

*Approved:*  
*by the General Meeting of*

*JSC Georgian Stock Exchange*  
*Minutes # 4, September 26, 1999*

*Changes and amendments are made:*

*by the Supervisory Board of*  
*JSC Georgian Stock Exchange*  
*Minutes # 6, August 17, 2007*

# **Trading Rules of the Georgian Stock Exchange**

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## **TRADING RULES OF THE GEORGIAN STOCK EXCHANGE**

### **1. Definitions**

For purposes of these Rules the following terms shall have the following meanings:

- 1.1 *“Electronic Trading System”* or *“Trading System”* or *“System”* – set of technical and software means, which ensures conclusion of securities transactions as well as retention, processing and disclosure of information related with such transactions.
  - 1.2 *“Trading”* – entry of quotation secured with resources (securities or cash) on the guarantee account of the member into the system for the purpose of concluding transaction and consummation of the transaction with exchange of such resources between the transaction parties. Amount of required guarantee resources and accounting procedures thereof shall be defined by the Managing Body of the Stock Exchange.
  - 1.3 *“Trade Participant (Member of Stock Exchange)”* - a member of the Georgian Stock Exchange, who meets requirements set under the regulatory documents of the Georgian Stock Exchange resulting in realization of the right to use trading system of the Georgian Stock Exchange ( in the event of specific activities, rules may imply broker of the member).
  - 1.4 *“Quotation”* or *“Quote”* - a firm offer to buy or sell a security that contains the name of the security, the number of shares, the price and other essential terms and conditions required for a Trade, specified by the Managing Body of the Exchange. It obligates the Trade participants who enter the quotation into the Trading System to execute the transaction on the terms and conditions indicated in the Quote.
  - 1.5 *“Transaction”* - an agreement representing the decision of the Trade participants to enter into legal relations. Based on the agreement, after the System matches terms and conditions of Quotations, each party according to its Quote undertakes unconditional one-side responsibility to ensure delivery through the Clearing-Settlement System, securities for the right to receive appropriate amount of cash , and cash for the right to receive appropriate number of certain securities.
  - 1.6 *“Electronic Transaction Execution”* or *“Transaction Execution”* - electronic transfer from the quote retrieval area of the Trading System to the Trade record area, with indication of the quotation, which represents the basis of this transaction and posting a message to the trading system pertaining to the terms of the implemented transaction.
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- 1.7 "*Guarantee Account*" - a conditional (temporary) account of a member to guarantee trading, created in the System on the basis of the trading account at disposal of the member prior to the beginning of the trading session, which operates until the end of the session.
- 1.8 "*Trading Account*" – a temporary account of a member or a client thereof in the central depository, to which securities and funds are being transferred by the member, for securing trading and on the basis of which guarantee account is created in the trading system.
- 1.9 "*Quotation on Withdrawal*" - a member's Quotation into the Trading System, which cancels the previously made Quotation of the same member.
- 1.10 "*Trading Session*" – a period of a working day of the Stock Exchange in compliance with the schedule approved by the Supervisory Board of the Stock Exchange and Georgian Legislation, during which trading is executed.
- 1.11 "*Time of Concluding Transaction*" – time identified by the trading system, during which transaction is being concluded through electronic means.
- 1.12 "*Volume of Quotation (Transaction)*" – number of securities units, representing subject of quotation (transaction).
- 1.13 "*Value of Quotation (Transaction)*" – number of securities units, subject of quotation (transaction), multiplied by the unit price.
- 1.14 "*Round Lot*" - an amount of securities, which is accepted as a trading unit according to the criteria set forth in Article 15.
- 1.15 "Odd Lot" – any quantity of securities offered for trading..
- 1.16 "*Client*" – a person, who concluded broker-client agreement with the member of the Georgian Stock Exchange.
- 1.17 "*Trading Supervisor*" – a member of the staff of the Georgian Stock Exchange, who controls compliance of members of the Georgian Stock Exchange with the rules and other regulatory documents of the Georgian Stock Exchange.
- 1.18 "*Client's Order*" or "*Order*" – an order given by the client or by its authorized representative to a member of the Exchange.
- 1.19 "Broker" - An employee of a member of the Georgian Stock Exchange, who is appropriately authorized to make Quotation that may result in conclusion of a transaction.

- 1.20 “*Certification of a Broker*”- The Process by which the qualification commission of the Stock Exchange tests broker’s competence in Stock Market Legislation as well as in commission, stock exchange and central depository rules and compliance of broker’s qualification with the trading system entry requirements. In case of positive result the qualification certificate will be issued to the broker.
- 1.21 “*Entry to the System*” – connecting to the trading system by the member, who according its status is enabled to make quotations and / or retrieve information from the system.
- 1.22 “*Central Depository*” - a legal entity, which provides clearing and settlement services for transactions executed through the Trading System.
- 1.23 "Minimum Quotation Increment" - an amount, a multiple of which is used to set price of securities.
- 1.24 "Quotation Price" - An official price of securities declared by the Stock Exchange and/or range of prices for a specified date, calculated on the basis of concluded transactions and / or made quotations, in conformity with the methods approved by the Supervisory Board of the Stock Exchange.
- 1.25 “Recording a Transaction” – recording a non-stock exchange transaction for stock exchange securities by a member in the trading system, as permitted by legislation and commission rules.
- 1.26 “Trading Floor” – a part of the trading system, featured with uniform trading procedures or/and certain parameters of securities admitted for trading therein.
- 1.27 “Prevailing Price” – price of securities set by the Stock Exchange and /or price range for specified date, calculated on the basis of concluded transactions and/or made quotations in conformity with procedures approved by the Supervisory Board of the Stock Exchange. In case of stating quotation price for securities, prevailing price coincides with the quotation price.

## **2. Scope of Trading Rules**

- 2.1 Trading Rules shall regulate the procedures and terms for Members of the Georgian Stock Exchange (hereinafter referred to as the "Exchange"), for implementing trading and settlement of securities admitted for trading on the Exchange, organizing specialized Stock Exchange Auction and recording transactions, if not provided otherwise in these rules.

## **3. References and Appendices**

- 3.1. These Rules may be accompanied with appendices, representing the integral part thereof.
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#### **4 Market Hours**

- 4.1. Market Hours (time-limit of the Trading Session) are fixed by the Supervisory Board of the Exchange. The Supervisory Board has the discretion to modify this time-limit, and it shall inform Trade participants about such modifications and changes, at least 3 business days ahead.

#### **5. Securities Eligible for Trading in the Trading System**

- 5.1. Securities of issuers who meet requirements of the *Regulation on Admission of Securities to the Trading System and Listing on the Georgian Stock Exchange* shall be eligible for trading in the Trading System.

#### **6. Trading Eligibility Requirements of the Members**

- 6.1. Members of the Exchange, according to the rights for participation in the Trading System, are divided into three following categories:
- a) A member of the Exchange, who is entitled to trade with own funds (on its own account) as well as with Client's funds (on Client's account);
  - b) A member of the Exchange, who is authorized to conclude transaction (trade) only with Client's funds (on Client's account);
  - c) A member of the Exchange who is only permitted to obtain information ("view only" access to the Trading System) and does not have right to execute transaction independently, neither for its own nor for its Clients account (Client's accounts).
- 6.2. A member of each category of the Exchange shall have the appropriate license and meet capital adequacy requirements, established by the National Securities Commission of Georgia, as well as requirements of the *Regulation on the Exchange Membership*.

#### **7. Levels of Service**

- 7.1 All Members of the Exchange may obtain any information or market data that is generally available through the system, including the full range of Quotations and transaction reports that the Trading System collects and distributes to members during the trading session. A member shall be prohibited to reproduce or disseminate
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information without permission of the Exchange, except for information defined under the agreement concluded between a member and the Exchange on Use of the Trading System.

7.2 Members who qualify for access in accord with Subparagraphs 6.1 (a) and 6.1 (b) shall be able to enter Quotations in any security that is classified as an eligible security, with consideration of rules regulating the Exchange membership.

7.3 Members who qualify for access in accord with Subparagraph 6.1 (c) shall not be entitled to enter quotations and conclude transactions.

## **8. Duties of Trading Participants**

8.1 A member shall have a broker (brokers) of appropriate qualification, certified by the qualification commission of the Exchange.

8.2 A member shall ensure obtaining an entry password for Exchange member and individual passwords for those certified brokers, who are accredited to the Exchange according to the set procedure. Both the member and its broker are responsible for maintaining the secrecy of the password.

8.3 A member shall be responsible for all obligations arising from quotations entered in the system through the use of assigned password.

8.4 A member shall restrict access to the Trading System for all persons, except for accredited Brokers.

8.5 A member shall maintain all current information on all brokers admitted (accredited) to Trade on the System for such member. Any changes to this information must be promptly forwarded (within one business day) in writing to the Executive Director of the Exchange. From the moment of receipt of decision on revocation of the broker's accreditation, the Exchange immediately suspends the access of such broker to the Trading System.

8.6 A member shall appoint one director or manager of the firm, to be responsible for supervising the use of the Trading System by accredited persons only.

8.7 A member shall create and maintain written supervisory procedures (registration) related to trading on the Trading System.

8.8 A member shall not enter such Quotation into the Trading System, terms of which do not correspond to the real situation on the market; nor may a member enter a quote in the system for false, fraudulent or manipulative purposes.

8.9 A member is prohibited to enter any information into the System, which:

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- a) is inaccurate or a member does not have documentation supporting the accuracy of such information;
  - b) impairs the System's ordinary operation for collecting and disseminating information.
- 8.10 In implementing trading transactions, either as agent or principal , members shall deal fairly with their Clients, exercise reasonable diligence in handling a Client's order so as to achieve the best possible price for each Client, and charge no more than a reasonable fee for the service provided to their Clients.
- 8.11 A member shall fulfill all obligations arising from the use of the Trading System to consummate transactions for its clients or its own account.
- 8.12 A member shall comply with restrictions pertaining to the use and dissemination of information received from the Exchange, according to the Article 17.1 of these Rules.

## **9 Release from Obligation Derived from the Quotation**

- 9.1. A member shall not bear responsibility for its obligations under a Quotation entered to the system if:
- a) Terminal or communication line is damaged, which impedes the member to use the trading system or makes such use impossible;
  - b) Upon occurrence of force majeure circumstances.
- 9.2. A member is released from its obligations, from the time when it informs the System Operator about the occurrence of any of the events specified in Subparagraphs 9.1.a and 9.1.b. The form, means and timing for delivering this information, shall be defined by the Managing Body of the Exchange.
- 9.3. Once the impeding circumstances are eliminated,, the access of the member to the Trading System will be renewed according to the standard procedure.

## **10. Suspension of Members' or Brokers' Right to Use the Trading System**

- 10.1. A Broker's or Member's right to participate in the Trading System may be suspended in the following cases:
- a) The Exchange has imposed a sanction on the broker or member that suspends or terminates his/ her (or its) right to trade on the Exchange;
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- b) The National Securities Commission has imposed respective sanction on the broker or the member;
- c) A broker or a member is convicted by the court for engaging in criminal activity (or a guilty verdict has been passed against the member), namely if he/she is convicted in crime of economic character and the sentence has become effective;
- d) The member has been delinquent for more than 15 days in paying any membership fees, dues or other charges levied by the Exchange;
- e) Terms of the service contract with the Exchange or Trading System have expired;
- f) A member has supplied the Exchange with false information;
- g) A member fails to fulfill obligations assumed under the quotation entered into the Trading System.

## **11. Extraordinary Market Conditions**

- 11.1 In the event of extraordinary market conditions, natural disasters, failure of the national telecommunications or electric power systems, failure of the computer infrastructure that supports the Trading System, or other force majeure circumstances, the General Director or the Supervisory Board shall be entitled to temporarily terminate System's operation.

## **12. Trading System Pre-Entry Procedures**

- 12.1 Prior to the beginning of each trading session, a member shall:
  - a) Review and reconcile all of its securities positions.
  - b) Review and reconcile all of its cash positions.
  - c) Examine and test its trading terminal.

## **13. Trading System Pre - Entry Procedures for Client Orders**

- 13.1 Prior to acceptance of a Client's order, the member shall ensure that it has appropriately concluded Agreement with the Client, and observe the following procedures:
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- a) In case of a customer' order on sale of securities (offer), verify the customer's ownership of the securities and make sure that they are at the disposal of the Exchange Member; obtain the most recent information from the trading system on prices and concluded transactions involving securities indicated in the order; in addition, the member shall communicate such information to the Client and agree with him/her/it terms and conditions of the agreement; namely, maximum time limit of the transaction, after expiration of which the order shall be deemed invalid.
  - b) In case of a Client's order on purchase of securities (bid), the Member shall verify Client's funds and make sure that they are at the member's disposal; obtain recent information from the Trading System on prices and concluded transactions involving securities indicated in the order; in addition, the Member shall communicate such information to the Client and agree with him/her/it terms and conditions of the agreement; namely, maximum time limit of the transaction, after expiration of which the order shall be deemed invalid.
- 13.2. Upon acceptance of the Client's order, the member shall enter the Quotation into the System. The Quotation shall be maintained until the order is either executed or cancelled.

#### **14. Quotation Entry into the Trading System**

- 14.1 A member shall submit Quotation into the System which covers the following information:
- a. The code and/or number of the Brokerage Company which is submitting the quotation;
  - b. The Code and/or number of a Broker who is submitting the quotation;
  - c. Client's identification code or its account number;
  - d. The name and code of the subject security;
  - e. The type of the Quotation (Bid, Offer, Quotation on Withdrawal);
  - f. The number of the subject security;
  - g. The unit price of the subject security;
  - h. The name of Central Depository or Securities Registrar, where securities are registered;
  - i. The indication whether the customer will accept partial execution of the transaction
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## **15. Minimum Quotation Parameters**

- 15.1. Price of the quotation shall be expressed in GEL and be not less than GEL 0.01;
- 15.2. Quotation price shall represent a figure, which consists of:
- a) Not more than four digit figure – in case of shares;
  - b) Not more than seven digit figure – in case of debt securities. In addition, number of digits after the point should not exceed four;
  - c) Not more than seven digits – in case of recording transaction.
- 15.3. The value of Quotation shall not be less than GEL 100.
- 15.4. To formulate a valid Quotation price for entry into the Trading System, a member shall enter a Quotation, which equals to the round lot or is its multiple, subject to compliance with Article 15.3.; Specifically, the size of the round lot is:
- 10,000, if the price of one security is below 0.01 GEL.
  - 1,000, if the price of a subject security equals or exceeds 0.01 GEL, but is below 0.1 GEL.
  - 100, if the price of a subject security equals or exceeds 0.1 GEL
- 15.5. Regardless requirements of Paragraphs 15.3 and 15.4, it is permitted to Trade on odd lots on the Exchange, according to Paragraphs 17.3 and 17.4 of these Rules.
- 15.6. If a member does not agree to conclude transaction for the part of the quotation volume, the quotation shall have the respective limiting sign – N. Use of such quotation including limiting condition during the trading shall be permitted only at the special trading session or during a time period determined by the Supervisory Board of the Exchange for such quotations.

## **16. Rules for Entering Quotations into the System**

- 16.1. Only licensed members shall be entitled to enter quotations into the system during the trading session, as stipulated in Subparagraphs 6.1.a and 6.1.b of these rules.
- 16.2. Entering a Quotation into the Trading System during a trading session implies that the member assumes the responsibility for the Quote terms and will execute and settle the Trade on the terms described in the Quote.
- 16.3. Prior to entering a Quotation into the System, the member shall verify that there are sufficient funds on his/her guarantee account to ensure the settlement of the transaction.
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- a) Prior to the beginning of the trading session, the Central Depository, servicing the Exchange, shall provide each member with an extract (initial extract of the Depository) containing: (a) position of cash and securities on the trading account of the member at the beginning of the trading session and (b) position of cash and securities on the trading account of each client of a member at the beginning of the trading session. These data shall become the basis for forming preliminary positions on the guarantee accounts of a member and his clients at the trading session. After the beginning of the trading session, a member shall oversee changes in the cash and securities positions on his and his clients' guarantee accounts, which were created in the System as a result of executing a transaction. For this purpose, a member shall monitor the positions manually and not rely solely on the information supplied by the Trading System regarding the positions on his and his clients' guarantee accounts.
- 16.4. A member may update or withdraw its current Quote for a particular security, before concluding transaction based on such quote.
- 16.5. Any Quotation that a member enters into the System shall be reasonably related to the prevailing price of that security. Accordingly, the Managing Body of the Exchange is setting algorithm (Annex 3 of Trading Rules), based on which possible price deviations between the highest bid and lowest offer are related with prevailing price of these securities.
- 16.6. Quotations shall be maintained in the system until the order is either executed or cancelled. After completion of the Trading Session all remaining Quotations are automatically cancelled.

## **17. Transactions Permitted and Supported by the Trading System and Ways of Their Implementation**

- 17.1. Members that are authorized by the Exchange to access the trading system with consideration of rights provided for in Articles 6, 18.1. and 18.2 of these Rules, may execute transactions in the following manner for Round Lots of securities:
- (a) By entering into the trading system a Quotation to buy or sell a particular security and waiting for another member to consummate a transaction on the basis of this Quotation through the Electronic Trading System; In addition, price of such transaction equals quotation price, while its volume does not exceed quotation volume.
  - (b) By concluding transaction by another member through Electronic Trading System on the basis of previously made quotation provided for in Paragraph 17.1.a.
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- (c) By using the Electronic Trade System to conclude a transaction for a Client against the member's own bid or offer, displayed in the system or that of another client, as it is specified in Subparagraph 17.1.a.. In addition, requirements of Paragraph 18.3. of these Rules shall be considered.;
  - (d) By using the Electronic Trade System to conclude a transaction for the same member's own account, against the bid/offer that has been previously entered by the same member for its customer, as specified in Subparagraph 17.1.a. In addition, requirements of Paragraph 18.3 of these Rules shall be considered.;
  - (e) By concluding transaction through matching bids and offers of its two clients (or of this member and its client's) in the Electronic Trading System with consideration of Clients' orders and requirements of Paragraph 18.4. Provided, however, that the transaction price must be the mean calculated from the highest bid and lowest offer prices displayed in the system at the point of concluding transaction..
- 17.2. When using the Electronic Trade System to consummate a transaction, based on the Quotation made according to Article 17.1, in a particular security, transactions shall be implemented in a sequence as quotations appear in the trading system. The Trading System ranks Quotations first by price of security, then by the size of the quotation (the largest first) and then by the time of entry into the Trading System.
- 17.3. Members that are authorized by the Exchange to access the Trading System, subject to Article 6 and Article 18.1 and 18.2 of these rules, may execute transactions in the following ways for Odd Lots of securities:
- (a) By aggregating two or more client orders, each with a lot less than a Round Lot, into a single Round Lot (or a multiple of one Round Lot) at the same price, and entering the aggregated orders into the trading system as a single Quotation. Then a member waits for another member to consummate a transaction through the Electronic Trade System;
  - (b) By using the odd lot function of the Electronic System to execute transactions according to the rules set in the Subparagraphs 17.1. a, b, c, d, e, and Paragraph 17.2 of these rules.

## **17<sup>1</sup>. Recording Transactions in the Trading System**

17<sup>1</sup>.1 Recording a transaction in the Trading System is performed every business day during the period set by the Exchange Managing Body, through submission of three copies of application to the Trading System Administrator (see Annex 2).

17<sup>1</sup>.2. Non-Exchange transaction may be recorded in the Trading System by:

- 17<sup>1.2.1</sup>. Concluding transaction by members in the System (guaranteed with securities or securities and cash). In such case transaction is recorded automatically;
- 17<sup>1.2.2</sup>. Submitting application for recording transactions in the Trading System concluded by brokerage companies outside the Exchange. Transaction is reflected in the system by the Trading System Administrator.
- 17<sup>1.3</sup>. If a Non-Exchange transaction is recorded as described in Subparagraph 17<sup>1.2.1</sup>, a member shall complete procedures required for guaranteeing transaction in the Central Depository, providing services to the Exchange, not later than 30 minutes before starting the period for recording transaction.
- 17<sup>1.4</sup>. Transaction parties shall bear responsibility for settling partially or fully unsecured transactions.
- 17<sup>1.5</sup>. In the event of violations provided for in Article 10 of these Rules, the Exchange shall be entitled not to accept application from the brokerage company for recording transaction in the Trading System.

## **18. Restrictions on Transactions for Members**

- 18.1. Under no circumstance will a member, whose access to the Trading System is restricted to the entry of clients' orders as an agent, execute a transaction for its own account in any security that is admitted to trading on the Exchange.
- 18.2. Under no circumstance will a member, whose access to the trading system is restricted to "view-only " access, as defined in Subparagraph 6.1.c, execute a transaction either for its own account or for its client, in any security admitted to trading on the Exchange.
- 18.3. A member is prohibited to conclude a transaction, if:
- a) both sides of the transaction are represented by the same Client and the member is aware or has the reason to be aware of this circumstance;
  - b) both sides of the transaction are represented by the member itself, acting on its own account;
  - c) price of the transaction is not the best execution price for this Client given the current market situation and the Client's order.
- 18.4. Before, a member executes the transaction described in the Subparagraph 17.1.e., it shall enter the Quotation into the System, according to the Subparagraph 17.1.a for bid and offer quotes in the full volume of planned transaction on behalf of
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participating Clients and wait for the matching bid/offer for 3 minutes from other members. In addition:

- a) If in the System there already are entered bid and offer Quotations, then the prices on such quotations shall be between the range of the highest bid and lowest offer prices and be different from the highest bid and lowest offer by 10% of spread thereof.
- b) In case, there are only bids in the Trading System, then Quotation to buy shall be above the highest bid price and Quotation to sell (offer price) can be any price, permitted by the Trading System;
- c) In case, there are only offers in the Trading System, then Quotation to sell shall be lower than the lowest offer price and Quotation to buy (bid) can be any price permitted by the Trading System;
- d) In case, there is neither bid nor offer on the subject security, then the price of such quotations can be any price, permitted by the Trading System;
- e) According to the priorities set forth in the Article 20<sup>th</sup> of these Rules, that quotation shall be made first an order for which the member received earlier from the Client;
- f) If during these three minute interval, there was no new Quotation entered into the Trading System, which proposes prices below the highest bid or above lowest offer, or another member did not execute transaction based on these Quotations, then the transaction permitted under Subparagraph 17.1 (e) can be executed at the price of the arithmetic mean, calculated from the highest bid and lowest offer of these Quotations.

## **19. Transaction Reporting Requirements**

- 19.1. Whenever a member uses the Electronic Trading System to conclude a transaction, the System automatically generates a transaction report that shall be recorded by the Exchange for regulatory purposes, disseminated to other members via the trading system and to the general public via informational channels through which the Exchange supplies stock market data to respective agencies on a commercial basis.
  - 19.2. Shortly after the trading session, through the Electronic Trading System, the trade participants will be provided with the report, on transactions concluded by them, for the clearing and settlement reconciliation purposes.
  - 19.3. The information about the results of the Exchange Trading (quoting) is disseminated to general public, in compliance with the rules set by the Exchange,
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via the means of mass media (news agencies), which have concluded appropriate agreement with the Exchange.

## **20. Priorities in Entering Quotations into the Trading System**

- 20.1. Prior to fulfilling an order for its own account, a member is obliged to fulfill a Client's quotation on the Client's account, if such order exists.
- 20.2. If a member holds two or more similar Client orders, the member shall fulfill the orders in a sequence in which he/she received them.
- 20.3. If the member receives two or more orders at one and the same time, priority shall be given to the quote by price – the lowest price of the seller (offer) and the highest price of the buyer (bid).
- 20.4. Among orders of Clients of a member priority shall be given to orders of those Clients who do not represent a partner, shareholder or representative of such member.

## **21. Supervision**

- 21.1. The supervision and control over observance of these Trading Rules is implemented by the Trade Supervision and Disciplinary Department of the Exchange and in case of necessity, it can exercise appropriate measures in accordance with the Code of Ethics, the Exchange Procedure Code and other regulatory rules of the Exchange.

## **22. Changes and Amendments to These Rules**

- 22.1. Changes and amendments to these Rules may be made only by the Supervisory Board of the Exchange.
- 22.2. The Trading Committee of the Exchange may, from time to time, propose amendments and revisions to these Rules to the Supervisory Board, or the Supervisory Board may take its own initiative.

## **Specialized Exchange Auction**

### ***1. Time and Duration of Specialized Exchange Auction Sessions***

- 1.1. Specialized Exchange Auction shall be held for the purpose of providing securities selling services through the use of Exchange Trading System, in conformity with the Exchange Trading Rules and this Annex.
- 1.2. Specialized Exchange Auction Sessions (hereinafter referred to as “Auction Sessions”) are held on the Exchange Trading days at the time different from that of trading Sessions. Duration of auction session equals 30 minutes. Time for commencement of auction sessions is set by the Supervisory Board of the Exchange.

### ***2. Selection Procedures for the Representative of the Brokerage Companies at Specialized Exchange Auction and its Authority***

- 2.1. Representative of the Exchange member-shareholder brokerage companies (hereinafter referred to as “Selling Brokerage Company”), prior to each Exchange Auction, shall conclude agreement with the body (institution) (hereinafter referred to as “seller”) authorized to dispose of securities in state ownership, which has agreement with the Exchange on Organizing Specialized Auction on submitting securities in its ownership to Specialized Exchange Auction. Selling Brokerage Company may be any brokerage company, admitted to the exchange trading System, being selected for each Specialized Exchange Auction at the meeting (hereinafter referred to “Meeting”) of Brokerage Companies permitted to the Trading System. One and the same brokerage company may be the Selling Brokerage Company at several Specialized Exchange Auctions.
  - 2.2. A meeting may be convened by the General Director of the Exchange within ten days from announcing Specialized Exchange Auction. Three days before the meeting special announcement on convening the meeting shall be posted on the informational board of the Exchange. Brokerage company, which receives majority of meeting participant votes, will be considered selected. In the event of receipt of equal votes by two or more candidates, names of these candidates will be submitted to the Seller who itself selects the brokerage company.
  - 2.3. Decision of the meeting pertaining to authority of the Selling Brokerage Company and its remuneration by the Exchange Member-Shareholder Brokerage Companies, shall be valid regardless number of the meeting participants and be legalized in minutes signed by the General Director of the Exchange or an authorized representative thereof.
  - 2.4. Copy of the meeting minutes shall be sent to the seller within one business day. On the basis of this agreement, the Seller Brokerage Company within two days from the meeting shall conclude agreement with the seller on minimum offer price of securities
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at the Specialized Exchange Auction, number of such securities agreed with the Exchange, submission schedule and other conditions.

### ***3. Dissemination of Information on Holding Auction Session***

3.1. The Exchange shall ensure dissemination of decision on number of securities, to be presented for trading at the auction session, before commencement of the business day preceding the auction session. Information shall be posted on the informational board of the Stock Exchange and/or distributed electronically.

### ***4. Rules for Entering Quotations into the System***

4.1. Auction sessions shall be held through use of the Exchange Trading System and with observance of trading rules, with a difference that during the auction its participants shall have information only on prices of quotations made by other participants.

4.2. Brokerage companies (hereinafter referred to as “buying brokerage company”) rendering services to persons willing to purchase securities may enter bids in the System during first 25 minutes. Rules and priorities for entering quotations shall comply with the trading rules. After expiration of 25 minutes from the beginning of the auction all bids shall become void.

4.3. The volume of bids shall not exceed the volume of securities offered for sale and its price shall equal or exceed minimum announced selling (offer) price.

4.4. The total value of bids made by the buying brokerage company shall not exceed the amount on its guarantee account.

4.5. Selling Brokerage Company shall prepare and certify offers during 5 minutes following expiration of 25 minutes of the auction session given the following requirements:

- a) price of one security indicated in the offer shall equal minimum price set by the seller;
- b) volume of offers shall equal the number of offered securities announced at the auction session of the specific issuer;
- c) offer shall not prohibit conclusion of transaction for the part of quotation (shall not include limiting sign).

4.6. If the Selling Brokerage Company does not make offers during 5 minutes, this will be considered as violation of the Article 8. 1. 8 of the Code of Ethics of the Georgian Stock Exchange. In such event entering of offers in the trading system on account of the Brokerage Company and Certification thereof shall be performed by the Auction Supervisor appointed by the General Director of the Exchange. Admission of the infringing brokerage company to the trading system will be suspended until decision is made by Managing Body of the Exchange.

4.7. The Auction Session shall be closed upon expiration of 30 minutes, after which the Exchange is obliged to notify brokerage companies participating in the session on the volumes of acquired securities.

**5. Rules to satisfy Quotations and Priorities**

Quotations shall be satisfied in the moment of auction completion, at the price indicated in bids with consideration of the following priorities:

5.1 In the first instance the quotation with the highest price shall be satisfied;

5.2 In case two or more quotes have the same prices, priority should be given to the quote with a larger volume;

5.3 If the price as well as the volume of two or more quotes are the same, then the priority shall be given to the quote submitted earlier;

5.4 After completion of the auction session the winning quotes shall be mandatory to be fulfilled, including the last quote, the volume of which exceeds the number of remaining securities. The latter shall be satisfied within the range of remaining securities.

**6. Submission of Report on Auction Results**

The selling brokerage company shall submit report to the seller on auction results in compliance with terms of concluded agreement.

**7. Remuneration for Auction Services**

7.1 Based on auction results, fees due to brokerage companies and the Central Depository Servicing the Exchange, shall be defined under *the Regulation on the Member - Shareholder of the Georgian Stock Exchange* and *Regulation on Members of the Central Depository of Georgian Securities*;

7.2 The amount due to the seller for services shall equal:

when	$P < P_0 + 0.03 \cdot P$	$R_p = v \cdot (P - P_0)$
when	$P \geq P_0 + 0.03 \cdot P$	$R_p = 0.03 \cdot P \cdot v$

$P_0$  – nominal price of one security (minimum selling price);

$P$  – price of one share set during the transaction;

$v$  – transaction volume (number of shares);

$R_p$  – service fees, due to the Exchange, payable by the seller..

<i>To be filled by the Authorized Employee of Exchange</i>	
<b>Quotation for Recording Securities Transactions through the Trading System</b>	
# _____	
<i>Signature</i> _____	<i>Date of Receipt</i> " _____ " _____ 200

<i>To be Filled by the Brokerage Company</i>																									
Name of the Brokerage Company _____																									
<i>Please Record the Following Transactions through the Trading System:</i>																									
Name of the issuer _____																									
Class of securities _____																									
გაბბგ _____ Code in the Trading System _____																									
Type of transactions <input type="checkbox"/> With the value above GEL 100 <input type="checkbox"/> Purchase by tender offer (mark): _____																									
<input type="checkbox"/> Redemption (Pursuant to the Article 53 <sup>1</sup> of the Law of Georgia on Entrepreneurs)																									
<input type="checkbox"/> Make contribution to the Authorized Capital through public securities																									
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">№*</th> <th style="width: 35%;">Number of Securities</th> <th style="width: 25%;">Price (in GEL)</th> <th style="width: 30%;">Value of Transaction (in GEL)</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>		№*	Number of Securities	Price (in GEL)	Value of Transaction (in GEL)																				
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* In case of large number of transactions it is permitted to present this table as a separate annex.																									
Date of concluding transactions _____																									
Transactions are secured																									
with cash <input type="checkbox"/> with securities <input type="checkbox"/>																									
Comments:																									
_____																									
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_____																									
Authorized Representative of Brokerage Company _____ / _____ /	Stamp																								

## Methodology for Determining Acceptable Price Range of Quotations

### 1. Acceptable Price Range

A price range may be set for securities admitted to the Trading System. For such securities the price indicated in the quotation shall be in this price range. For each session price range of quotations shall be calculated from the prevailing price of the security. Specifically, if the prevailing price is  $PP$  and quotation price is  $P$ , the following clauses shall be satisfied:

For the bid price:  $P \leq (1 + \delta) \times PP$ ;

For the offer price:  $P \geq (1 - \delta) \times PP$ ,

where  $\delta$  is the price range.

$\delta$  may be different for various groups of different securities. Definition of price range, formation of the respective group and allocation of securities to the respective  $\delta$ -possessing group shall be made under the Decree of the General Director of the Exchange.

In the event of special circumstances (market events, securities related events, which have such impact that the existing range is not adequate) the General Director shall be entitled to allocate security to the adequate  $\delta$  group before commencement of the session or during the session by announcement of technical break.

### 2. Calculation of Prevailing Price for Securities

Prevailing price shall be determined before each session as the weighted average of transactions concluded during previous trading session for the subject security.

The weighted average price for  $i$  security of the trading session shall be calculated by the following formulae:

$$AP_i = \frac{\sum_{k=1}^n (P_{ik} \times Q_{ik})}{\sum_{k=1}^n Q_{ik}}$$

Where,  $AP_i$  is weighted average price of  $i$ -security,  $P_{ik}$  - is price of  $k$  transaction of  $i$  security, and  $Q_{ik}$  is the volume of  $k$  transaction of  $i$  security.

If no transactions were recorded for the given security during the previous trading session, then the prevailing price of the security shall be the prevailing price defined for the previous session

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