

LAW OF GEORGIA

ON CHEQUES

General Definitions

1. This Law regulates the procedure for the drawing, validity, endorsement, guaranteeing and payment of cheques and the consequences arising therefrom, and the procedure for filing claims related to cheques.
2. If not specifically indicated otherwise, the terms used in this Law shall have the following meanings:
 - a) a cheque - a security of a prescribed form that contains a written instruction by a drawer of the cheque to bank institutions to make payment of an amount specified in the cheque;
 - b) person - both a legal and natural person;
 - c) endorsement - a note of transfer made on a cheque;
 - d) endorser - a person who makes a note on a cheque;
 - e) endorsee - a person who receives a cheque with an endorsement;
 - f) acceptance - the signature of a drawee to confirm that he/she/it has received the cheque for payment within the established term and agrees to pay it;
 - g) aval - a guarantee for a cheque;
 - h) cession - ceding to another person the right to claim;
 - i) bank institution - a public or a private institution authorised to carry out bank activities as an entrepreneur.

Chapter I - Form of a Cheque

Article 1 - Form of a cheque

1. A cheque shall contain:
 - a) the word 'Cheque' in the title and the body of the document in the language in which the text is drawn up;
 - b) an unconditional order to pay a specified amount of money;
 - c) the name of a drawee;
 - d) the place of payment;
 - e) the place and the date of drawing the cheque;
 - f) the signature of the drawer of the cheque.
2. A cheque that lacks any of the details listed above, except for cases defined in this article, shall be invalid as a cheque.
3. In the absence of special mention, the place specified beside the name of the drawee shall be deemed to be the place of payment. If several places are specified beside the name of the drawee, the first place named shall be deemed the place of payment.
4. The place of payment of a cheque shall be deemed to be the primary address of the drawee, unless specified otherwise.
5. A cheque which does not specify the place where it was drawn shall be deemed to have been drawn in the place specified beside the name of the drawer.

Article 2 - Cheque drawn on a bank institution only

1. A cheque may be drawn only on a bank institution holding funds at the disposal of the drawer, whereby the drawer is entitled to dispose of these funds by cheque under a general rule.
2. A document drawn on a non-bank institution, even if it has the name of a cheque, shall not be deemed a cheque.
3. A cheque shall not require a consent to payment (acceptance). A note on a cheque about acceptance shall have no force.



Article 3 - Payee specified in a cheque

1. A cheque may be drawn payable:

- a) to a specified person with or without the words 'to order' (an order cheque);
- b) to a specified person with the words 'not to order', or other equivalent words (a nominal cheque);
- c) to a bearer.

2. A cheque drawn payable to a specified person, or with the words 'or to a bearer', or any equivalent words, shall be deemed to be a cheque to a bearer.

3. A cheque which does not specify the payee shall be deemed to be a cheque to a bearer.

Article 4 - Drawing cheques

1. A cheque may be drawn to the order of the drawer himself/herself, or it may be drawn upon a third person.

2. A cheque may not be drawn upon the drawer himself/herself/itself, except when a cheque is drawn by the drawer himself/herself/itself from one organisation to another. Such cheque may not be drawn upon a bearer.

Article 5 - Interest on the amount specified in a cheque

Any stipulation in a cheque about payment of interest shall be considered as invalid.

Article 6 - Discrepancies in expressing amounts in cheques

1. If an amount payable by a cheque is expressed in words and also in figures, and there is any discrepancy between them, the amount expressed in words shall be valid.

2. If an amount payable by a cheque is expressed more than once, and there is any discrepancy between them, the smallest amount expressed in words shall be valid.

Article 7 - Signatures on cheques

If a cheque bears signatures of persons incapable of binding themselves by the cheque, or forged signatures, this shall not affect the authenticity of other signatures.

Article 8 - Agent without authority

A person who puts his/her signature on a cheque, as an agent of another person for whom he/she had no power to act, shall bind himself/herself as a party to the cheque and, if he/she pays, shall have the same rights as a bearer. The same rule shall apply to agents who exceed their powers.

Article 9 - Responsibility when drawing a cheque

A drawer shall guarantee the payment of a cheque. Any stipulation by which the drawer releases himself/herself from such guarantee shall be void.

Chapter II - Negotiation (Endorsement) of a Cheque

Article 10 - Endorsement

1. A cheque drawn payable to a specified person, with or without the words 'to order', may be negotiated by endorsement.

2. A cheque drawn payable to a specified person with the words 'not to order', or any equivalent expression, may only be negotiated according to the form and with the effects of an ordinary cession.

3. A cheque may be endorsed in favour of the drawer or any other party to the cheque. These persons may re-endorse the cheque.



Article 11 - Validity of an endorsement

1. An endorsement shall be unconditional. Any condition to which it is made subject shall be void.
2. A partial endorsement shall be void. An endorsement by a drawee shall also be void.
3. An endorsement made to the holder shall be equivalent to an endorsement in blank.

Article 12 - Making an endorsement

1. An endorsement shall be written on a cheque or its allonge (a sheet attached to a cheque). An endorsement shall be signed.
2. An endorsement may leave the payee unspecified or may consist only of the signature of the endorser (endorsement in blank). In the latter case, to be valid, an endorsement shall be written on the back of the cheque or on the first sheet attached to the cheque.

Article 13 - Transfer of rights by endorsement

1. An endorsement transfers all the rights arising out of a cheque.
2. If an endorsement is in blank, the holder of a cheque may:
 - a) fill it in with his/her own name or with the name of another person;
 - b) re-endorse the cheque in blank or to another person;
 - c) transfer a cheque to a third person without filling in the blank and without endorsing the cheque.

Article 14 - Responsibility of an endorser

1. An endorser shall guarantee payment of the cheque if there is no stipulation to the contrary.
2. An endorser may prohibit the re-endorsement of the cheque. In such case, he/she gives no guarantee to the person(s) to whom the cheque is re-endorsed.

Article 15 - Holder of an endorsed cheque

A person who actually possesses an endorsed cheque shall be deemed a lawful holder of the cheque if he/she establishes his/her right to the cheque through an interrupted series of endorsements. In this case, cancelled endorsements shall be invalid.

Article 16 - Responsibility of an endorser in accordance with procedures related to the right of recourse

An endorser of a cheque to a bearer shall be responsible in accordance with procedures related to the right of recourse.

Article 17 - Dispossessing the cheque

If a person has been dispossessed of a cheque for any reason, the new holder of the cheque, irrespective of whether it is a cheque to a bearer or an endorsed cheque, shall establish his/her right to the cheque in accordance with Article 15 of this Law and shall return the cheque only if he/she acquired it in bad faith, or he/she did not know but could have known that the previous holder had no right to cede the cheque to any other person.

Article 18 - Claims arising out of cheques

Persons sued on a cheque may not bring a claim against the holder of the cheque founded on their personal relations with the holder or the previous holder of the cheque, except where the holder in acquiring the cheque has knowingly acted to the detriment of the debtors.

Article 19 - Other possible statements in cheques

1. If the cheque contains the statement 'value in collection', 'for collection', 'by procuration' or other words that express a simple mandate, which shall not be considered as the negotiating of a cheque, the bearer of the cheque may exercise all rights arising from the cheque but he/she may endorse it only in the capacity of agent.



2. In such case, the parties to the cheque may file against the bearer only a claim which could be brought against the endorser.

Article 20 - Validity of an endorsement

1. An endorsement made after a protest or other equivalent declaration, or upon the expiry of the time limit for presentment, shall be considered as an ordinary assignment (cession).
2. In the case of an undated endorsement, it shall be deemed made before the protest or equivalent declaration, or before the expiry of the time limit for presentment, unless proved to the contrary.
3. An endorsement of an authorised person shall not become invalid either in the case of the death of an avalist or if he/she has been declared by the court as a beneficiary of support.

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Chapter III - Guarantee (Aval)

Article 21 - Aval for the whole amount or part thereof

1. The payment of a cheque may be guaranteed by an aval for the whole amount of the cheque or part thereof.
2. An aval may be given by a third person or a person who has signed the cheque, except for the drawee.

Article 22 - Drawing up an aval

1. An aval shall be indicated on a cheque or on an attachment thereto.
2. An aval shall be expressed by the words 'good as aval' or other equivalent declaration. An aval shall be signed by the avalist.
3. The person who puts his/her signature on the face of the cheque shall be deemed an avalist, unless he/she is the drawer of the cheque.
4. An aval shall specify for whose account it is given. In the absence of such specification, an aval shall be deemed given to the drawer.

Article 23 - Rights and responsibility of an avalist

1. An avalist shall be responsible for a cheque in the same manner as the person for whom he/she has become an avalist. An aval shall be valid even if it seems inoperative for any reason other than defect of form.
2. If an avalist pays the cheque, he/she shall acquire the right against the person for whom he/she has become an avalist and against all those persons who are liable to the latter in accordance with this Law.

Chapter IV - Presentment and Payment of a Cheque

Article 24 - Maturity

1. A cheque shall be payable at sight. Any stipulation to the contrary shall be void.
2. A cheque presented for payment before the date that is indicated in the cheque as the date of transfer shall be payable on the day of presentment.

Article 25 - Validity of a drawn cheque

A drawn cheque shall remain valid both in the case of the death of the drawer of the cheque and if he/she is declared by the court as a beneficiary of support.

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Article 26 - Effecting payment



When paying a cheque, the drawee may require a written receipt of the holder on receiving the amount if the cheque is returned.

Article 27 - Paying an endorsable cheque

The drawee who pays an endorsable cheque shall verify the regularity of the series of endorsements, but not the authenticity of the signatures of the endorsers.

Chapter V - Crossed Cheques and Cheques Payable in Account

Article 28 - Crossing of cheques

1. In order to restrict the possible use of the cheque, the drawer or holder of a cheque may cross it with two parallel diagonal lines on the face of the cheque.
2. A cheque shall be considered as a generally crossed cheque if nothing, or the word 'bank' with a specific name, or other equivalent words, are inserted between the two parallel lines. A cheque shall be considered as a specially crossed cheque if the exact name of a bank institution is inserted between the two parallel lines.
3. A generally crossed cheque may be converted into a specially crossed cheque. A specially crossed cheque in no case may be converted into a generally crossed cheque.
4. Any obliteration of the parallel lines or the name of a bank institution shall be considered invalid.

Article 29 - Paying a crossed cheque

1. The drawee shall pay a generally crossed cheque only to a bank institution or to a customer of the drawee.
2. The drawee shall pay a specially crossed cheque only to the bank institution indicated in the cheque, or if the latter is the drawee, only to its customer.
3. A bank may acquire a crossed cheque only from its customer or from another bank, whereas the bank may collect a cheque only for the account of the above-mentioned persons.
4. The drawee may pay an amount indicated in a specially crossed cheque which specifies not more than two bank institutions only if one of them is for collection through a clearing house.
5. If the drawee or bank institution fails to observe the above rules, they shall be liable for any damage caused up to the amount of the cheque.

Article 30 - Cheque payable in account

1. The drawer or the holder of a cheque may forbid its payment in cash by writing diagonally on the face of the cheque the words 'payable in account' or by other equivalent declaration.
2. The amount of such cheque shall be withdrawn from the account of the drawee and deposited in the account of the bearer of the cheque.
3. Any obliteration of the words 'payable in account' shall not affect the validity of the cheque.
4. The drawee who does not observe the above rule shall be liable for the any damage caused up to the amount of the cheque.

Chapter VI - Claims Related to Non-payment of a Cheque

Article 31 - Grounds for claims related to non-payment of a cheque

The holder of a cheque may make a claim against the endorsers, the drawer and other parties to the cheque if a cheque presented in due time is not paid, and if the refusal to pay the cheque is proven by:

- a) an official act (a protest);
- b) a dated note of the drawee made on the cheque in which the date of the presentment of the cheque is specified;
- c) a dated declaration made by a clearance house, stating that the cheque has been presented in due time but has not been paid.



Article 32 - Protest on a cheque

1. A protest or other declaration shall be made before the expiry of the time limit for the presentment of a cheque.
2. If a cheque is presented on the last day of the time limit for presentment, a protest or other declaration may be made on the following working day.

Article 33 - Notice of non-payment of a cheque

1. The holder of a cheque shall give notice of non-payment of the cheque to his/her endorser and the drawer of the cheque within four working days after the day on which the protest or equivalent declaration was made, or in the case of a stipulation 'to be returned without expenses', after the day of the presentment of the cheque. Every endorser shall, within two working days after receiving the notice, inform his/her endorser of the notice he/she has received, indicating the names (surnames) and addresses of those who have already been given such notice and so on through the series of endorsers until the drawer of the cheque is reached. The above period shall be calculated from the first day of the receipt of the notice.
2. When notice is given to the drawer of a cheque in the above-mentioned sequence, the same notice shall be given within the same period to his/her avalist.
3. If an endorser has not specified his/her address, or has specified it in an illegible manner, giving notice to the preceding endorser shall suffice.
4. Notice may be given in any form, including by simply returning the cheque. The person giving notice shall prove that he/she has given the notice within the established time limit. The time limit shall be considered as having been observed if the notice has been handed to a post office within the established time limit.
5. A person who fails to give notice within the established time limit shall not forfeit his/her rights. He/she shall be liable for the damage caused by his/her negligence, but only up to the amount of the cheque.

Article 34 - Cases when the drawing up of a protest is not necessary

1. The drawer of a cheque, an endorser, or an avalist, may, by the stipulation 'to be returned without expenses' or 'without protest' or other equivalent expression written and signed, release the holder of a cheque from having a protest drawn up or other equivalent declaration made to exercise the right of recourse.
2. This stipulation shall not release the holder of a cheque from the obligation to present the cheque within the established time limit and to give the required notice. The burden of proving the non-observance of the time limit shall lie on the person who is interested in relying on these circumstances as against the holder of the cheque.
3. If the stipulation is written by the drawer of the cheque, it shall be operative with respect to all persons who have signed the cheque, and if it is written by an endorser or an avalist, it shall be binding for the latter only. If, in spite of the stipulation written by the drawer, the holder has the protest drawn up or other equivalent declaration made, he/she shall bear all the expenses related thereto. If the stipulation is written by an endorser or an avalist, all the expenses related to drawing up the protest or making other equivalent declaration shall be borne by all the persons who have signed the cheque.

Article 35 - Liability to pay a cheque

1. All the parties to a cheque are jointly and severally liable to the holder of the cheque. The holder may bring an action against all these persons collectively or individually, or against several of them at the same time, regardless of the order in which they became bound.
2. All persons who have signed a cheque and paid it may exercise the same right.
3. Bringing an action against one of the parties to a cheque shall not prevent a penalty being imposed on other parties, even though such other parties became bound after the party against whom an action has already been brought.

Article 36 - Filing a claim related to a cheque

The holder of a cheque may require by filing a claim the payment of:

- a) the unpaid amount of the cheque;
- b) interest at the rate set by the National Bank as from the date of the presentment of the cheque for payment;
- c) the expenses related to a protest or equivalent declaration, and to any notices.

Article 37 - Right of recourse

A party who pays a cheque may require from the preceding endorser:



- a) the entire sum which he/she has paid;
- b) interest at the rate of 6%, as from the date of the presentment of the cheque for payment;
- c) expenses which he/she has incurred.

Article 38 - Rights of the party paying a cheque

1. Every party to a cheque, against whom a claim may be filed, may require against payment of the cheque that the cheque be returned to him/her with the protest or equivalent declaration and a receipted account.
2. Every endorser may, after paying a cheque, cancel his/her own endorsement, and the endorsements of subsequent endorsers.

Article 39 - Obstacles to the presentment of a cheque or the drawing up of a protest

1. An established time limit may be extended if the presentment of the cheque or the drawing up of a protest or the making of other equivalent declaration within the established time limit was prevented by an insurmountable obstacle (a law of any state or natural disaster).
2. The holder of the cheque shall notify his/her endorser of the obstacles referred to in paragraph 1 of this article and make a respective note in the cheque or attachment thereto, specifying the date and signing it. Subsequent actions shall be carried out in accordance with the procedure determined by Article 33 of this Law.
3. After force majeure has ceased to exist, the holder of a cheque shall immediately present the cheque for payment and, if necessary, draw up a protest or make other equivalent declaration.
4. If force majeure continues to exist more than 14 days after the date on which the holder of the cheque himself/herself, before the expiry of the time limit for presentment, has notified his/her endorser of this obstacle, a claim may be filed even if the protest or other equivalent declaration has not been made.
5. Circumstances shall not be considered as force majeure if they are related personally to the holder of a cheque or those persons to whom he/she has entrusted the presentment of the cheque or the making of a protest or other equivalent declaration.

Chapter VII - Counterparts of a Cheque

Article 40 - Set of counterparts of a cheque

Any cheque except for a cheque 'to a bearer', the place of issuance and the place of payment of which are located in different countries or on different continents, or in the same country but on different continents, may be drawn in a set of identical counterparts. Each counterpart shall be numbered in the body of the cheque; otherwise, each cheque shall be deemed to be a separate cheque.

Article 41 - Payment on a counterpart of a cheque and liability

1. Payment on one counterpart shall make the remaining counterparts invalid, even in the absence of a stipulation to this effect.
2. If an endorser has negotiated the counterparts to different persons, he/she and also the subsequent endorsers shall be liable for all the counterparts bearing their signatures, which have not been returned.

Chapter VIII - Alterations in Cheques

Article 42 - Alterations in the text

In the case of alteration of the text of a cheque, the parties who signed after the alterations were made shall be liable according to the meaning of the altered text, and those who signed before the alterations were made shall be liable according to the meaning of the text prior to alteration.

Chapter IX - Period of Limitation

Article 43 - Period of limitation

1. The time limit for filing a claim by a holder against endorsers, a drawer of a cheque and other parties to a cheque, shall be considered as expired six



months after the date of presentment.

2. A claim between mutually liable parties to a cheque shall be considered settled six months after the date on which the party liable paid the cheque or the date on which a claim was filed against him/her.

Chapter X - Special Provisions

Article 44 - Days for the presentment of cheques and the drawing up of a protest

1. A cheque shall be presented for payment and a protest may be drawn up on working days.

2. If any act relating to a cheque, particularly presentment for payment or the making of a protest or an equivalent declaration, shall be performed within a specified time limit the last day of which is a legal holiday, the time limit shall be extended until the following working day. Holidays shall be included in calculating the time limits.

Article 45 - Calculation of time limits

The time limits provided for by this Law shall not include the day on which the period commences.

Article 46 - Days of grace

No days of grace may be permitted either legally or judicially.

Chapter XI - Additional Rules

Article 47 - Unjust enrichment

1. The drawer of a cheque, whose obligation of recourse is terminated due to the delayed presentment of the cheque for payment or due to a period of limitation, shall remain obliged to the holder of the cheque until he/she illegally benefits from the loss incurred by the holder.

2. A claim shall become invalid due to a period of limitation one year after the cheque has been drawn.

Article 48 - Lost cheque and an act of protest

1. A lost or destroyed cheque may be recognised as invalid through declaring it. The time limit for declaration shall be at least two months. If the cheque is presented for payment in due time, but the drawee has not paid it, the authorised person may, after initiating the above action, require payment from the drawer of the cheque, if the latter gave a guarantee before the cheque was recognised as invalid.

2. A lost or destroyed act of protest may be replaced by a certificate of the declaration of protest, which shall be issued by an institution keeping a verified copy of the document. The certificate shall include the contents of the protest.

Chairperson of the Parliament of Georgia - Head of State

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Speaker of the Parliament of Georgia -

V. Gogvadze

Tbilisi

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