions and spots, are soiled, etc.), which do not essentially change the requisites of banknote;
 - a.b) Coins with insignificant abrasions and marks of corrosion, but nevertheless maintain the color and clear images;
- b) To the 2nd category belong the notes and coins fit for payment operations with damages, such as:
 - b.a) Banknotes, with significant defects (feature tears, inscriptions and spots, are soiled, etc.), but despite it is possible to identify security features and denomination of the banknote and retain banknote original size;
 - b.b) Coins with significant defects, corrosion and are soiled, but on the whole maintain the images, size and color and is possible to identify the coin.
- c) To the 3rd category belong the notes and coins fit for payment operations with damages, such as:
 - c.a) Banknotes with altered color, but despite it is possible to identify them;
 - c.b) Torn and glued banknotes, when it is proved that integrated parts belong to the same banknote;

c.c) Banknotes with any kind of damage which retain more than 50 percent of the original banknote size and it is possible to identify them;

c.d) Coins with any kind of damage, if more than 50 percent of the original coin size is retained and it is possible to identify them;

d) To the 4th category belong the notes and coins unfit for payment operations with damages which do not fall within categories specified in a, b and c subparagraphs of this article.

Article 3. The Rules of Acceptance and Replacement of the Damaged Banknotes and Coins

1. The individuals are entitled to refuse the acceptance of the banknotes and coins of categories 2,3 and 4;
2. Business entities (except for commercial banks) and non-commercial legal entities are obligated to accept without impediment the banknotes and coins of 1st and 2nd categories during the payment operations according to their nominal value.
3. Commercial banks are obligated:
 - a) to accept without impediment the banknotes and coins of the 1st , 2nd and 3rd categories free of charge during the payment operations or for the purpose of further replacement;
 - b) to prevent the accepted banknotes and coins of the 2nd and 3rd categories from being returned to circulation and to deposit them to the National Bank of Georgia.
4. If the commercial banks fail to classify the damaged banknotes and coins under the 4th category, the decision on their fitness shall be made by the National Bank of Georgia.
5. The Banknotes and coins of the 4th category are not eligible for acceptance and replacement and upon request will be returned to their owner. If it is impossible to return them to the owner, the business entities (except for commercial banks) and non-commercial legal entities are obliged to submit them to the commercial bank or the National Bank of Georgia without claim for any compensation, and commercial banks - to the National Bank of Georgia without claim for any compensation.
6. If the damage of the banknotes and coins of the 4th category is caused by the fire, natural disasters or other Force Majeure circumstances, which is proved by the documents issued by the authorized entities, the issue of their replacement is reviewed and decision is made by the National Bank on a case-by-case basis.