

ORGANIC LAW OF GEORGIA
ON THE NATIONAL BANK OF GEORGIA

Chapter I - General Provisions

Article 1 - National Bank of Georgia

1. The National Bank of Georgia ('the National Bank') is the central bank of Georgia, the bank of banks, the banker and the fiscal agent of the Government of Georgia. It is a legal entity under public law. In its activity, the National Bank is guided by the Constitution of Georgia, this Organic Law, and the legislation of Georgia and relies on the procedures and customs accepted in international banking practice. It has the right to independently enter into contracts, independently purchase immovable and movable property, own and dispose of it, appear as a plaintiff and a defendant, and independently perform the functions assigned to it.

2. (Deleted)

3. The National Bank shall be founded by the highest representative body of Georgia.

4. The National Bank shall be located in Tbilisi.

Organic Law of Georgia No 2828 of 23 March 2010 - LHG I, No 19, 13.4.2010, Art. 102

Article 2 - Definition of terms

The terms used in this Law have the following meanings:

a) financial sector representative - a commercial bank, non-bank depository institution, brokerage company, independent securities registrar, asset management company, central depository, specialised depository, stock exchange, microfinance organisation, founder of a non-state pension scheme, insurance brokerage company, publicly accountable enterprise, qualified credit institution, money transfer provider, foreign currency exchange office;

b) financial sector - a unity of financial sector representatives;

c) commercial bank - a legal person licensed by the National Bank that accepts deposits and uses them to conduct on its behalf banking activities defined by the legislation of Georgia;

d) inflation target - an inflation rate target index to be reached by the National Bank;

e) official exchange rate - an exchange rate established by the National Bank with regard to different currencies, which is used for accounting and other official purposes;

f) state loan - the public debt of Georgia defined under the Law of Georgia on Public Debt, and issued state credit guarantees of Georgia;

g) deposit - monetary funds or other means of payment placed on deposit by a person in a commercial bank or a non-bank depository institution, for which a commercial bank or a non-bank depository institution acquires the right of ownership. Funds received in exchange for electronic money shall not be a deposit;

h) currency - banknotes and coins issued by the National Bank and other country's issuing institutions as a legal tender;

i) counterfeit money - banknotes and coins manufactured in a fraudulent and illegal way, as well as falsified banknotes on which traces of altering the face value can be noticed;

j) emission - putting, by the National Bank, lari banknotes and coins, or securities into circulation;

k) reproduction - producing, in full or parts of, banknotes and coins issued by the National Bank, including producing their individual design elements, colour, size, symbols, or producing an image, by modifying them, in material or non-material form, which might resemble authentic money, or create an impression of authentic money;

l) numismatic value - lari banknotes and coins, reproduced by the National Bank, which are intended for sale or exhibition, as well as banknotes and coins, withdrawn from circulation, or not emitted due to their improper characteristics, and historical banknotes and coins, and their replicas;

m) credit - any commitment related to disbursing monetary funds, based on the principles of redemption, valuation, securing and maturity;

n) clearing (clearing agreement) - a system of cashless settlement, which is based on the mutual offset of assets and liabilities and is used in both domestic and international settlement;

o) spot transaction - a transaction, which is settled within two banking days after the transaction is made;

p) forward transaction - a transaction, which is settled within more than two banking days after the transaction is made;

q) swap - a transaction of the purchase or sale of foreign currency under preliminarily agreed terms for its further sale or repurchase;



- r) fiscal agent - a person who supports the implementation of the State fiscal policy by organising a payment system and circulation of securities and who represents the State in relations with central banks of other countries and international financial institutions;
- s) administrative and capital expenditures - all expenditures, except for those that are directly related to the implementation of monetary policy and exchange rate policy and to provision of cash to the economy;
- t) statistics of the financial sector of Georgia - statistics reflecting the stocks and flows of financial assets and liabilities of the national economy, as well as of financial and non-financial assets and liabilities of financial corporations;
- u) person - a natural or a legal person, as well as an organisational unit under the legislation of Georgia, which is not a legal person;
- v) non-bank depository institution - a legal person, which is not a commercial bank and which is authorised to accept deposits and use them to conduct on its behalf a part of banking activities under the legislation of Georgia;
- v¹) qualified credit institution - a legal person, which is considered as such by the National Bank and which attracts funds from natural persons and grants loans using the attracted funds, according to this Law;
- w) interim bank - a bank set up urgently and temporarily by the National Bank to ensure the stability of the banking system and security of deposits in exceptional cases;
- x) control - exercising a strong influence, directly or indirectly, independently or jointly with others, by using voting shares (stock, share) or by any other means;
- y) controlling person - a person, who exercises control;
- z) family member - a person's spouse, minor child or stepchild, as well as a person permanently residing with him/her;
- z¹) close relative - a person who is a relative falling under the category of first or second heir, according to the Civil Code of Georgia;
- z²) public register - a departmental public register of the National Bank in which legal acts of the National Bank are registered and systematised;
- z³) external sector statistics - statistics on the balance of payments, international investment climate, foreign debt and official international reserves;
- z⁴) inflation - change in the consumer price index, published by the official agency that produces price statistics;
- z⁵) reserve money - cash issued by the National Bank (excluding the balance of funds at the cash desk of the National Bank), funds in the accounts of commercial banks (including banks with revoked licences) at the National Bank, denominated in the national currency;
- z⁶) free industrial zone - a zone established according to the Law of Georgia on Free Industrial Zones;
- z⁷) duty-free shop - a customs control zone, for activities of which a permission issued by the Revenue Service is required, and where it is permitted to sell any goods without tariff measures, except for the goods, whose import, export, and sale on the territory of Georgia is prohibited.

Organic Law of Georgia No 3702 of 12 October 2010 - LHG I, No 56, 20.10.2010, Art. 363

Organic Law of Georgia No 5001 of 1 July 2011 - website, 15.7.2011

Organic Law of Georgia No 5946 of 27 March 2012 - website, 12.4.2012

Organic Law of Georgia No 6320 of 25 May 2012 - website, 12.6.2012

Organic Law of Georgia No 6305 of 25 May 2012 - website, 12.6.2012

Organic Law of Georgia No 353 of 20 March 2013 - website, 4.4.2013

Article 3 - Objectives and functions of the National Bank

1. The main objective of the National Bank shall be to ensure price stability.
2. The National Bank shall ensure stability and transparency of the financial system and facilitate sustainable economic growth in the country, if this is possible without posing a threat to attaining its main objective.
3. The functions of the National Bank shall be to:
 - a) develop and implement a monetary policy and exchange rate policy, according to basic directions defined by the Parliament of Georgia;
 - b) implement financial sector supervision;
 - c) ensure the functioning of the monetary system;
 - d) own, keep and dispose of the official international reserves;
 - e) act as a banker and a fiscal agent of the Government of Georgia;



- f) facilitate secure, sustainable and effective functioning of the payment system;
- g) issue currency of Georgia;
- h) produce and disseminate the financial and external sector statistics of the country, according to the international standards and methodologies;
- i) (deleted - 29.5.2014, No 2465);
- j) perform other functions defined by this Organic Law.

Organic Law of Georgia No 6305 of 25 May 2012 - website, 12.6.2012

Organic Law of Georgia No 2465 of 29 May 2014 - website, 2.6.2014

Article 4 - Independence of the National Bank

1. The National Bank shall be independent in its activity. Legislative, executive and other bodies may not intervene in its activity or monitor it except as provided under the Constitution of Georgia and this Organic Law.
2. The National Bank shall be economically independent and shall provide for all its expenses. The National Bank shall not be liable for the obligations of the State of Georgia. The State of Georgia shall not be liable for the obligations of the National Bank except as provided in this Organic Law.
3. The National Bank, its assets, property and income, as well as activities and transactions it carries out, shall be exempt from all state taxes, state charges, fees and state duties.

Organic Law of Georgia No 2828 of 23 March 2010 - LHG I, No 19, 13.4.2010, Art. 102

Organic Law of Georgia No 5001 of 1 July 2011 - website, 15.7.2011

Organic Law of Georgia No 6017 of 10 April 2012 - website, 30.4.2012

Article 5 - International cooperation

1. The National Bank shall, within the scope of its authority, represent Georgia at international meetings, all boards and organisations.
2. The National Bank shall, within the scope of its authority, cooperate with the respective financial sector supervisory body of another country. Such cooperation may comprise exchange of information between the National Bank and the respective financial sector supervisory body of another country, provided that this body keeps the information, obtained in this way, confidential.
3. The National Bank may provide banking services to a foreign government, central bank, and monetary authorities, as well as an international organisation whose member the National Bank or the State of Georgia is.
4. Being the representative of Georgia, the National Bank may undertake obligations and carry out operations related to participation of Georgia in the activities of international organisations.

Chapter II - Organising and Managing the National Bank

Article 6 - Organising the National Bank

1. The National Bank is an integral centralised system.
2. The National Bank shall, on the basis of this Organic Law, define the procedures for setting up, functioning and abolishing structural units.

Organic Law of Georgia No 2465 of 29 May 2014 - website, 2.6.2014

Article 7 - Managing the National Bank

1. The supreme body of the National Bank shall be the Board of the National Bank which consists of seven members. If there are fewer than four members on the Board, the Board of the National Bank shall not be authorised to perform its functions. In this case, the vacancy (vacancies) shall be filled not later than two months after occurrence of this fact.
2. Members of the Board of the National Bank shall be citizens of Georgia or of a foreign country, professionals in economics, finance or other appropriate fields, and shall be distinguished by their integrity. The number of professionals in other relevant fields (except for economics and finance) on the Board of the National Bank shall not exceed two.
3. The chairperson of the Board of the National Bank shall be the President of the National Bank. Apart from the chairperson of the Board, two Vice-



presidents of the National Bank and other members shall be on the Board of the National Bank.

4. The Parliament of Georgia shall, on the recommendation of the President of Georgia, elect members of the Board of the National Bank for a period of seven years, by a majority of votes of the total number of Members of Parliament.

5. A member of the Board of the National Bank may be dismissed only under Article 64 of the Constitution of Georgia, by decision of the Parliament of Georgia.

6. A member of the Board of the National Bank may be re-elected. In the case of the termination of the Board member's term of office ahead of time, a new member to replace him/her shall be elected for the full term of office of a Board member.

7. The President of Georgia shall appoint the President of the National Bank from among the Board members and dismiss him/her on the recommendation of the Board of the National Bank, and Vice-presidents - on the recommendation of the President of the National Bank.

8. The President of the National Bank shall be dismissed if he/she:

- a) is not the member of the Board of the National Bank any more;
- b) has lost the right to hold the position of a Board member of the National Bank according to Article 13 of this Organic Law;
- c) is unable to perform his/her duties due to his/her health status;
- d) dies.

9. Vice-presidents of the National Bank shall be dismissed according to the rule defined in the eighth paragraph of this article.

10. A member of the Board of the National Bank, except for the President and Vice-presidents of the National Bank, shall not be a public servant.

Organic Law of Georgia No 6017 of 10 April 2012 - website, 30.4.2012

Organic Law of Georgia No 3359 of 20 March 2015 - website, 31.3.2015

Article 8 - Board of the National Bank

The Board of the National Bank shall manage and supervise the activity of the National Bank.

Article 9 - Powers of the Board of the National Bank

The Board of the National Bank shall be authorised to:

- a) review and approve the key principles of managing and disposing of international reserves;
- b) establish the procedure for determining the official exchange rate of the national currency to foreign currencies;
- c) approve the budget of administrative and capital expenditures of the National Bank;
- d) create special reserves;
- e) review, approve and submit to the Parliament of Georgia an annual report and financial statements of the National Bank;
- f) issue legal acts;
- g) define the basic directions of supervision and regulation of the activity of the financial sector;
- h) approve the organisational structure and the Regulations of the National Bank;
- i) perform other functions set forth in this Organic Law.

Article 10 - Setting the amount of extra salaries for the Board members of the National Bank

The amount of additional salaries of the Board members of the National Bank shall not be smaller than an average salary within the National Bank, and shall be determined by the President of Georgia.

Article 11 - Resignation of a member of the Board of the National Bank

1. A member of the Board of the National Bank may resign, if he/she submits a written application to the Chairman of the Parliament of Georgia at least two months before resigning.

2. A member of the Board of the National Bank shall be considered to have resigned from the date indicated in the application.



Article 12 - Meeting of the Board of the National Bank

1. The President of the National Bank, and in his/her absence - the Acting President, shall conduct meetings of the Board of the National Bank.
2. As a rule, the President or the Acting President of the National Bank shall convene meetings of the Board of the National Bank. Meetings may be convened at any time on the basis of the written request of two members of the Board.
3. Each member of the Board of the National Bank shall have one vote. A meeting shall be authorised if attended by more than half of the Board members of the National Bank, of which one shall be the President or the Acting President of the National Bank.
4. A resolution of the Board of the National Bank shall be adopted at a meeting of the Board by a simple majority of those present and voting. Only Board members participating in the meeting shall have the right to vote. In the case of equal votes, the vote of the President of the National Bank shall be decisive, and in the case of his/her absence - the vote of the Acting President.
5. The Board of the National Bank shall determine the rules and procedures for holding a meeting of the Board of the National Bank.
6. A meeting of the Board of the National Bank shall be held at least quarterly.
7. A meeting of the Board of the National Bank may also be held by means of electronic communication.
8. The Board of the National Bank may take a decision to declare a meeting closed.

Article 13 - Conflict of interests of the Board members of the National Bank

1. A member of the Board of the National Bank, except for the President and Vice-presidents of the National Bank, may not at the same time be: a public servant, the head of a legal entity, an employee of a representative of the financial sector of Georgia or of a legal entity related to it.
2. The President and Vice-presidents of the National Bank are public servants.
3. A member of the Board of the National Bank and his/her family members may not be a partner of a representative of the financial sector of Georgia or of a legal entity related to it.

Article 14 - Further employment of the Board member of the National Bank

1. In the case of expiration of the term of membership in the Board of the National Bank, or dismissal from the membership with the Board of the National Bank, the President and Vice-presidents of the National Bank may not work in the financial sector of Georgia for six months.
2. In the case of expiration of the term of membership with the Board of the National Bank or dismissal from the membership in the Board of the National Bank, the President and Vice-presidents of the National Bank shall retain their official salaries for six months.

Article 15 - Powers of the President of the National Bank

1. The President of the National Bank shall:
 - a) manage the activity of the National Bank;
 - b) represent the National Bank before third parties;
 - c) appoint and dismiss employees of the National Bank;
 - d) distribute duties between the President and Vice-presidents of the National Bank, as well as among the officers of the National Bank;
 - e) be authorised to attend the meetings of the Government of Georgia without the right to vote;
 - f) determine the staff list of the National Bank and amounts of employees' official salaries, as well as the amount of fringe benefits of any kind;
 - f¹) define a unified procedure for record-keeping at the National Bank;
 - g) issue legal acts;
 - h) set up advisory and consultative bodies (committee, commission);
 - i) perform other functions defined by this Organic Law.
2. One of the Vice-presidents shall perform the duties of the President of the National Bank in his/her absence.



Article 16 - Financial Sector Supervision Committee of the National Bank

1. The President of the National Bank shall, by an order, set up the Financial Sector Supervision Committee of the National Bank. Members of the Financial Sector Supervision Committee shall be the President of the National Bank, the respective Vice-president, and head of the respective structural units of the National Bank. By decision of the President of the National Bank, other employees of the National Bank and invited persons may be members of the Financial Sector Supervision Committee.
2. The function of the Financial Sector Supervision Committee shall be to develop and implement the financial sector supervision and regulation policy.
3. The Financial Sector Supervision Committee shall be authorised to:
 - a) review and develop legal acts related to the regulation of financial supervision;
 - b) review the remarks of financial sector representatives regarding the measures undertaken by the respective structural units of the National Bank.
4. A decision of the Financial Sector Supervision Committee shall be submitted to the President of the National Bank as a recommendation, and, based on the final decision of the President, the National Bank shall issue legal acts.

Article 17 - Monetary Policy Committee of the National Bank

1. The President of the National Bank shall, by an order, set up the Monetary Policy Committee of the National Bank. Members of the Monetary Policy Committee shall be the President of the National Bank, the respective Vice-president, and heads of the respective structural units of the National Bank. By decision of the President of the National Bank, other employees of the National Bank and invited persons may be members of the Monetary Policy Committee.
2. The function of the Monetary Policy Committee shall be to develop and implement the monetary policy and the exchange rate policy.
3. The Monetary Policy Committee shall be authorised to:
 - a) develop the monetary policy and the exchange rate policy of the country;
 - b) define the procedures for open market and other monetary and credit operations, for emission and circulation of own securities, and for calculation of and compliance with the minimum reserve requirements;
 - c) set interest rates on loans, deposits and other monetary operations of the National Bank, except for loans of last resort;
 - d) define the norms of minimum reserve requirements;
 - e) perform other duties related to the monetary policy and the exchange rate policy.
4. The decision of the Monetary Policy Committee regarding the monetary policy shall be based on maintaining the inflation target over the medium term, while achieving short-term goals, that might affect the price stability over the medium term, shall not be decisive.
5. The decision of the Monetary Policy Committee shall be submitted to the President of the National Bank as a recommendation, and, based on the final decision of the President, the National Bank shall issue legal acts.

Article 18 - Internal Audit Service of the National Bank

1. The Board of the National Bank shall appoint and dismiss the Head of the Internal Audit Service of the National Bank by simple majority of members present and voting at a meeting. The Head of the Internal Audit Service shall be appointed for a period of seven years. He/she may be reappointed.
2. The Head of the Internal Audit Service may resign upon one month's notice to the President of the National Bank.
3. The functions of the Internal Audit Service shall be to:
 - a) periodically audit internal control systems and operations of the National Bank;
 - b) prepare a progress report and develop recommendations on budget and accounting procedures and internal control systems, to report to the Board of the National Bank;
 - c) audit periodical financial statements and related documents of the National Bank.

Article 19 - Remuneration of the personnel of the National Bank

1. The amount of remuneration of the employees of the National Bank shall be in line with the level of remuneration across the banking system of Georgia. The amount of remuneration of temporary employees shall be set on the basis of a contract.
2. The amount of official salaries, bonuses and other payments to be paid by the National Bank shall not depend on the net income of the National Bank.



Article 20 - Professional secrecy and conflict of interests

1. Present or former members of the Board of the National Bank, employees or auditors of the National Bank may not allow the access of an unauthorised person to confidential information, as well as disclose, disseminate or use such information for personal purposes.
2. (Deleted - 29.5.2014, No 2465).
3. Information on accounts and/or transactions of natural and legal persons, or on third parties, may be provided only based on a court decision.
4. Information under the third paragraph of this article shall be provided to persons who are authorised to implement the acts subject to enforcement under the Law of Georgia on Enforcement Proceedings, during their enforcement.
5. For the purposes of the monetary policy, statistical and/or financial sector stability, any information available at the National Bank may be declared confidential for a definite reasonable period of time by decision of the Board of the National Bank. The Board of the National Bank shall define the list of such information, the time frame of restriction and the procedures for providing such information.
6. The President of the National Bank, Vice-presidents of the National Bank and the employees of the structural units of the National Bank supervising the financial sector under this Organic Law may not be employees of a financial sector representative or of a legal entity related to it, direct or indirect holders of a share, members of a supervisory board or a board of directors. If a family member or a close relative of an employee of a structural unit of the National Bank supervises the financial sector under this Organic Law, is the holder of more than 10 % of the shares of a person under supervision and regulation of the National Bank or a person related to it, is a member of a supervisory board or a board of directors, this employee shall submit a written statement about it to the National Bank under procedures established by the National Bank. He/she also may not participate in resolving issues related to such person. An employee of the National Bank may not be charged with supervising a person, if a family member or a close relative of the former is a share-holder, a member of a supervisory board or a board of directors of the latter.
7. An employee of the National Bank may not receive any material or other benefits, by abusing his/her office, from a person under the supervision and regulation of the National Bank or from a person related to it, on his/her behalf or on behalf of another person, with whom he/she is connected as a close relative, through work or financial relations.
8. A member of the Board of the National Bank, as well as an employee of the National Bank, shall, under the procedure established by the National Bank, be obliged to notify the National Bank about his/her or his/her family member's, as a natural person's, loan or another material liability, whose total amount exceeds GEL 10 000, to a financial sector representative.

Organic Law of Georgia No 2465 of 29 May 2014 - website, 2.6.2014

Chapter III - Financial Provisions

Article 21 - Capital of the National Bank

1. The capital of the National Bank shall consist of the charter capital and the general reserve fund.
2. The charter capital of the National Bank shall be GEL 15 000 000.
3. The source of the growth of the National Bank charter capital shall be its net profits.

Article 22 - General reserve fund of the National Bank

1. The general reserve fund of the National Bank shall be formed from the annual net profits, according to the distribution provided in Article 25 of this Organic Law.
2. The general reserve fund of the National Bank may be used only to counteract the National Bank's net loss.
3. In order to facilitate the stability and transparency of the financial system, and sustainable economic growth in the country, the Board of the National Bank of Georgia shall be authorised to decide on the distribution of sums in the reserve fund.

Organic Law of Georgia No 2186 of 1 December 2009 - LHG I, No 40, 7.12.2009, Art. 287

Article 23 - Special reserves of the National Bank

1. By decision of the Board of the National Bank, the National Bank's net profits may be used to form:
 - a) a reserve for counteracting losses expected due to a change in the national currency exchange rate against foreign currencies;
 - b) a reserve for counteracting losses caused by a change in the price of assets;
 - c) other special reserves.



2. Special reserves shall be used for counteracting the respective loss.

Article 24 - Calculation of the net profits of the National Bank

The net profits of the National Bank for each financial year shall be calculated according to international accounting standards and financial reporting standards as the sum of net unrealised profit or loss, as a result of net operating profits or losses and revaluation. The net operating profit or loss shall be calculated by deducting operating expenses intended for conducting the main activity from the amount of income of the reporting year.

Article 25 - Distribution of the net profits of the National Bank

If the National Bank has net profits at the completion of a financial year, it shall be distributed in the following sequence:

- a) If net profits consist of net operating profits and net unrealised profits obtained as a result of revaluation, the unrealised profits obtained as a result of revaluation shall be transferred to the revaluation reserve. If net profits include revaluation of unrealised losses, it shall be compensated from the revaluation reserve account. If net profits consist of net operating losses and net unrealised profits obtained as a result of revaluation, net profits shall be transferred to the revaluation reserve.;
- b) The remaining amount of net profits shall be used to fill the general reserve fund of the National Bank, until its volume equals 15% of the amount of the reserve fund at the end of the financial year. The Board of the National Bank of Georgia shall be authorised to decide to use the remaining net profits to fill the general reserve fund of the National Bank, until its volume is less than 15% of the amount of the reserve fund at the end of the financial year.
- c) The remaining net profits for the financial year must be transferred to the account of the Ministry of Finance of Georgia within six months after completion of the financial year of the National Bank.

Organic Law of Georgia No 2186 of 1 December 2009 - LHG I, No 40, 7.12.2009, Art. 287

Article 26 - Distribution of net losses of the National Bank

1. If the National Bank incurs a net loss in any financial year, it shall be distributed as follows:

- a) If the net loss consists of net operating losses and net revaluation unrealised losses, the amount of net operating losses shall be added to the general reserve fund, and the amount of revaluation unrealised losses shall be distributed among the revaluation reserve accounts. If after such distribution the revaluation reserve accounts become negative, the negative balance shall be distributed to the general reserve fund.
- b) If a net loss consists of the sum of net operating profits and a greater net revaluation unrealised losses, the revaluation loss shall be compensated from the revaluation reserve accounts. The remaining losses shall be distributed to the general reserve fund.
- c) If the net loss consists of net operating losses and net revaluation unrealised profits, the losses shall be added to the general reserve fund.
- d) If after the above distribution the capital of the National Bank becomes smaller than the charter capital, in order to cover the deficit (to fill the charter capital of the National Bank) the Ministry of Finance of Georgia shall transfer to the ownership of the National Bank the circulating (market) government bearer bonds, under terms and conditions similar to those of other government securities.

2. The Ministry of Finance of Georgia shall unconditionally issue the securities defined by paragraph (1)(d) of this article, within five months after the completion of the financial year of the National Bank. After having been issued, these securities shall be reflected in the State Budget of Georgia.

Chapter IV - Monetary Credit Functions and Operations of the National Bank

Article 27 - Own securities of the National Bank

In order to implement monetary policy, the National Bank shall be authorised to issue its own securities under procedures and terms established by it.

Article 28 - Open market operations

When implementing monetary policy, the National Bank shall be authorised to perform open market operations with government securities and by way of direct purchase or sale of securities issued by the National Bank, or under the condition of their further alienation or repurchase (repo and reverse repo operations).

Article 29 - Minimum reserve requirements

1. The National Bank shall be authorised to set for commercial banks and non-bank depository institutions the minimum reserve requirements that are defined by a percentage ratio of attracted funds, and, by decision of the National Bank, may be subject to mandatory retention by the National Bank.



2. The National Bank shall set the norms of minimum reserve requirements, the procedures for their calculation and compliance, as well as sanctions for violation. A pecuniary penalty imposed as a sanction for the violation of the norms of minimum reserve requirements shall be transferred to the State Budget of Georgia.

3. If minimum reserve requirements are placed in the National Bank, it may decide to pay interest on the amount of the minimum reserve requirements.

Article 30 - Discount transactions of the National Bank

1. The National Bank shall be authorised, by way of purchasing the securities of the Government of Georgia and of the National Bank, to carry out discount transactions with commercial banks and non-bank depository institutions, under procedures and conditions established by it.

2. The National Bank shall be authorised to alienate securities purchased through discount transactions at its own discretion.

Article 31 - Loan and deposit operations of the National Bank

1. Under the procedures and terms set by the National Bank, the National Bank may issue loans to commercial banks and non-bank depository institutions that have accounts at the National Bank, secured by respective collateral.

2. The Board of the National Bank shall approve the list of assets to be pledged as collateral for loans.

3. The National Bank shall be authorised to accept deposits under the procedures and conditions set by it.

Organic Law of Georgia No 2828 of 23 March 2010 - LHG I, No 19, 13.4.2010, Art. 102

Article 32 - Accounts of commercial banks, non-bank depository institutions and other financial institutions at the National Bank

The National Bank shall be authorised to have accounts of commercial banks, non-bank depository institutions and significant system participants, and accept deposits from them under the procedures and conditions established by it.

Organic Law of Georgia No 6305 of 25 May 2012 - website, 12.6.2012

Article 33 - Lender of the last resort

1. Except for the loans permitted under Article 31 of this Organic Law, the National Bank may issue a last resort loan to a commercial bank.

2. The term of the last resort loan, provided in the first paragraph of this article, shall not be longer than three months, the interest rate shall not be lower than the interest rate set for a one-day loan by the National Bank and shall be secured by assets determined under Article 31 of this Organic Law.

3. In exceptional cases, when the stability of the country's financial system may be under threat, by decision of the Board of the National Bank, it shall be admissible to issue a loan for a longer term, with a different interest rate and unsecured by collateral.

4. The Board of the National Bank shall, in accordance with this Organic Law, define the procedures and terms for issuing a last resort loan.

Organic Law of Georgia No 2828 of 23 March 2010 - LHG I, No 19, 13.4.2010, Art. 102

Article 33¹ - Information support for performing monetary and statistics functions of the National Bank

1. In order to provide information support for performing monetary and statistical functions, the National Bank shall be authorised to request a financial sector representative to submit statistical and accounting reports necessary for maintaining monetary, financial and external sectors statistics.

2. The National Bank shall be authorised to request confidential information from a financial sector representative for the sole purpose of performing its statistical functions.

Organic Law of Georgia No 5001 of 1 July 2011 - website, 15.7.2011

Chapter V - Means of Payment

Article 34 - Currency unit

1. The currency unit of Georgia shall be the lari. The lari consists of 100 tetri.

2. The lari shall be the only legal tender on the territory of Georgia, except for free industrial zones, duty-free shops and/or cases defined by the National Bank.



3. The lari banknotes and coins put into circulation or realised by the National Bank shall be the unconditional liability of the National Bank at face value, except for the lari banknotes and coins that have been withdrawn from circulation and/or are a store of numismatic value.

Organic Law of Georgia No 2828 of 23 March 2010 - LHG I, No 19, 13.4.2010, Art. 102

Organic Law of Georgia No 3702 of 12 October 2010 - LHG I, No 56, 20.10.2010, Art. 363

Organic Law of Georgia No 5001 of 1 July 2011 - website, 15.7.2011

Article 35 - Emission

1. Only the National Bank shall have the right to produce lari banknotes and coins intended for circulation, collection and/or for other purposes and issue them on the territory of Georgia. The National Bank shall be the copyright holder for lari banknotes and coins.
2. The Board of the National Bank shall define the face value, size, weight, volume, design, material and other characteristics of lari banknotes and coins.
3. If the design and material of a lari banknote or coin of an existing face value, and/or the year designated on it is changed, or a lari banknote or coin of a new face value is introduced, they shall be put into circulation by decision of the Board of the National Bank.
4. Emission of lari banknotes and coins directly for covering the deficit of the State Budget of Georgia shall be prohibited.
5. The National Bank may sell lari banknotes and coins, as well as numismatic valuables, both inside and outside the country.
6. The Board of the National Bank shall determine the procedures for production and realisation of lari banknotes and coins.
7. The Board of the National Bank shall define criteria for determining the fitness of lari banknotes and coins for use and the procedures for their acceptance and replacement.

Organic Law of Georgia No 2828 of 23 March 2010 - LHG I, No 19, 13.4.2010, Art. 102

Article 36 - Storage and destruction of currency and other valuables

1. The National Bank shall ensure reliable storage of both currency and original materials necessary for producing lari banknotes and coins, and other valuables.
2. Only the National Bank shall ensure the destruction of lari banknotes and coins and original materials necessary to produce them.
3. The Board of the National Bank shall set the procedure for destruction or further use of lari banknotes and coins.

Article 37 - Withdrawal from circulation and replacement of lari banknotes and coins

1. The National Bank may withdraw from circulation and replace issued lari banknotes and coins.
2. The Board of the National Bank shall establish the procedures for withdrawal from circulation and replacement of lari banknotes and coins.
3. As soon as the time for the replacement of lari banknotes and coins set by the Board of the National Bank expires, lari banknotes and coins to be replaced shall become ineffective as legal tender.

Article 38 - Stock of currency and emission plan

The National Bank shall directly control the stock of cash, plan the emission of money, and provide the economy of Georgia with lari banknotes and coins.

Article 39 - Counterfeit banknotes and reproduction of money

1. Counterfeiting money shall be prohibited and shall be punishable by law.
2. Counterfeit money shall be withdrawn from circulation and shall not be reimbursed.
3. The Board of the National Bank shall set the procedure for responding to the facts revealing counterfeit money on the territory of Georgia.
4. The National Bank shall be the key expert in establishing the authenticity of lari banknotes and coins and the expert of foreign currency banknotes and coins on the territory of Georgia.
5. Lari banknotes and coins may be reproduced on the territory of Georgia only under procedures set by the Board of the National Bank.



Chapter VI - International Reserves

Article 40 - Official international reserves

1. The National Bank shall own, store and manage the official international reserves which may consist of the following assets:

- a) monetary gold;
- b) foreign currency in the form of coins and banknotes;
- c) foreign currency balances available in bank accounts in a foreign country;
- d) special drawing rights (SDR) for loans of the International Monetary Fund and the reserve position in the International Monetary Fund;
- e) bills of exchange and deposit certificates denominated and payable in a foreign currency;
- f) debt instruments issued by foreign countries, central banks, international financial institutions, and private companies;
- g) derivative financial instruments and agreements on purchase of securities, denominated and payable in foreign currency, under the condition of their further alienation (reverse repo operations);
- h) any other universally recognised international reserves.

2. To perform the tasks of managing the official international reserves, the National Bank shall be authorised to borrow foreign currency on its own behalf, for a term of up to one year, which will be secured by assets within the international reserves, or to enter into agreements on alienation/lending of securities under the condition of their further repurchase (repo operations).

Chapter VII - Relations of the National Bank with Other State Bodies

Article 41 - Banker and fiscal agent

1. The National Bank shall perform the role of a banker and a fiscal agent of the Government of Georgia.

2. The National Bank shall be obliged to provide advisory assistance to the President of Georgia and the Government of Georgia on all issues related to the activity of the National Bank or falling within the scope of its authority.

Article 42 - Consultations on a draft State Budget of Georgia

1. Before submitting to the Parliament of Georgia a draft State Budget of Georgia or draft changes to the State Budget of Georgia, the Minister of Finance of Georgia shall consult with the President of the Bank regarding the main parameters of the State Budget of Georgia that include:

- a) the volume and structure of total revenues;
- b) the volume and structure of the surplus of the State Budget of Georgia;
- c) the change in financial assets;
- d) the structure of expenditures of the State Budget of Georgia.

2. The consultations shall necessarily take into consideration information on plans regarding attracting domestic and foreign loans for the state sector for the following financial year, including information on lending amounts of credit facility agreement, their acceptance and allocation and expected loan conditions. The central and local self-government bodies of Georgia shall notify the National Bank about the debt instruments issued.

3. After consultations, the President of the National Bank shall send to the Parliament of Georgia and the Government of Georgia an opinion on basic parameters of the State Budget of Georgia.

Article 43 - Depository functions

1. The National Bank shall accept the deposits of the Treasury Service of the Ministry of Finance of Georgia. As a depository, the National Bank shall accept and issue monetary funds, register accounts and provide other related financial services. On the basis of payment documents, the National Bank shall issue an amount within the limits of the amounts deposited on the above accounts. The National Bank may decide to pay interest on such deposits.

2. The National Bank may permit other financial institutions to accept such deposits under terms established by the National Bank.



Article 44 - Functions of a financial agent

The National Bank may perform the role of a financial agent of state institutions on the following issues:

- a) realisation of debt instruments issued by them, including performing the functions of a transfer agent, or other necessary administrative functions;
- b) issuance of principal amounts and interest, performing other payments on securities;
- c) performing payment transactions from their accounts;
- d) other issues pertaining to the National Bank's functions.

Article 45 - Information to be submitted to the National Bank

The National Bank shall be authorised to require and receive from state institutions and any other person all the statistical, accounting and other information (including confidential information) necessary to perform functions assigned to the National Bank.

Article 46 - Right of the National Bank to provide financial assistance

1. The National Bank shall not assist the Government of Georgia and state institutions financially, except in the case of paying dividends, provided in Article 25 of this Organic Law. Based on the purposes of the monetary policy, the National Bank shall purchase government securities only on the secondary market.

2. The National Bank of Georgia may purchase government securities on the primary market only in exchange for securities already existing in its portfolio, if the day of payment for them coincides with the day of issuance of new securities. They shall be purchased at the volume-weighted average price fixed at the auction. The volume of securities purchased by the National Bank at each auction shall be the additional emission of securities offered for sale at the auction and shall not exceed 20% of the total volume of securities sold at this auction.

Chapter VIII - Supervision of the Financial Sector

Article 47 - Goals and objectives of the National Bank in the sphere of supervision of the financial sector

The National Bank's objective shall be to facilitate the financial sustainability and transparency of the financial sector, and to protect the rights of customers and investors. For this purpose, the National Bank shall facilitate the stable and effective functioning of the financial system, control of systemic risk, establishment of a competitive environment, and mitigation of potential risks.

Article 48 - Authority of the National Bank in the sphere of supervision of the financial sector

1. The National Bank shall have the full authority to supervise the activities of commercial banks, non-bank depository institutions, micro-finance organisations, independent securities registrars, brokerage companies (except for insurance brokerage companies), stock exchange, central depository, specialised depository, asset management companies, publicly accountable enterprises, payment system operators and payment service providers on the basis of this Organic Law and other normative acts of Georgia.

2. In order to facilitate the prevention of illicit income legalisation and counterfeit money circulation, the National Bank shall be authorised to perform regulation of of money transfer providers and foreign currency exchange offices by way of registering, and auditing them and setting minimum requirements for them.

3. To perform supervisory duties, the National Bank shall be authorised to issue relevant ordinances, and orders, and to implement relevant measures and impose relevant sanctions.

3¹. Except for the grounds provided in the legislation of Georgia, the National Bank shall also be authorised to refuse a person registration as/granting a licence of a subject, provided in the first paragraph of this article, or the acquisition of a significant share of a subject provided in the same article in the cases provided by the legislation of Georgia, if:

- a) the registration/granting a licence to a person or the acquisition of a significant share of a subject by a person may pose a threat to the stability of the Georgian financial sector;
- b) the registration/licensing of a person or the acquisition of a significant share of a subject by a person may cause the violation and/or non-fulfilment of the requirements provided under the compulsory decisions and/or recommendations of international organisations;
- c) the registration/licensing of a person or the acquisition of a significant share of a subject by a person may cause the breach of an agreement signed between Georgia and a foreign country;
- d) an interested person failed upon request of the National Bank to submit to the National Bank full information on the origin of funds necessary to comply with minimum capital requirements set under the legislation of Georgia for commencing a subject's activity, or to acquire a significant share in the cases provided in the legislation of Georgia.



4. To perform supervisory functions, the National Bank shall be authorised to request and receive, within its authority, any information (including confidential information) from persons defined in the first paragraph of this article and from a qualified credit institution provided in Article 48¹ of this Law.

5. To facilitate prevention of illicit income legalisation, the National Bank shall be authorised to cooperate with local supervisory and law enforcement bodies.

6. Correspondence between the subject of supervision and the National Bank can be conducted in a material or electronic form, which shall have equal legal force.

7. The National Bank shall be authorised to receive, from the subject of supervision, a document sent according to the procedures established by the National Bank and/or an electronic document with an electronic signature. The issue of use of an electronic signature shall be regulated under an agreement signed between the National Bank and the subject of supervision.

8. If a material and/or an electronic document can not be delivered to the subject of supervision, the President or the Vice-president of the National Bank may decide to publicly disseminate an official document. The official document shall be publicly disseminated by publishing it on the official website of the National Bank or through another means of information dissemination. A public notice shall be deemed delivered on the 15th day after it has been publicly disseminated.

Organic Law of Georgia No 5527 of 20 December 2011 - website, 28.12.2011

Organic Law of Georgia No 6017 of 10 April 2012 - website, 30.4.2012

Organic Law of Georgia No 6320 of 25 May 2012 - website, 12.6.2012

Organic Law of Georgia No 6305 of 25 May 2012 - website, 12.6.2012

Organic Law of Georgia No 262 of 6 March 2013 - website, 20.3.2013

Organic Law of Georgia No 353 of 20 March 2013 - website, 4.4.2013

Article 48¹ - Regulation of the activity of qualified credit institutions

1. A legal person (except for a commercial bank), which attracts funds from more than 400 natural persons or whose amount of funds attracted from natural persons exceeds GEL 5 million, when requested by the National Bank, shall be obliged, upon the request of the National Bank, to register with the National Bank and to satisfy the requirements established by the National Bank for qualified credit institutions.

2. A legal person whose attracted funds do not exceed the amount under the first paragraph of this article, or which attracts funds from fewer than 400 natural persons, when requested by the National Bank, shall be obliged, upon the request of the National Bank, to register with the National Bank and satisfy the requirements established by the National Bank, if its activity, the amount of attracted funds, the area of activities or segment is considered by the National Bank as important for the financial sector, or if its activity and the methods of attracting clients indicate a plan of the expansion of the circle from which it attracts funds.

3. The National Bank shall be authorised to regulate the activity of a qualified credit institution, which includes: registration and revocation of registration, establishing compliance criteria, disclosure of risks, minimum capital, liquidity and additional requirements, and inspection, imposing restrictions and sanctions.

4. If the National Bank considers that the activity of a qualified credit institution poses a threat to the stability of the financial sector or to the funds attracted from natural persons, it shall be authorised to demand that the qualified credit institution terminate the activity related to attraction of funds and issuance of loans. Failing to comply with a demand of the National Bank to terminate the activity shall cause the imposition, on a qualified credit institution, of liability provided in the legislation of Georgia.

5. The National Bank shall define, by a normative act, conditions for registration of legal persons provided by this article, minimum capital, liquidity and additional requirements for a qualified credit institution, compliance criteria, the amount and the procedure for imposing a monetary penalty. The amount of a monetary penalty shall be transferred to the State Budget of Georgia.

6. Upon obtaining a banking licence, a legal person shall automatically lose the status of a qualified credit institution.

Organic Law of Georgia No 6320 of 25 May 2012 - website, 12.6.2012

Article 48² - Registration and supervision of a payment system operator and a payment service provider

1. The National Bank shall implement the supervision of a payment system operator and a payment service provider according to the legislation of Georgia by registering them, revoking their registration, establishing minimum requirements for them, and applying restrictions to and imposing sanctions on them.

2. The National Bank shall define, by normative acts, the procedures for registration and revocation of registration of a payment system operator and a payment service provider, for applying sanctions to them, including the amount and the procedures for imposing monetary penalties. The amount of a monetary penalty shall be transferred to the State Budget of Georgia.

3. According to the legislation of Georgia, the National Bank shall define the issue of granting and revoking the status of a significant system or a payment service significant provider.



4. The National Bank shall supervise a significant system and a payment service significant provider, according to the legislation of Georgia, by inspecting them, establishing additional requirements for them, setting a minimum capital requirement for them, and applying restrictions to and imposing sanctions on them.

Organic Law of Georgia No 6305 of 25 May 2012 - website, 12.6.2012

Article 49 - Supervision of commercial banks and non-bank depository institutions

1. The National Bank shall be authorised to:

- a) implement supervision of the activity of commercial banks and non-bank depository institutions. This shall include: issuance and revocation of licenses, inspection and regulation, applying restrictions and sanctions;
- b) require and receive information on the sources of the capital of a commercial bank and on both direct and beneficiary owners of its significant shares;
- c) implement supervision and inspect commercial banks and non-bank depository institutions, inspect their subsidiaries, audit the components of accounting documents and financial statements, and other materials, and receive any information from them, within the scope of its authority; in the case of detecting, as a result of an audit, signs of a crime, the materials shall be handed over to the appropriate bodies;
- d) increase reserve requirement norms for commercial banks and non-bank depository institutions, terminate their active operations, prohibit distribution of profit, accrual and payment of dividends, raises in salaries, payment of bonuses and other similar compensations, require attracting additional capital and increasing reserve norms against possible losses from assets and conditional obligations;
- e) suspend the signature right of administrators of commercial banks and a non-bank depository institutions; impose monetary penalties on them and require their dismissal; require a commercial bank and non-bank depository institution to pay a monetary penalty; revoke a license of a commercial bank and a non-bank depository institution;
- f) by a normative act, determine the procedures for issuance and revocation of a license for a commercial bank and a non-bank depository institution, set the amount of and the procedures for imposition of monetary penalties. The sum of a monetary penalty shall be transferred to the State Budget of Georgia;
- g) exempt a commercial bank and a non-bank depository institution, for a certain period of time and/or under certain conditions, from compliance with the norms established by the National Bank;
- h) set up and manage an interim bank that will implement its activity according to the Law of Georgia on Commercial Bank Activities;
- i) through a temporary administrator or liquidator, facilitate transfer of assets and liabilities of an insolvent commercial bank or part of them under procedures and conditions established by the National Bank;
- j) in special cases, for the purpose of stable functioning of the financial system, immediately take appropriate measures for commercial banks: set bank holidays in addition to public holidays provided by an organic law of Georgia - the Labour Code of Georgia; announce public holidays provided by an organic law of Georgia - the Labour Code of Georgia as banking days; set certain restrictions and/or exempt from such restrictions, and perform other actions necessary to maintain the sustainability of the financial system.

2. The National Bank shall appoint a liquidator and a temporary administrator of a commercial bank and a non-bank depository institution, and they shall be accountable to the National Bank. The full authority of all organs (including the general meeting of shareholders) of a commercial bank and a non-bank depository institution shall be transferred to a liquidator and a temporary administrator.

3. The National Bank shall be authorised to set, for a commercial bank and a non-bank depository institution, a minimum capital requirements and the procedures for their calculation.

4. No one shall have the right to accept deposits and use them to issue loans without holding a license granted by the National Bank.

5. Only by decision of the National Bank, a commercial bank and a non-bank depository institution may be declared insolvent and bankrupt under procedures established by the National Bank.

6. The National Bank shall audit an international financial company under special procedures established by the National Bank only to check the observance of restrictions set under the legislation of Georgia for international financial companies.

Organic Law of Georgia No 5001 of 1 July 2011 - website, 15.7.2011

Article 50 - Supervision of micro-finance organisations, money transfer providers and foreign currency exchange offices

1. The National Bank shall supervise micro-finance organisations by registering them, revoking their registration, auditing them and imposing sanctions on them.

2. The National Bank shall supervise money transfer providers and foreign currency exchange offices only to prevent the circulation of counterfeit money and for the purposes of the Law of Georgia on Supporting the Prevention of Legalisation of Illicit Income, by registering them, revoking their registration, auditing them, setting minimum requirements and imposing sanctions on them.

3. The National Bank shall, by normative acts, define the procedures for the registration and revocation of registration by the National Bank, the amount of monetary penalties and the procedure for imposing them. The sum of a monetary penalty shall be transferred to the State Budget of Georgia.



4. The National Bank shall be authorised to request and receive from money transfer providers and foreign currency exchange offices any financial and statistical information under procedures established by the National Bank.

Organic Law of Georgia No 5527 of 20 December 2011 - website, 28.12.2011

Article 51 - (Deleted)

Organic Law of Georgia No 353 of 20 March 2013 - website, 4.4.2013

Article 52 - Supervision of securities market

The National Bank shall be authorised to:

- a) regulate relations arising from the issuance and circulation of securities by issuers; ensure detection, prevention and elimination of violations in the field of issuance and circulation of securities;
- b) issue and revoke licenses of regulated participants in the securities market;
- c) set minimum capital requirements for regulated participants in the securities market;
- d) approve an issue prospectus;
- e) monitor, audit and research regulated participants in the securities market;
- f) under the legislation of Georgia, adopt, amend and cancel the procedures related to the regulation of the securities market, and supervise their performance;
- g) impose sanctions on regulated participants in the securities market, including monetary sanctions. The National Bank shall, by a normative act, define the amount of monetary penalties and the procedure for imposing them. The sum of a monetary penalty shall be transferred to the State Budget of Georgia.

Chapter IX - (Deleted)

Organic Law of Georgia No 2465 of 29 May 2014 - website, 2.6.2014

Article 53 - (Deleted)

Organic Law of Georgia No 1274 of 20 September 2013 - website, 2.10.2013

Organic Law of Georgia No 2465 of 29 May 2014 - website, 2.6.2014

Article 54 - (Deleted)

Organic Law of Georgia No 1274 of 20 September 2013 - website, 2.10.2013

Organic Law of Georgia No 2465 of 29 May 2014 - website, 2.6.2014

Article 55 - (Deleted)

Organic Law of Georgia No 1274 of 20 September 2013 - website, 2.10.2013

Organic Law of Georgia No 2465 of 29 May 2014 - website, 2.6.2014

Chapter X – Reports, Financial Reporting, Audit and General Reporting of the National Bank

Article 56 - Financial year of the National Bank

The financial year of the National Bank shall begin on the first day of January and end on the last day of December.



Article 57 - Accounting

The National Bank shall keep its accounts, operations and other documentation necessary to present its financial status, according to international accounting standards and international financial reporting standards.

Article 58 - Financial reporting of the National Bank

The National Bank shall draw up a financial statement for each financial year. A financial statement shall cover a balance sheet, a profit and loss report, a report on the change of its own capital, a report on cash flows, and explanatory notes related to the above.

Article 59 - Audit of reports of the National Bank

1. Reports of the National Bank shall be audited by an independent auditing firm appointed by the Parliament of Georgia.
2. To carry out an external audit of the reports of the National Bank, not later than 1 October after completion of an audit, the relevant committee of the Parliament of Georgia shall submit to the Parliament of Georgia the world's four largest auditing firms, and the Parliament of Georgia shall select one auditing firm (external auditor) from the list on the basis of a tender or a competition not later than 1 December. A contract shall be signed with the auditing firm for a period of at least two but not to exceed four years.
3. The State Audit Office shall audit only administrative and capital expenses of the National Bank.

Organic Law of Georgia No 6551 of 22 June 2012 - website, 29.6.2012

Organic Law of Georgia No 2465 of 29 May 2014 - website, 2.6.2014

Organic Law of Georgia No 2795 of 27 November 2014 - website, 2.12.2014

Article 60 - Submission and publication of the balance sheet and documents of the National Bank

1. The National Bank shall prepare as soon as possible, but not later than within 10 working days, submit to the Parliament of Georgia and publish a non-audited balance sheet as of the last working day of the reporting month.
2. Within not later than four months after completion of a financial year, the National Bank shall publish and submit for approval to the Parliament of Georgia the previous year's audited financial statement and a report provided in Article 61 of this Organic Law.
3. In addition to financial statements and documents under the first and second paragraphs of this article, the National Bank may publish other reports and studies on financial and economic issues, which the National Bank considers appropriate to publish.

Article 61 - Determining basic directions of monetary and exchange rate policies and reporting

1. The National Bank shall independently set an inflation target.
2. Not later than 1 October of each year, the National Bank shall submit to the Parliament of Georgia draft basic directions of monetary and exchange rate policies for the following three years.
3. By the end of the current year, the Parliament of Georgia shall approve the basic directions of monetary and exchange rate policies.
4. Unless the Parliament of Georgia approves the draft basic directions of monetary and exchange rate policies submitted by the National Bank of Georgia, the National Bank shall act within the framework of the draft it has developed.
5. The draft basic directions of monetary and exchange rate policies shall contain an inflation target, key instruments of monetary policy that the National Bank will use to achieve the inflation target, and an overview of potential risks.
6. Annually, not later than four months after the completion of a financial year, the National Bank shall submit to the Parliament of Georgia a report on the implementation of monetary, exchange rate and supervision policies. The Parliament of Georgia shall approve the submitted report.

Article 62 - Clearing and payment agreements

The National Bank shall be authorised to make clearing and payment agreements or any other contracts for the same purpose with public and private central clearing institutions of a foreign country both on its own behalf and for and on behalf of the State.

Article 63 - Mechanism of clearing, cashless settlement and payment systems

The National Bank shall be authorised to issue, at its own discretion, legal acts regulating clearing, cashless settlement activity and payments systems,



establish procedures and requirements, organise the formation and introduction of payment systems in the country, manage and ensure servicing and administration of these systems, assist other banks in formation of payment systems, and provide supervision of payment systems existing in Georgia.

Chapter XI - Additional Rights and Basic Prohibitions of the National Bank

Article 64 - The preferential and unconditional right of the National Bank

1. At maturity, the National Bank shall have the preferential and unconditional right to satisfy any of its demands from funds available in a debtor's accounts, from cash balances, or from tangible assets owned by a debtor. This procedure shall not apply to funds available in the reserve requirements account at the National Bank.
2. The National Bank may exercise a preferential right to place the available funds in its account and, by selling other assets at an auction, withhold the amount due from the proceeds, after deduction of the costs associated with the sale of assets. The National Bank shall determine the procedures for holding auctions. If an auction is declared failed, the National Bank shall be authorised to satisfy its requirement by directly obtaining the title to property. The relevant bodies shall be obliged to issue a document to the National Bank confirming its title to such property.
3. By decision of the Board of the National Bank, the above powers may be or may not be applied to a commercial bank that is in the regime of liquidation or temporary administration.

Article 65 - Activity prohibited for the National Bank

Except for cases directly provided in this Organic Law, the National Bank shall be prohibited to:

- a) provide financial assistance in any form, including by granting a direct loan, buying a gratuitous loan or a conditional loan, or by undertaking loan or conditional obligations by equity participation loan, or by other commitments;
- b) implement commercial activity, purchase shares;
- c) acquire, by purchasing, leasing or otherwise, the full or partial right to immovable property, except when it is necessary or expedient to use the building for administrative activities, for execution of operations, or for other situations related to the implementation of the objectives provided in this Organic Law;
- d) issue a loan to the Government of Georgia and state institutions.

Article 66 - Exclusive powers of the National Bank

The National Bank shall be authorised to:

- a) issue loans, acquire the right to equity participation, or otherwise participate in the activity of any organisation, whose operation is related to performing the functions and attaining the objectives of the National Bank;
- b) define a list of employees of the National Bank system, who have the right to carry firearms, as provided by law;
- c) ensure manufacturing, procurement and sale of gold bars;
- c¹) execute operations with gold and/or financial instruments related to gold under procedures it has established. The Law of Georgia on Securities Market shall not apply to these financial instruments, and they shall be registered and circulated under procedures established by the National Bank;
- d) ensure production, purchase and sale of articles necessary for the popularization of the national currency.

Organic Law of Georgia No 2828 of 23 March 2010 - LHG I, No 19, 13.4.2010, Art. 102

Organic Law of Georgia No 5001 of 1 July 2011 - website, 15.7.2011

Organic Law of Georgia No 5527 of 20 December 2011 - website, 28.12.2011

Organic Law of Georgia No 6320 of 25 May 2012 - website, 12.6.2012

Article 67 - Regulatory provisions

1. When performing its duties, the National Bank shall enjoy autonomous (independent) regulatory power. The National Bank shall keep a public register of normative acts, directives and instructions.
2. The formats and standards defined under the issues of electronic settlement of accounts and information security and approved under procedures established by the National Bank shall be provided to commercial banks and non-bank depository institutions individually, and shall be effective from the date specified by the National Bank.



3. The National Bank shall send draft normative acts to the Ministry of Justice of Georgia for legal expertise, unless there is a need for the immediate entry into force of a normative act, except for cases defined by a normative act of the Minister of Justice of Georgia.

4. An adopting (issuing) body (official) shall determine the need for the immediate entry into force of a normative act. A normative act issued by the National Bank, in order to be assigned a state registration code, shall, immediately, but not later than the following working day, be submitted to the Ministry of Justice of Georgia. A normative act, which is to enter into force immediately, shall become effective from the date specified in it.

5. If the norm of immediate entry into force of a normative act is applied, this normative act shall include a separate article to specify the reasons of its immediate entry into force.

6. The National Bank, in the process of its activities, shall be authorised to create, receive, send, keep and issue any document in a material and/or electronic form (including, in the form of archive materials), which may have legal consequences, as well as to use an electronic document management system and an electronic and/or digital signature. An electronic document and its printed version shall have the same legal force as a material document.

Organic Law of Georgia No 5527 of 20 December 2011 - website, 28.12.2011

Organic Law of Georgia No 6017 of 10 April 2012 - website, 30.4.2012

Article 68 - Administration standards

1. The National Bank shall exercise the powers granted to it under this Organic Law on the basis of the principles of equality and impartiality and in compliance with accepted administration standards.

2. The National Bank shall refrain from using the above powers to achieve a goal, which is not compatible with these powers, or exercising its rights to the extent of exceeding the measures necessary to achieve the respective legitimate goals.

3. For the purposes of fulfilling the provisions of this Organic Law, the decisions of the National Bank shall be subject to the principles of impartiality and shall be objectively and rationally motivated. All decisions shall be executed in compliance with legal standards and shall serve the goals set.

4. If an individual administrative-legal act of the National Bank is being appealed to court, the plaintiff shall bear the burden of proof according to Article 17(2) of the Administrative Procedures Code of Georgia.

5. If an administrative act of the National Bank is being appealed to court, the effect of such administrative act may not be suspended until the final judgement on appeal is made, unless otherwise decided by the National Bank.

6. No employee of the National Bank shall be personally responsible for his/her act or inaction with regard to any person, if he/she performed this act or refrained from it in good faith, in the course of performing his/her duties, according to the legislation of Georgia.

7. The President, Vice-presidents, an officer of the National Bank authorised by them, or, in a special case, another person, shall represent the National Bank in court, before other bodies and persons.

Chapter XII - Transitional and Final Provisions

Article 69 - Indebtedness of the Government of Georgia to the National Bank of Georgia

Indebtedness (credits obtained and re-registered debt obligations) of the Government of Georgia to the National Bank of Georgia, which is the domestic public debt, shall be covered by 16 March 2030, on the basis of the agreement signed between the Government of Georgia and the National Bank of Georgia, so that to annually re-register one part of the debt as a one-year, annually renewable public debt obligation - as a government bond intended for the National Bank of Georgia, and to re-register another part as government bonds with various terms for open market operations, which shall be covered from the State Budgets of Georgia for respective years.

Article 70 - Transitional provisions

1. A Legal Entity under Public Law - the Georgian Financial Supervision Agency set up by the National Bank of Georgia shall be liquidated on 1 December 2009.

2. The National Bank of Georgia shall be reorganised.

3. The reorganised structural units of the National Bank of Georgia shall exercise the powers of the Georgian Financial Supervision Agency.

4. The National Bank of Georgia shall be the legal successor of the Georgian Financial Supervision Agency.

5. Buildings, technical means and other property on the balance sheet of the Georgian Financial Supervision Agency shall be transferred to the National Bank of Georgia.

6. Normative acts regulating the financial sector of Georgia shall remain in force until new normative acts are issued by the National Bank of Georgia.

7. Licenses and permits issued and registrations made with regard to the activity of the financial sector, which have not been revoked, shall remain in force.



8. After entry of this Organic Law into force:

- a) the National Bank of Georgia shall ensure the compliance of legal acts falling within the scope of its authority with this Organic Law;
- b) the Government of Georgia shall ensure compliance of the legislation of Georgia with this Organic Law.

9. Article 25 of this Organic Law shall not apply to the distribution of net profits of the National Bank for the 2008 financial year, which shall be disposed of according to the legislation effective in 2008.

10. From 1 March 2014 through 1 June 2015, the National Bank of Georgia shall exercise, with regard to investment funds, the power of a supervisory body provided under the Law of Georgia on Collective Investment Undertakings.

Organic Law of Georgia No 1828 of 24 December 2013 - website, 28.12.2013

Organic Law of Georgia No 2211 of 4 April 2014 - website, 8.4.2014

Organic Law of Georgia No 2954 of 12 December 2014 - website, 23.12.2014

Article 71 - Entry into Force of this Law

1. This Organic Law, except for Articles 1-69 and Article 70 (3-8), shall enter into force upon its promulgation.

2. Articles 1-69 and Article 70 (3-8) of this Organic Law shall enter into force from 1 December 2009.

3. The Organic Law of Georgia on the National Bank of Georgia of 23 June 1995 shall be declared void from 1 December 2009 (The Parliamentary Gazette, 1994-1995, No 27-30, Art. 642).

President of Georgia

M. Saakashvili

Tbilisi

24 September 2009

No 1676-IIS

