

**LAW OF GEORGIA**  
**ON COMMODITY EXCHANGES AND EXCHANGE TRADE**

This Law determines legal relations and provides legal guarantees related to commodity exchanges and their branches, and the commodities exchange trade.

*Law of Georgia No 2473 of 25 December 2009 – LHG I, No 50, 31.12.2009, Art. 387*

**Chapter I – General Provisions**

**Article 1 – Legislation on commodity exchanges and exchange trade**

1. This Law and subordinate acts issued on the basis of this Law regulate the activities of commodity exchanges and their branches and relations related to the commodities exchange trade and provide relevant guarantees.
2. This Law shall not apply to stock exchanges and foreign exchange markets, nor to the activities of stock and foreign exchange sections (departments and divisions) of any exchange.

**Article 2 – Definition of terms**

The terms used in this Law have the following meanings:

- a) accreditation – the granting of the authority of a trader to any legal and/or natural person by an exchange;
- b) member of an Exchange (a partner of the Exchange, a shareholder) – the founder of an exchange or a trader, or a legal or natural person;
- c) trader – a brokerage or an independent broker established under the Law of Georgia on Entrepreneurs;
- d) guarantee – surety, a set of legal principles and means that ensure the performance of obligations;
- e) independent broker – a sole proprietor registered under the legislation of Georgia who serves as a trade agent at a commodities exchange by executing transactions between sellers and buyers, acts on behalf and at the expense of a client, or on his/her own behalf and at the expense of the client, or on behalf of the client and at his/her own expense;
- f) dealer – an intermediary (a natural or legal person) who acts on a commodities exchange in his/her own name and at his/her own expense;
- g) clearing – a national and international non-cash settlement system for trade and other transactions that is based on netting;
- h) contract – a registered exchange transaction between agreed parties (contracting parties), that determines the rights and obligations of the parties, the conditions and time frames for their performance, and liabilities for breach of contract;
- i) bill of lading – a receipt (document) given to the owner (sender) of cargo by the owner of a vessel to certify that the cargo is accepted for carriage by sea (a bill of lading, together with other exchange-traded commodities and contracts, may be the subject of trade on the exchange and thus become a document of title to goods);
- j) option – an option defined in the Law of Georgia on Financial Collaterals, Mutual Setoffs and Derivatives;



- k) actuals – commodities in stock (in a warehouse) that may be immediately delivered in the form of wholesale trade upon demand, and that have appropriate commodity properties;
- l) exchange commodity – standardised commodity of a certain type and quality accepted on an Exchange trade and in circulation under the exchange market rules and regulations, including standard contracts and bills of lading for these commodities;
- m) brokerage – a trade agent (legal person) during the making of transactions between sellers and buyers on a commodities exchange that acts on behalf of and at the expense of the client, or on its own behalf and at the expense of the client, or on behalf of the client and at its own expense;
- n) standardised commodity – commodities that are of the same standard and of a particular quality, measured with a specific unit of measurement or bearing other indefinite properties and that are subject to standardisation, enabling the sale of the goods produced in different countries or regions under one contract, if the goods meet the conditions set out in a standard contract;
- o) standard contract – standard conditions of a contract determined by Articles 342-348 of the Civil Code of Georgia;
- p) price quotation – determining the Exchange prices (rates) on the basis of supply and demand during the exchange trade process as a result of the transactions entered into during the day;
- q) forward – a forward defined in the Law of Georgia on Financial Collaterals, Mutual Setoffs and Derivatives;
- r) futures – futures defined in the Law of Georgia on Financial Collaterals, Mutual Setoffs and Derivatives.

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### **Article 3 – Commodities exchange**

1. A commodities exchange ('the Exchange') is an organised wholesale market established for organising and regulating exchange trade, where trade is carried out publicly at a specific place and within certain time frames, according to predetermined rules.
2. The purpose of an Exchange is to satisfy the interests of its members. Under the Law of Georgia on Entrepreneurs an Exchange shall be established as a limited liability company or a joint stock company.

### **Article 4 – Scope of activities of an Exchange**

1. An Exchange shall have the right to carry out activities related to the provision and regulation of the exchange trade.
2. An Exchange may carry out only trading and trade mediation activities related to the exchange trade.
3. An Exchange may not acquire the shares (interest) and stocks of organisations or enterprises that do not carry out the activities defined in paragraph 1 of this article.

### **Article 5 – Restrictions placed on the use of the words 'commodities exchange' in the names of enterprises, institutions and organisations**

Those enterprises, institutions and organisations whose activities are related to the activities of commodity exchanges may not use the words 'commodities exchange' or other words deriving therefrom, or any combination of those words in a context related to such activities, neither in Georgian nor in any other language, in their names, advertising or any other activities.

### **Article 6 – Exchange transaction**

1. Exchange transactions may be entered into only with respect to exchange commodities.



2. An exchange transaction is any agreement (contract), registered by the Exchange and entered into publicly between the parties to the exchange trade with respect to exchange commodities and during the exchange trade.
3. Immovable property and items of intellectual property, or other transactions related thereto, shall not be considered as exchange-traded commodities.
4. A transaction carried out on an Exchange that fails to comply with paragraphs 2 and 3 of this article shall not be considered as an exchange transaction. Such transactions may not be carried out on behalf of and at the expense of the Exchange and shall not be subject to guarantees provided by the Exchange.

#### **Article 7 – Types of exchange transactions**

1. Under this Law, the members of the exchange trade may carry out forwards, futures and options, as well as transactions on actuals.
2. The parties to an exchange trade may also conduct other transactions on exchange commodities, contracts or rights determined by the exchange trade rules.

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#### **Article 8 – Exchange mediation at a commodities exchange**

1. Traders carry out exchange trade by entering into exchange transactions on behalf of and at the expense of a client, on behalf of a client and at the expense of the trader, on behalf of the trader and at the expense of a client (broker activity), and also by carrying out exchange activities on their behalf and at their own expense for the purpose of subsequent sale on an Exchange (dealer activity).
2. Only traders provide exchange mediation in the exchange trade.

### **Chapter II – Establishment, Operation and Termination of the Activities of a Commodities Exchange**

#### **Article 9 – Establishment of an Exchange**

1. An Exchange established under Article 3(1) of this Law shall submit establishment registration data to the Ministry of Economy Entrepreneurship and Trade of Georgia within one month after its establishment. The failure to submit the above data shall incur liability under the legislation of Georgia.
2. An Exchange may be established by any natural or legal person, except for:
  - a) the highest and local government agencies, state institutions (organisations) that are financed from the state budget;
  - b) banking and credit organisations;
  - c) insurance and investment companies (enterprises);
  - d) public, religious and charity non-entrepreneurial (non-commercial) legal persons;
  - e) natural persons who are forbidden to carry out entrepreneurial activities under the legislation of Georgia.
3. (Deleted).



4. (Deleted).

*Law of Georgia No 295 of 11 May 2000 – LHG I, No 17, 12.5.2000, Art. 41*

*Law of Georgia No 3981 of 14 December 2006 – LHG I, No 48, 22.12.2008, Art. 349*

*Law of Georgia No 2473 of 25 December 2009 – LHG I, No 50, 31.12.2009, Art. 387*

## **Article 10 – Members of an Exchange**

1. The right to membership on an Exchange shall arise in accordance with the internal regulations of the commodities exchange.

2. The following may not be members of an Exchange:

a) members of the administrative staff of another commodities exchange;

b) other enterprises, organisations or institutions if their heads (authorised officials) are members of the administrative staff of the Exchange;

c) banks or credit institutions that have a duly acquired licence for carrying out banking transactions according to established procedures; or insurance and investment companies and foundations;

d) public, religious and charity non-entrepreneurial (non-commercial) legal persons;

e) natural persons who are forbidden to carry out entrepreneurial activities under the legislation of Georgia.

3. A member of an Exchange may take part in:

a) the exchange trade;

b) the decision-making process at general meetings of the members of the Exchange, also in the activities of other management bodies of the Exchange, as provided for by the internal regulations of the Exchange and other rules established in the Exchange.

4. The cancellation of the membership of an Exchange or termination or partial cession of membership rights shall be carried out under paragraphs 6 and 7 of this article.

5. The right to participate in exchange trade shall not be transferred without the assignment or sale of the certificate (title) to the equity share and the transfer of the right to the management of the Exchange, unless otherwise provided for by this Law.

6. Under this Law, a member of an Exchange shall have the right to lease his/her rights and obligations with respect to participation in the Exchange trade only to a single natural or legal person in a prescribed manner. The agreement shall be subject to registration with the Exchange. Participation in an Exchange trade shall not be subleased (the assigned rights shall not be transferred to others).

7. Refusal of an Exchange to approve a member of the Exchange, and the decision of an Exchange to terminate or suspend a membership for any reason not determined by the internal regulations of the Exchange, may be appealed in court.

*Law of Georgia No 3981 of 14 December 2006 – LHG I, No 48, 22.12.2008, Art. 349*

## **Article 11 – Categories of members of a commodity exchange**

The following categories of Exchange members may exist in an Exchange:

a) full members, who have the right to take part in all sections (departments, divisions) of the exchange trade, also in general meetings of Exchange members and of members of Exchange sections, with the number of votes determined by the internal regulations of the Exchange;



b) partial members, who have the right to take part in an appropriate section (department, division) of the exchange trade, also in general meetings of Exchange members and of members of Exchange sections, with the number of votes determined by the internal regulations of the Exchange.

## **Article 12 – General meeting of Exchange members**

A general meeting of Exchange members is the highest management body of an Exchange, which ensures the exercise of the rights of members of the Exchange and its members and the performance of their obligations.

## **Article 13 – Internal regulations of an Exchange**

The internal regulations of the Exchange shall specify:

- a) the name, legal and current addresses of the commodities exchange;
- b) the Exchange management structure, the rights and obligations of the management body (bodies) and the decision-making procedures;
- c) the amount of equity capital;
- d) the rule of formation of (its?) own capital;
- e) the maximum number of the Exchange members;
- f) rights and obligations of Exchange members and of other participants of the exchange trade;
- g) the rules for admitting Exchange members and for suspending or terminating their membership;
- h) a list of the main structural units of the Exchange and their functions.

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## **Article 14 – Exchange trade rules**

1. The exchange trade rules shall determine:

- a) the procedures for carrying out exchange trade;
- b) the types of exchange transactions;
- c) the rules for the payment and delivery of goods in accordance with the Exchange transactions;
- d) the procedure for managing market risks;
- e) the procedure for determining exchange commodity standards;
- f) the procedure for the formation of guarantee funds;
- g) the names of the Exchange sections;
- h) the procedure for notifying exchange trade participants of the future exchange trade;
- i) the rules for registering exchange transactions;



- j) the rules for quoting prices on exchange commodities;
- k) the procedure for notifying exchange trade participants of exchange transactions in future exchange trade, including exchange transaction prices and exchange price quotations;
- l) the procedure for notifying Exchange members and other participants of a situation in the markets and with respect to exchange commodities;
- m) the procedure of settlement between Exchange members and other participants of the exchange trade in entering into exchange transactions;
- n) the monitoring of the pricing processes on the Exchange in order to prevent artificial sharp daily increases or decreases in prices, price fixing, intentional increases or decreases of prices, or spreading false rumours to influence prices;
- o) the measures that ensure order and discipline in the exchange trade, and the rules for applying these measures;
- p) the measures that ensure compliance of Exchange members and other participants in the exchange trade with legislation related to exchange activities, the Exchange incorporation documents, the Exchange trade rules, the decisions of the general meetings of exchange members and other management bodies of the Exchange;
- q) the list of violations for which the Exchange imposes fines on participants in the exchange trade, also the amount of the fines and the procedure for their payment;
- r) the amount of bank transfers, rates and other contributions to the Exchange, and the procedure for their payment.

2. The exchange trade rules shall be approved by a general meeting of Exchange members.

### **Chapter III – Structure of the Exchange Trade and its Participants**

#### **Article 15 – Participants in the exchange trade**

1. Under this Law, only Exchange members shall be considered as participants in the exchange trade.
2. Natural and legal persons who are not members of the Exchange may participate in the exchange trade only through Exchange members – traders.

#### **Article 16 – Participation in the exchange trade of Exchange members who are not traders**

Exchange members who are not traders may participate in the exchange trade:

- a) only in the case of trading with actuals on their own behalf and at their own expense without the right to exchange mediation;
- b) on the basis of an agreement entered into with brokerages and independent brokers carrying out their activities on the Exchange.

#### **Article 17 – (Deleted)**

*Law of Georgia No 295 of 11 May 2000 – LHG I, No 17, 12.5.2000, Art. 41*

*Law of Georgia No 2473 of 25 December 2009 – LHG I, No 50, 31.12.2009, Art. 387*



## **Article 18 – Recording of exchange transactions by traders**

1. Traders must record exchange transactions according to each client during the Exchange trade, and retain transaction documentation for five years.
2. (Deleted).

*Law of Georgia No 295 of 11 May 2000 – LHG I, No 17, 12.5.2000, Art. 41*

*Law of Georgia No 2473 of 25 December 2009 – LHG I, No 50, 31.12.2009, Art. 387*

## **Article 19 – Relationship between traders and their clients**

1. The relationship between traders and their clients shall be determined by contract.
2. An Exchange administration shall not interfere with the relationship between clients and traders. However, an Exchange administration may, within its authority and in a prescribed manner, apply sanctions against traders who violate the established relationships between traders and their clients.
3. Traders may require their clients to deposit margins into their accounts, which are opened at settlement institutions (banks), and grant them the right to administer those funds on behalf of the traders according to assigned tasks.

## **Article 20 – Examination of exchange commodities**

Upon request of the participants of an exchange trade, the Exchange shall arrange for the examination of the quality of actuals to be sold in the exchange trade.

## **Article 21 – Guarantees in carrying out forwards, futures and options in exchange trade**

1. In order to provide settlement services for carrying out forwards, futures and options, an Exchange shall be obliged to enter into an appropriate agreement with a bank or establish a clearing centre in a prescribed manner.
2. A clearing centre shall have the right to:
  - a) act as a unified party to an exchange transaction before each contracting party to the Exchange transaction in order to guarantee the performance of the exchange transactions between the parties, to determine net obligations and requirements and to ensure the performance of those obligations and requirements;
  - b) determine the types and amounts of, and the procedure for, collecting deposits in order to ensure the carrying out of forwards, futures and options and compensation of damages incurred due to total or partial failure to fulfil the obligations undertaken under the transactions, and to determine other financial obligations of the participants to the transactions;
  - c) provide credits and mandatory insurance to the participants to forwards, futures and options in a prescribed manner to the extent necessary to guarantee the transactions and to compensate any damages resulting from non-performance.

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## **Article 22 – Guarantee of free prices in exchange trade**

1. The Exchange may independently determine:



- a) commission charges received by an exchange broker in order to compensate the intermediary operations carried out on the Exchange;
  - b) rates and other contributions that are paid to the Exchange by Exchange members and other participants of the exchange trade for services rendered by the Exchange and its subdivisions;
  - c) the fines paid for violations of the internal regulations of the Exchange, of exchange trade rules and other rules determined by internal documents of the Exchange.
2. The Exchange may not determine:
- a) the limit and level of exchange commodity prices in the exchange trade;
  - b) the amount of payment collected in favour of traders for mediation services in exchange transactions.

## **Article 23 – Dispute resolution on an Exchange**

1. Disputes related to exchange transactions shall be reviewed by the arbitration commission of the Exchange, which shall be established at the Exchange as a dispute resolution body.
2. The regulations on the Exchange arbitration commission and the procedures for reviewing disputes shall be approved by the Exchange.
3. A decision of an Exchange arbitration commission may be appealed to a court by an interested party in a prescribed manner.

## **Article 24 – Employees of the Exchange**

1. The employees of a commodities exchange (members of the Exchange administration) shall mean natural persons who participate in its activities on the basis of labour agreements (contracts) as provided for by the legislation of Georgia.
2. The employment conditions of Exchange employees shall be regulated by labour agreements.
3. Exchange employees may not participate in exchange transactions, establish their own brokerages or use work-related information for personal interests.
4. Exchange employees must protect scientific, technical and commercial data, the dissemination of which may damage the Exchange or its members and clients.

## **Article 25 – Guarantee of self-governance of an Exchange**

1. State authorities shall not intervene in the activities of an Exchange unless this Law or other normative acts are violated.
2. A decision of state authorities that may cause (or has already caused) failure to carry out a transaction on an Exchange, or that may damage (or has already damaged) the parties participating in the transaction, may be appealed to a court as provided in the legislation of Georgia.

## **Article 26 – Liquidation of an Exchange**

An Exchange may be liquidated by a decision of the highest management body of the Exchange, a general meeting of Exchange members, or by a court as provided for by the legislation of Georgia.





## **Article 27 – Transitional provision**

The activities of already established commodity exchanges must be brought into compliance with this Law within three months after the entry into force of this Law.

## **Article 28 – Final provision**

This Law shall enter into force upon promulgation.

**President of Georgia**

**Eduard Shevardnadze**

**Tbilisi**

**23 June 1999**

**No 2153-III**

