

The Law of Georgia on Securities Market

English Translation

This publication was made possible through support provided by the U.S. Agency for International Development, under the terms of the Governing for Growth (G4G) in Georgia activity. The opinions expressed herein are those of the author(s) and do not necessarily reflect the views of the U.S. Agency for International Development (USAID).

Consolidated Version (final)

The Law of Georgia on Securities Market

The purpose of the present Law is to develop the securities market in Georgia, to protect investors' interests on the securities market; to ensure the transparency of:issuers' information during the securities offering and public trading in securities; as well as to establish: fair and transparent rules on public trading in securities and free competition.

CHAPTER I. GENERAL PROVISIONS

ARTICLE 1. SCOPE OF THE LAW

1. Transactions connected with securities are regulated by: this Law, Civil Code of Georgia and other legislative acts of Georgia.
2. The regulations for the issuance or public offering of government securities on behalf of the State of Georgia, as well as the public trading of government securities off a Stock Exchange by banks does not fall within the scope of this Law.
3. Disposal of government property is regulated by the Law of Georgia on State Property.
4. This Law regulates transactions connected with securities' public offering and circulation; defines the rules of activities and responsibilities of Stock Exchanges, Central Depositories, Securities Registrars, Brokerage Companies, Investment funds, brokers on the securities market; and includes additional requirements regarding the rules of activities and responsibilities of those enterprises whose securities are publicly offered and sold;
5. Authorities of the National Bank of Georgia are defined by: this Law, other legislative acts and bylaws of Georgia.
6. Financial Institutions (except commercial banks) shall be eligible to perform their activities in Georgia in accordance with the Georgian legislation on the basis of authority granted by respective bodies of Developed Countries without additional permits or licenses granted pursuant to the Georgian Legislation.
7. The activities of Stock Exchanges and the Central Depository shall be based on the principle of self-regulation. Based on this principle, they regulate their own actions in accordance with the Georgian legislation.
8. Government bodies and agencies or State Enterprises (with more than 50% state ownership) shall be prohibited to hold shares of financial institutions.

[The Law of Georgia N1929-SSMI of April 30, 1999, N14\(21\), 13.05.1999, Art.59](#)

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)
[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)
[The Law of Georgia N1944-SSMI of November 3, 2009, N35, 19.11.2009, Art.249](#)
[The Law of Georgia N3519-SSMI of July 21, 2010, N48, 09.08.2010, Art.320](#)
[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)
[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 2. DEFINITIONS OF TERMS

Wherever used in this Law, the following terms shall have the following meanings:

1. Reporting enterprise – an entity defined by Paragraph 1, Article 9 of this law.
2. Material (fact or event) – a fact or event that a reasonable investor or a potential investor would consider significant in a decision to buy or sell securities.
3. Auditor – a member of a professional organization (natural person or legal entity) who, based on audit results and/or assurance on the basis of review procedures, expresses its opinion on financial statements or consolidated statements. An Audit Company shall not be affiliated and shall be independent from a client mentioned in Paragraph 11 of this Article to which it renders services as an Auditor.
4. Bank – a banking institution organized under the Law of Georgia on Entrepreneurs and licensed under the Law of Georgia on the Activities of Commercial Banks.
5. Beneficiary owner – a person which, by law or as a result of a transaction, receives monetary or other benefits and does not have an obligation to transfer these benefits to a third party. If a beneficial owner is an entity established for ideal purposes, or/if the owning legal entity does not have a major shareholder, then a member of its managing body shall be a beneficial owner.
- 5¹ Registered owner – a person which is not a nominee holder of securities or representative of a registered owner and meets any of the following requirements:
 - a) Is a registered owner of the securities other than a nominee holder;
 - b) Based on a written agreement, authorizes a nominee holder to act on his/her behalf;
 - c) Receives a monetary benefit as an owner of securities;
 - d) Has the power to direct the voting rights of a security;
 - e) According to Georgian legislation, has the right to become a registered owner of securities.
6. Broker - a natural person who, on behalf of his/her employer Brokerage Company, executes transactions in securities and/or provides other related services.
7. Newspaper – any newspaper or official publication, which is, for the purpose of this law, recognized by the National Bank of Georgia..
8. Rescinded.
9. Sale – a contract for sale or any other type of disposition of a security.
10. License – a license determined by the Sub-Paragraph A, Article 3 of the law on “Licenses and Permits” of Georgia.
11. Related person:
 - a. A person that relates to the natural person by kinship representing legal heir of first or second degree pursuant to the Civil Code of Georgia;

- b. An entity in which a person directly or indirectly owns a share that allows him/her to significantly affect the entity's decisions;
 - c. A member of the managing/governance body of the entity in which a person directly or indirectly owns a share that allows him/her to significantly affect the entity's decisions.
 - d. In case of a legal entity:
 - i. A member of a managing body and/or legal representative;
 - ii. A partner or founder who has a real power to affect/influence the decisions made by the legal entity.
12. Prospectus – any written or electronic communication by way of electronic or print medium, the purpose of which is to offer for sale any security.
13. Preliminary prospectus – a prospectus, which has been submitted to the National Bank of Georgia but has not been approved yet.
14. Approved prospectus – a prospectus which has been approved by the National Bank of Georgia.
15. Final prospectus – a prospectus which has been approved by the National Bank of Georgia and contains the exact number and price of securities to be offered, also the information on securities offering contracts to be offered on behalf of an issuer and/or securities holders
16. Issuer – a legal entity that issues securities in accordance with the legislation.
17. Rescinded.
18. Legislation on securities – this law, other laws and regulations regulating securities market, fulfillment of which is supervised by the National Bank of Georgia in terms of its competence.
19. (Rescinded).
19¹. (Rescinded (10.03.2017, N441).
20. Control (significant share or purchase) – a situation when a person, or a group of related persons, holds more than 10% of voting rights in an enterprise or can otherwise exercise the control of the enterprise.
21. Secondary public trade – selling or buying of securities which:
 - a. is not performed on behalf of an issuer or does not represent part of a public offer pursuant to Articles 3, 4, 5, 6, 7, and 8 of this Law;
 - b. is open to participation, directly or through a representative, to more than 100 persons or to an unspecified numbers of persons.
22. Managing body – Directors and/or the Supervisory Board, elected or appointed under established rules.
23. Person – a natural person or legal entity.
24. Registered owner – an owner of securities or nominee holder which is registered in a Securities Register.
25. Advertisement – announcement published by any possible means, including the display of notices, signs, labels or business cards; by means of circulars, catalogues, price lists or other documents; by means of an exhibition of pictures or photographic or cinematography films; by means of sound or television broadcasting or computer; by means of distribution of recordings; or in any other similar manner.

26. Brokerage Company – a legal entity which holds a brokerage license.
27. Fiscal year – continuous period beginning January 1 and ending December 31.
28. Government securities – any security issued by the Government of Georgia.
29. Stock Exchange – an organized securities market that provides facilities enabling the collection of offers to buy and sell securities and other financial instruments, executes trades pursuant to rules or procedures, and disseminates information on completed transactions and other price information.
30. Rescinded.
31. Gross violation of securities legislation – a violation which is not of a technical nature and involves deliberate disregard of requirements under the legislation on securities or Stock Exchange or Depository rules.
32. Security (securities) – transferable financial instruments and rights that may be offered to the public in the form of equity securities, debt securities or combined, any security which can be convertible into a security, or which carries the right to subscribe for or purchase such security, investment contracts, and other instruments and rights connected with securities. However, the following instruments shall not be treated as securities under this Law and therefore shall not be regulated under it:
 - a. Obligations of banks which are connected with the receipt of deposits or other fixed-term financing if they arise when services are provided to clients directly, without any intermediary, and are not the subject of public circulation;
 - b. Insurance policies or annuity contracts issued by a legal person operating according to the Legislation on Insurance;
 - c. Cheques (regulated under the Law of Georgia on Cheques);
 - c¹. Promissory notes (regulated under the Law of Georgia on Promissory Notes);
 - d. Contracts or financial instruments, exempted by the rules established by the National Bank of Georgia that are regulated respectively under this law or other laws;
33. Dematerialized securities – a security that does not exist in a paper form but as a book entry in a Securities Register or a in a registry of the nominee holders, whether in the name of the beneficial owner of securities or in the name of the nominee holder.
34. Investment contract – a contract under which the investor grants funds or other property rights to another person for investment in economic activity with the goal to obtain financial benefits.
35. Debt security – any security evidencing a right to receive payment of a stated principle amount with or without interest; It includes government securities, unless otherwise provided by a relevant normative act.
36. Public security – a security, which is either issued publicly (through public trade) and/or admitted for trading on a Stock Exchange.
37. Issuance of securities – means the procedure by which an issuer distributes its securities.
38. Security class – all securities of an issuer, which attest the same rights and obligations.

39. Equity security – a security evidencing an ownership interest in an enterprise.
40. Security market participant – an investor, issuer, Regulated Securities Market Participant, and an auditor.
41. Regulated Securities Market Participant – a Stock Exchange, the Central Depository, Securities Registrar, Reporting Entity, and Securities Market Intermediary.
42. Securities Market Intermediary – a Brokerage Company or other intermediary, whose activities are regulated by the National Bank of Georgia under its established rules.
43. Nominee holder – a legal entity, which is a securities market intermediary, a bank or a Central Depository, authorized (with written contract) by a registered owner (or other nominee holder) to deposit securities in the Securities Register on its name and on behalf of this registered or nominee holder engage in other transactions.
44. Securities Registrar – a legal entity licensed by the National Bank of Georgia, which maintains a Securities Register for an issuer and performs other functions specified in the agreement between the issuer and the Securities Registrar.
45. Securities Register – a register maintained by an issuer or Securities Registrar, which identifies registered owners of securities and the number, class and any other related information of the securities they own, as specified by the legislation.
46. Securities Offering Contract – a contract between an issuer making an offering of securities and one or more Brokerage Companies or financial institutions having appropriate license pursuant to which the Brokerage Company (companies) or financial institutions having appropriate license (financial institutions) assume the obligation to place the securities on a guaranteed or non-guaranteed basis in accordance with the rules approved by the National Bank of Georgia:
 - a. Guaranteed basis – in connection with a Securities Offering Contract, means the purchase of an entire issue of securities by a Brokerage Company (companies) and financial institutions having appropriate license with a commitment to retain ownership of total offering or to resell it.
 - b. Non-guaranteed basis – in connection with a Securities Offering Contract, means the conditional purchase from an issuer of an entire issue of securities by a Brokerage Company/companies or financial institutions having appropriate license without any commitment to retain ownership of the total offering or to resell it.
47. Offer – any attempt to sell or dispose for value of any security interest in a security that has been issued or is to be issued, but shall not include an invitation by or to any Brokerage Company or financial institution having appropriate license to enter into a Securities Offering Contract with respect to such security or interest therein.
48. Offering Application – an application submitted to the National Bank of Georgia pursuant to the Article 4, Paragraph 2 of the present Law which includes any amendment to it and any prospectus, report or document that is a part of the application or supplement with a reference to it.

49. Record – any information in the form of accounts, correspondence, tapes, computer discs and other documents or transcribed information of any type, whether expressed in ordinary or machine-readable form.
50. Central Depository (Depository) – legal entity licensed by the National Bank of Georgia which is entitled to provide central clearance and settlement of securities pursuant to instructions of registered owner or nominee holders, and also to perform other services defined by the rules of the Specialized Depository and the National Bank of Georgia.
- 50¹. Member – a client of the Stock Exchange or Central Depository who is recognized as a member by the Stock Exchange or Central Depository according to the regulations of the Stock Exchange and Central Depository.
51. Written form – printed, lithographed or any means of graphic communication.
52. Rescinded (10.04.2012, N6022).
53. Developed Countries – the countries included in the National Bank of Georgia’s list of Developed Countries.
54. Financial Institution – legal entity that provides financial services and operates in the form of a commercial bank, insurance company, reinsurance company, investment bank, Stock Exchange, Central Depository (Depository), Brokerage Company, microfinance organization, credit union, investment fund or in any other form providing financial services. The National Bank of Georgia may expand and clarify the list of financial institutions.
55. Investment Fund – a legal entity or collective investment scheme, which is created to accumulate and allocate investors funds.
56. Collective Investment Scheme – financial resources transferred to financial institutions to be invested.
57. Sophisticated (Experienced) Investor – a person with sufficient experience, equity or income to bear financial losses caused by investment activities. A Sophisticated (experienced) Investor shall be a person, a financial institution, a director of financial institution, a legal entity with significant assets whose capital exceeds 1 million GEL, or other person recognized as such by the National Bank of Georgia.
58. Person with Significant Assets – a person whose confirmed assets exceeds 3 million GEL or has had an annual income over GEL 200,000 for the last three years.
59. Investment Fund of Sophisticated Investors – a financial institution or Collective Investment Scheme created under regulations of this law. The members are only sophisticated investors.
60. Investment Fund Manager – a person or a group of persons who manages the fund.
61. Securities Free Turnover Ratio – a share of any class of securities issued by an issuer that does not fall under the categories listed below:
 - a. 5% or larger block of securities of the given class held by a person (including the issuer) that are in a possession of an international Depository for the purpose for the depository signatures;
 - b. Securities in the ownership of state or local government, or legal entities of public law;
 - c. Securities in the ownership of members or employees of an issuer’s governance body;

62. Recognized Stock Exchange of a Foreign Country – a Stock Exchange included in the National Bank of Georgia's list of recognized Stock Exchanges whose rules match international standards and practice. At a minimum, these are highly reputable Stock Exchanges of the developed countries.
63. Quote – setting official price and/or price range for securities determined by a Stock Exchange for a specific date, the estimations are based on concluded transactions and/or trade bids according to the methodology approved by the Stock Exchange.
64. Consolidated Financial Report – a financial report that includes the financial statements of the parent and subsidiary companies.
65. Subsidiary Enterprise – a legal entity where a securities market's regulated participant owns 50% or more of the voting shares, in case of non-legal entity – controls it.
66. Branch – a structural division of regulated participant of the securities market where an activity (defined by the charter of a regulated participant of securities market) or part of it is performed.

[The Law of Georgia N1929-SSMI of April 30, 1999, N14\(21\), 13.05.1999, Art.59](#)
[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)
[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)
[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)
[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)
[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)
[The Law of Georgia N1925-SSMI of November 3, 2009, N35, 19.11.2009, Art 235](#)
[The Law of Georgia N2831-SSMI of March 23, 2010, N19, 13.04.2010, Art 105](#)
[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)
[The Law of Georgia N6022 of April 10, 2012 – website, 30.04.2012](#)
[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)
[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)
[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

CHAPTER II. PUBLIC OFFER OF SECURITIES

ARTICLE 3. CONCEPT OF PUBLIC OFFER OF SECURITIES

1. The public offer of securities is an offer to sell securities directly or indirectly on behalf of the issuer to at least 100 persons or to a number of persons unspecified in advance. Similar offerings on behalf of a person other than the issuer shall be considered as a public offer when made with respect to securities of a non-reporting enterprise. Any person is eligible to perform a public offer if it submits relevant information (documents) required by this law and signed by that person and provides the general information on himself to the National Bank of Georgia. In this case the National Bank of Georgia may determine different regulation for public offer.
2. An issuer shall enter into a Securities Offering Contract with a Brokerage Company or financial institution having appropriate license on placement of securities.
3. Security holders of an issuer making a public offer under Article 5 may request such issuer to include such holders' securities in the public offer, pursuant to established rules.

4. Public offers of securities by non-government issuers, including self-governance bodies, shall be subject to this Law. (14.03.2008 N5910)
5. The public offer and disposal of investment fund securities shall be subject to this Law, unless otherwise regulated under the Georgian legislation on securities.
6. The offer and sale of securities only to sophisticated investors shall not be considered a public offer. (14.03.2008 N 5910)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

ARTICLE 4. REQUIREMENTS TO THE PROSPECTUS

1. Public offer of securities shall be made either contemporaneously or after the publication of a Prospectus, prepared by the issuer and approved in accordance with the requirements of this law and other regulations adopted by the National Bank of Georgia.
2. The issuer shall apply the National Bank of Georgia for approval of a prospectus for the securities to be publicly offered and file the following documents, which shall be considered as a Public Offering Application:
 - a. An application in the form prescribed by the regulations of the National Bank of Georgia;
 - b. Three copies of a preliminary prospectus signed by the Chairman of Supervisory Council of issuer and legal representative of issuer where the issuer is an enterprise; and with respect to other issuers, signed by persons recognized under the legislation as responsible for management of the issuer (responsible persons). The Preliminary Prospectus contains:
 - b.a. Information about the issuer, including, its name, address and date of establishment; quantity and class of securities outstanding (if such); name of each security holder who exercises control over the issuer; the names of the members of the governance bodies if the issuer is an entity; and, where applicable, the name of the Securities Registrar appointed by the issuer, as well as information on any potential conflict of interests of the aforementioned persons;
 - b.b. Description of the issuer's activity for the preceding two years and the potential primary risks related to these activities. If the issuer has been involved in these activities for less than two years then it shall submit information stated in this paragraph for the period from its establishment until the submission of the application;
 - b.c. Audited separate financial statements, or consolidated financial statements, if any, for the preceding two years. If the issuer has been involved in these activities for less than two years then it shall submit information stated in this paragraph for the period from its establishment until the submission of the application;
 - b.d. Information about the securities to be issued, including:

- b.d.a. Class and approximate number of securities to be issued;
 - b.d.b. Details about the subscription procedures, or if a Brokerage Company or the Financial Institution having appropriate license has entered into a Securities Offering Contract under which it has agreed to purchase part of the entire issue of securities, approximate details about such arrangement;
 - b.d.c. Whether any securities are being offered on behalf of securities holders, and, if so, their names and the quantity of securities being offered by each named person;
 - b.d.d. For debt securities, methods of calculating its interests, if the securities are interest bearing; maturity date and any terms of redemption allowed;
 - b.d.e. Expected use of the income raised from the offering.
3. The National Bank of Georgia may impose additional requirements regarding submission of other information in addition to the information requested under paragraph 2 of this Article according to the type of already issued or to be issued securities, the type of an issuer and the maturity of a debt securities.
 4. If an issuer is a reporting entity, and has been filing all required reports for the preceding two years the National Bank of Georgia, may according to its regulations permit a full waiver of a full prospectus or require submission of the partial information necessary for the prospectus.
 5. If any information necessary for a prospectus has already been filed with the National Bank of Georgia, such information may be incorporated by reference pursuant to paragraph 8 of the Article 11 of this Law.
 6. If securities of any issuer are placed on one of the recognized Foreign Stock Exchanges, such issuer may issue securities in Georgia in accordance with the Stock Exchange rules without any additional regulation. In such case the issuer shall send a notice to the National Bank of Georgia on the issuance of securities and the National Bank of Georgia will assign a national identification number to the securities if necessary.
 7. Within fifteen days of the date that an Offering Application is filed with the National Bank of Georgia, the National Bank of Georgia shall review the Offering Application and:
 - a. Where it finds that the Preliminary Prospectus included therein does not comply with this Law or the regulations of National Bank of Georgia, provide a written response to the issuer requiring submission of additional information necessary to explain or clarify the furnished data, and/or submission of evidence in supporting authenticity of information included in the prospectus. Upon correcting the abovementioned deficiencies, the issuer may file amendments to the Offering Application. Those amendments shall be reviewed anew;
 - b. approve the prospectus, where requested in writing by the issuer, provide consent in writing on approval of such prospectus;
 - c. if it finds that data provided by the issuer is not in accordance with this law or regulations approved by the National Bank of Georgia, or if the issuer refuses to present documents, data or explanations requested under this Article, may refuse in writing to approve the prospectus;

- d. If the information has not be provided to the issuer in writing in accordance with paragraphs a, b or c of this Article, the prospectus shall be deemed approved after the expiration of the 15 day period.
8. Current financial information contained in the Final Prospectus shall not be more than eighteen months old. Descriptions in the text should contain information as of the latest practical date.
9. Within 10 days or longer time period prescribed by the National Bank of Georrgia, after the prospectus has been deemed approved, the issuer shall file with the National Bank of Georgia three copies of the Final Prospectus setting forth on the first page thereof precise information concerning the exact number of securities to be offered, the exact quantity of securities, price and terms and conditions of the securities offering contract. Subject to Paragraph 12 of this Article, the Final Prospectus shall be used for public sales of the securities that are to be offered publicly.
10. The filing of the Final Prospectus with the National Bank of Georgia shall not be treated as an amendment under subparagraph (a) of paragraph 7 of this Article.
11. Approval of the prospectus by the National Bank of Georgia confirms that the information provided by the issuer is in compliance with this Law and regulations adopted by the National Bank of Georgia. However, it does not confirm the truthfulness of disclosed information; neither may such approval be considered as a recommendation of the National Bank of Georgia. Each Preliminary, Approved and Final Prospectus shall prominently display the following words on its front page: "Approval of the prospectus by the National Bank of Georgia relates to its form and is not a finding as to the accuracy of its contents or the value of the investment described therein".
12. Except of cases provided in paragraph 13 of this Article, sanctions may be imposed on the following persons under this Law for any untrue statement of material fact in the Final Prospectus and for failure to disclose a material fact or for indicating misleading information:
 - a. The issuer, a legal representative, the Chairman of its Supervisory Council which have signed the prospectus jointly and severally;
 - b. Every Brokerage Company, and Broker or a financial institution having appropriate license which acts on behalf of an issuer under a securities offering contract;
 - c. Every auditor and other expert who has consented to being named as having prepared part of the prospectus, with respect to material misstatements or omissions in the portion of the prospectus which such expert has prepared.
13. No person other than the issuer shall be liable under paragraph 12 of this Article if the prospectus contains such statement or if they can prove:
 - a. That he resigned or ceased the relationships concerning his activities or consent to the activities described in the Final Prospectus and has provided prior written notification to the National Bank of Georgia and issuer before the Final Prospectus becomes effective;
 - b. That respective part of the Final Prospectus became effective without his consent and upon becoming aware of such fact he immediately notified the National Bank of Georgia in accordance with subparagraph (a) of this paragraph and provided written notification in a newspaper that such part of the Final Prospectus became effective without his consent; or
 - c. As regards to any part of the Final Prospectus, after due investigation, he had reasonable ground to believe and did believe that at the time such Final

Prospectus became effective the statements contained therein were true, or such part of the Final Prospectus did not fairly represent a statement made by such person and/or was not a fair copy of or extract from a report prepared by such person.

14. Subject to paragraph 3 of the Article 3 of this Law, an agreement limiting the liability of the persons named herein (if such statement is not on the front page of the prospectus) shall be considered invalid, if the material misstatements or omissions in the prospectus have inflicted losses to the shareholder. Subject to the paragraphs 2 and 3 of the Article 5 of this Law the issuer shall be liable to persons purchasing the securities sold in the public offer for losses arising from the purchase and attributable to material misstatements or omissions in the Final or Approved Prospectus. The other persons listed in subparagraphs (a)-(c) of the paragraph 12 of this Law shall similarly be liable to such purchasers for such losses if sanctioned under paragraph 12 of this Article. Sales of securities offered in violation of the requirements of paragraph 1 of this Article or paragraph 1 of the Article 5 of this Law are subject to rescission at the demand of the purchaser, subject to time and procedural limitations prescribed by the regulations of the National Bank of Georgia.
15. On the basis of the Final Prospectus the National Bank of Georgia shall register securities and assign them national identification number pursuant to the procedures approved by the National Bank of Georgia.

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

ARTICLE 5. OFFERING PROCEDURES

1. The Final Prospectus shall be delivered to investors prior to or contemporaneous to any sale of securities which are the subjects of a public offer.
2. If during a public offer of securities it is necessary to change material terms within the prospectus (i.e. changing quantity of the securities, closing dates for the offering or other material terms in the prospectus by the issuer), an issuer shall commence the following procedures:
 - a. File an amendment to the offering application with the National Bank of Georgia explaining all changes being made to it;
 - b. Publish a notice in a newspaper or by other means prescribed by the National Bank of Georgia; announce that the offering in its current form has been cancelled and offer to rescind all agreements of sale of securities to date, without making any deductions, pursuant to paragraph 3 of this Article.
3. Where amendments concerning material events have been made to the prospectus pursuant to Article 5.2 above, subscribers shall have the right to renounce their purchase of such securities, whereas the issuer shall, within ten days, return the contributions paid by them without making any deductions. Subscribers who decide not to renounce their purchase of securities shall be subject to terms of the modified offering.
4. If after commencement of a public offer the National Bank of Georgia becomes aware that the prospectus contains a material misstatement of fact or there is a material omission, the National Bank of Georgia is entitled to require the issuer to comply with the procedures set forth in paragraphs 2 and 3 of this Article.
5. If other information in the approved prospectus changes during the public offer, the

issuer is obliged to file a copy of a document containing such new information (changes) with the National Bank of Georgia, prior to making such changes in the prospectus pursuant to procedures set forth under regulations of the National Bank of Georgia.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 6. PROHIBITION OF PUBLICITY OF A PUBLIC OFFER PRIOR TO APPROVAL OF THE PROSPECTUS BY THE NATIONAL BANK OF GEORGIA

1. Dissemination of the Prospectus shall be prohibited before its approval by the National Bank of Georgia.
2. Prior to the approval of a Prospectus by the National Bank of Georgia an offer to sell such securities by the issuer or Brokerage Companies or financial institution having appropriate license acting on behalf of the issuer or any acceptance by such persons of an offer from any person to buy such security shall be prohibited.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

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[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

ARTICLE 7. SUSPENSION AND REVOCATION OF THE APPROVED PROSPECTUS

1. If the issuer or a Brokerage Company or financial institution having appropriate license, which acts on the behalf of the issuer, does not comply with Articles 4 - 6 of this Law, or if the prospectus contains material misstatements or omissions, the National Bank of Georgia may suspend the prospectus and set a time limit for elimination of such violations. If the violations are not eliminated within the set period, the National Bank of Georgia shall revoke approved prospectus.
2. Public Offer of Securities is prohibited and purchasers may rescind their purchases in accordance with the Article 4.14. if the National Bank of Georgia suspends or cancels Approved Prospectus.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

ARTICLE 8. REPORT ON ISSUANCE AND PLACEMENT OF SECURITIES

1. Within one month after completing a public offer of securities, the issuer shall submit a report on issuance and placement of securities with the National Bank of Georgia including the precise number and price of offered and sold securities; if issued securities are not placed in full, the issuer shall submit report on those securities actually placed.
2. The review of the report shall be carried out by the National Bank of Georgia within fourteen calendar days from receipt of such report. The National Bank of Georgia may request explanations of, and/or changes to, the information submitted which shall be

provided and made by the issuer.

3. If an issuer is not an enterprise, it shall submit to the National bank of Georgia and disseminate for registered holders the annual, semi-annual and current reports containing financial and other information.

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

CHAPTER III. ISSUERS OF PUBLIC SECURITIES

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

ARTICLE 9. CONCEPT OF REPORTING ENTERPRISE

1. A reporting enterprise (an issuer of public securities) is a legal entity established in accordance with the Law of Georgia on Entrepreneurs, which has issued public securities (except fully covered debt securities).
2. The National Bank of Georgia is entitled to adopt regulations on the determination of registered owners.
3. The National Bank of Georgia may under its regulations exempt reporting enterprises from the execution of requirements set forth in Articles 11.1, 14, 15 of this Law if, based on the equity of enterprises and quantity of the securities' holders, the expenses to be incurred by the enterprises for providing such reports outweighs the public interests that have been protected under abovementioned Articles.

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N6022 of April 10, 2012 – website, 30.04.2012](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 9¹. AUDIT COMMITTEE

1. An audit committee shall be created within the supervisory board of the Reporting Enterprise, which shall control the accuracy of financial statements, insure the effectiveness of internal system and the independence of internal audit (if such), manage the relationship with external auditor. The audit committee is a subcommittee of the supervisory board and comprises only the members of the supervisory board. The audit committee is headed by the member of the supervisory board who is an independent person envisaged by the Article 13^{1.2} of the Law of Georgia on Entrepreneurs.
2. The Article 9^{1.1} does not apply to commercial banks which are regulated under the Law of Georgia on the Activities of Commercial Bank.

[The Law of Georgia N4792 of February 19, 2016 – website, 07.03.2016](#)

[The Law of Georgia N813 of May 4, 2017 – website, 29.05.2017](#)

ARTICLE 10. PUBLICLY HELD SECURITIES

1. Publicly Held Securities shall be issued as dematerialized. The public securities issued in material form shall be dematerialized.
2. The National Bank of Georgia may adopt respective regulation on maintaining the

- Securities Register. The Securities Registrar and the Issuer who is authorized to keep register of its securities, shall act in accordance with this regulation.
3. Within 60 days from the date an enterprise is deemed to be a reporting enterprise, a reporting enterprise shall appoint a licensed Securities Registrar to maintain the registered holder records of all Publicly Held Securities.
 4. In the event the issuer who is obliged to transfer Securities Register to the independent Registrar does not select it (Securities Registrar) within the timeframe defined by Georgian legislation, the National Bank of Georgia shall appoint registrar for such issuer according to the official/accepted procedures.
 5. In the event provided for in the Paragraph 3 of this Article, the issuer shall inform the National Bank of Georgia on selected Securities Registrar and the respective agreement within 7 day period. The notice shall provide the following information:
 - a. Name of the issuer, and legal address;
 - b. Identity of the Securities Registrar;
 - c. Date of concluding agreement with the Securities Registrar as well as effective date thereof;
 - d. Each class of securities issued by the issuer, with an indication of the quantity of securities provided for under each class;
 - e. Full name and position of all members of issuer's governance body or of executive officers, if the issuer is not an enterprise.
 - f. name of the registering body, registration date and identification number.
 6. In the event of introducing changes to any information provided for in Paragraph 5 of this Article, the Issuer shall, within 7 days, inform the National Bank of Georgia, the Securities Registrar, and the Stock Exchange, where the securities are traded, about such fact.
 7. If securities are permitted to trading at the Stock Exchange, in case of changes in any data provided for in Paragraph 5 (d) of this Article, the Securities Registrar shall:
 - a. Prior to introducing the changes to Securities Register, within 5 days inform (with indication of legal ground and date) the National Bank of Georgia, Stock Exchange, where its securities are being traded, and the Central Depository (Depository) servicing such Stock Exchange, about the occurrence of such change.
 - b. Prior to the end of the day upon which changes are introduced, confirm in writing to the Stock Exchange, considered under subparagraph (A) of this paragraph, and to the Central Depository, providing services to the Stock Exchange, about the occurrence of such change, and, in addition, notify nominee holders of securities within 3 days.
 8. The Stock Exchange and Central Depository, considered in Paragraph 7 of this Article, shall, from the date indicated in the notice, noted in Subparagraph (A) of this paragraph, suspend transactions related to the respective securities prior to receipt of confirmation provided for in Subparagraph (B).
 9. If the Issuer, who is obliged to maintain a Securities Register through the Securities Registrar, terminates the agreement with the Securities Registrar due to certain reasons, it shall ensure selection of another Securities Registrar and validation of a new agreement with such Securities Registrar not later than the termination date of the previous agreement. As of the agreement termination date, the issuer shall have fulfilled

all the liabilities assumed under the agreement. In such case the Securities Registrar must transfer the register and respective documents to the issuer, or to the new Securities Registrar selected by the issuer according to the procedure set by the National Bank of Georgia. In the event of violation of these requirements, regulation provided for in Paragraph 4 of this Article shall apply.

10. One issuer may have only one Securities Registrar (14.03.2008. N5910).

[The Law of Georgia N2075 – SSMI of June 9, 1999, N24\(31\), 26.06.1999, Art 111](#)

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)

[The Law of Georgia N6022 of April 10, 2012 – website, 30.04.2012](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 11. PERIODIC REPORTING REQUIREMENTS

1. All reporting enterprises shall prepare and submit to the National Bank of Georgia, and publish or distribute to registered owners of securities:

- a. Annual reports;
- b. Semi-annual reports; and
- c. Current reports.

2. The annual report shall be prepared for each fiscal year. It shall contain: information on issuer, its activities, members of its managing body, persons who hold or control significant share of the votes in the general meeting; information concerning schemes of the profit received from the enterprise by the directors of reporting enterprise; financial statements that are certified by an auditor; other information in the form as may be specified by the National Bank of Georgia in regulations. The obligation to file such reports shall begin with the first fiscal year that the enterprise becomes a reporting enterprise. The reporting enterprise is obliged to submit the annual report to the National Bank of Georgia at the end of each fiscal year, no later than May 15. An enterprise which has become a reporting enterprise during the fiscal year submits the annual report within the above-mentioned terms of this paragraph.“

²¹The schemes of profit generated from an enterprise in the interest of paragraph 2 of this Article shall mean the information/general description on profit types (namely, salary, shares, stock options and other types of income) of reporting enterprise directors, which is generated from an enterprise.

3. Semi-annual reports shall be prepared for the first six months of the fiscal year (as of the state by June 30). It shall be filed with the National Bank of Georgia by August 15 of current year. If the enterprise becomes a reporting enterprise during the first six months of the fiscal year it is also obliged to file a semi-annual report (covering that six-month period of fiscal year) with the National Bank of Georgia within terms envisaged in this paragraph. Semi- annual reports shall contain financial statements of the reporting enterprise, information about material events which occurred during the accounting period, and such other information as may be specified by the National Bank of Georgia in regulations.

4. A current report shall be filed with respect to any material event, as defined in

regulations of the National Bank of Georgia which occurs after the company becomes a reporting enterprise. The current report shall be filed within 15 days of the event that is the subject of the report. It shall be in such a form and contain such an information, as may be required by the regulation of the National Bank of Georgia.

5. The National Bank of Georgia may prescribe the form and rules of submission of financial statements to be filed under this Article.
6. Where the Publicly Held Securities of an enterprise are traded on a Stock Exchange, the enterprise shall submit reports specified in this Article simultaneously to such Stock Exchange and to the National Bank of Georgia.
7. At any time, the National Bank of Georgia may request supplemental information regarding a company or any report required to be filed pursuant to this Article. Such information may be requested in order to verify disclosures made in a report, to clarify certain items or to provide further relevant information relating to the report. The National Bank of Georgia may also request an amendment to a filed document to reflect information contained in additional documents submitted to the National Bank of Georgia.
8. Information required by this Article may be incorporated by reference from any document that has been filed with the National Bank of Georgia, except as otherwise provided in regulations of the National Bank of Georgia. The document from which the information is being incorporated, source, the page number, paragraph or other specification shall be clearly described in the reference. If the information is not readily accessible, it shall be filed directly.
9. Any report filed pursuant to this Article shall be signed by the person authorized for representation and the Chairman of the Supervisory Board. These persons shall be held liable for accuracy and completeness of information included in the report (14.03.2008 N5910).

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008.Art. 3](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N4792 of February 19, 2016 - website, 07.03.2016](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

[The Law of Georgia N813 of May 4, 2017 - website, 29.05.2017](#)

ARTICLE 11¹. REPORTING REQUIREMENTS CONCERNING INCOME OF REPORTING ENTERPRISE DIRECTORS

1. The shareholder whose shares equal or exceed 5% of a reporting enterprise is authorized to receive information on remuneration and other types of income of reporting enterprise directors and members of board of directors and supervisory board, which is generated from an enterprise.
2. Any shareholder of the reporting enterprise whose shares are admitted for trading on a Stock Exchange is authorized to receive information on remuneration and other types of income of reporting enterprise directors and members of board of directors and

supervisory board, which is generated from an enterprise.

3. The shareholders of a reporting enterprise are prohibited from disclosing information envisaged by paragraphs 1 and 2 to the third party (parties).
4. A reporting enterprise is not obliged to submit information envisaged by paragraphs 1 and 2 of this Article to the shareholder if this information is given in the last financial statement of the reporting enterprise which is available for shareholders.

[The Law of Georgia N4792 of February 19, 2016 - website, 07.03.2016](#)

[The Law of Georgia N813 of May 4, 2017 - website, 29.05.2017](#)

ARTICLE 12. DISCLOSURE OF SECURITIES OWNERSHIP BY MEMBERS OF THE MANAGING BODY OF A REPORTING ENTERPRISE

1. A member of a managing body of a reporting enterprise shall file with the National Bank of Georgia a report regarding the percentage of this enterprise's securities the registered and/or beneficial owner of which he/she is .
2. If the securities of such enterprise are traded on a Stock Exchange, the report shall also be filed with the Stock Exchange.
3. The report shall be filed within 10 days after:
 - a. Such enterprise becomes a reporting enterprise; or
 - b. Such person becomes a member of the managing body;
 - c. A person acquires securities of the enterprise.
4. The form and content of the report envisaged by Paragraph 1 of this Article shall be determined by regulations of the National Bank of Georgia.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 13. CONFIDENTIAL INFORMATION CONCERNING REPORTING ENTERPRISES

1. Where a reporting enterprise deems information to be confidential, it may, pursuant to Article 13.2, not include such information in the report that is filed with the National Bank of Georgia. Under this Law and other regulations the National Bank of Georgia may require disclosure of information that a reporting enterprise deems to be confidential. Confidential information shall include, but is not limited to, such matters as trade secrets, commercial or financial information that has been prepared by analysts within or outside the enterprise for strategic purposes.
2. The reporting enterprise shall separately file with the National Bank of Georgia a special report, which is labeled confidential and which in addition to the main report, contains the confidential information. The National Bank of Georgia shall maintain the confidentiality of the information submitted. Within one week from receipt of the special report the National Bank of Georgia shall make determination on the confidentiality issue of the submitted information pursuant to regulations. Hereby,
 - a. If pursuant to its regulations, the National Bank of Georgia makes a decision that the information has been improperly removed from a filed report, the reporting enterprise may request in writing that the National Bank of Georgia reconsider its decision based on additional factors. Upon receipt of such written request, the

National Bank of Georgia shall, within 15 business days reconsider its last decision. The National Bank of Georgia may only reconsider its decision once;

- b. If the National Bank of Georgia makes a final determination that information was improperly removed from a filing, the reporting enterprise that submitted the documents shall submit an amended filing with the National Bank of Georgia containing the information that has been previously removed.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 14. DISCLOSURE OF SUBSTANTIAL ACQUISITION OF REPORTING ENTERPRISE'S SECURITIES

1. A person, acting independently or together with other persons, shall inform the National Bank of Georgia, the issuer and the Stock Exchange, where the securities are traded, about the substantial acquisition of securities in a manner prescribed in regulations adopted by the National Bank of Georgia.
2. Notification about substantial acquisition of securities shall be submitted to the National Bank of Georgia within 15 days from the date of such acquisition, if shorter time period has not been prescribed by the National Bank of Georgia, from the date the level of beneficial ownership is exceeded.
3. Persons shall be deemed to be acting in a group when they have agreed:
 - a. To pursue a common policy regarding acquiring, holding or disposing of Publicly Held Securities of a reporting enterprise, or
 - b. To exercise any rights or ownership, including voting, regarding such securities.
4. Such agreement shall be presumed, without the need for written confirmation, between members of the managing bodies of a reporting enterprise.
5. Persons acting in a group shall be responsible before the National Bank of Georgia for the fulfilment of obligations established in this Law and regulations of the National Bank of Georgia.
6. If the National Bank of Georgia or Stock Exchange discovers that a person who failed to inform the National Bank of Georgia, the issuer or relevant Exchange about substantial acquisition of securities, the National Bank of Georgia is entitled to suspend the voting rights attached to more than 10% of securities of the reporting enterprise for next general meeting.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 15. TENDER OFFER

1. A person who intends to acquire such a part of securities of a reporting enterprise which may lead to control of that enterprise may do so by means of a tender offer. Tender offer

means the statement that a person is willing to make rapid acquisition of the securities of an enterprise for the purposes of acquiring control, if otherwise is not provided by the regulations of the National Bank of Georgia.

2. It shall be unlawful for an offeror to make a tender offer for any class of Publicly Held Securities, if after consummation thereof, such person would be the beneficial owner of more than 10% of the securities of such class, unless :
 - a. Before the copies of the offer or request are first published or sent to security holders, such person has filed an application with the National Bank of Georgia in the form and containing such information that the National Bank of Georgia may by regulation prescribe, and
 - b. Such person has published an information in a newspaper about the offering in compliance with the regulations of the National Bank of Georgia.
3. Any solicitation or recommendation to security holders to accept or reject a tender offer or invitation to tender shall be made in accordance with the regulations of the National Bank of Georgia.
4. Conditions of the tender offer and information presented by the offeror shall be the same for all owners of the respective securities.
5. In the event that within the term of the tender offer, the offeror has received acceptances to sell a number of securities which exceeds the number indicated in the tender offer, the offeror shall purchase securities on a pro rata basis. This requirement shall also apply to acceptances received after notice of an increase in consideration offered to security holders is first published under Article 15.6 of this Law.
6. Where any person changes the terms of a tender offer before the expiration thereof by increasing the consideration offered to security holders, such person shall pay the increased consideration to each security holder who has accepted the terms of the offer whether or not such acceptance was received before the variation of the tender offer was published.
7. During the tender offer, the offeror and related persons shall not:
 - a. By any means differing from the tender offer, purchase or negotiate the purchase of securities subject to the tender offer, or securities which can be converted into such securities;
 - b. Sell any securities of the issuer specified in the tender offer.
8. The National Bank of Georgia may impose other requirements in regulations governing the preparation and execution of tender offers and the conduct of offerors, including requirements governing release by a Securities Registrar of the names of the security holders of the target enterprise to the offeror.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 16. RESPONSIBILITES OF MEMBERS OF REPORTING ENTERPRISE'S MANAGING BODY

1. Members of the managing body of a reporting enterprise shall exercise their rights and perform their duties:
 - a. In good faith,
 - b. With the care that an ordinary prudent person in a similar position would exercise under similar circumstances, and
 - c. In a manner that they believe to be in the best interest of the enterprise and its

security holders.

2. Except as provided in Articles 4.13 and 16.3 of this Law, and other laws, Members of the managing body of a reporting enterprise who voted in favor of a decision which resulted in a breach of any duty under this Article shall be jointly and severally liable for losses caused to the enterprise.
3. In determining grounds and extent of responsibilities of a member of the managing body, such member may rely on information, opinions, reports or statements (including financial statements and records/data) prepared by an auditor, legal counselor, enterprise employee or any other person, who, according to the consideration of the member of managing body is a professional as the given issue falls under the competence of this person. In addition, the action of a member of the managing body shall not be considered as bona fide, if such person possessed or had to have such information which would not justify reliance on these persons.
4. A security holder of a reporting enterprise has the right to file suit against the member of a managing body for violations of the duties specified in this Article.
5. The National Bank of Georgia shall be authorized to attend shareholder meetings of the reporting enterprise as a general observer through its representative for the purpose of respective reaction in case of a Gross Violation of Georgian legislation.

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 16¹. CONFLICT OF INTERESTS AND INFORMATION DISCLOSURE

1. Transactions to be implemented by the reporting enterprise shall be concluded in accordance with requirements set by this Article, if a related person is a member of the managing body of the reporting enterprise or direct or indirect shareholder of 20% of the total number of votes. Requirements of this Article in addition to those specified by Paragraph 7 shall not apply to transactions concluded between the reporting enterprise and its 100% owned subsidiary or 100% shareholder.
2. Member of the managing body of the reporting enterprise and/or an owner of 20% or more of total number of voting shares shall be considered as a related party, if such member and related person thereof in case of concluding transaction by this reporting enterprise or its subsidiary (where the reporting enterprise holds more than 50% of share), meet one of the following terms:
 - a. Is the other party of the transaction;
 - b. Directly or indirectly owns 20% or more of total number of votes of the legal entity which represents the counterparty of the transaction;
 - c. Is a member of a managing body of the transaction counterparty;
 - d. An elected/appointed member of the managing body of a reporting enterprise was nominated for this position by the counterparty representative or of the holder(s) of 20% or more;
 - e. Receives monetary or other benefit on the basis of the transaction which is not related to the ownership of shares or a membership of a managing body of the reporting enterprise;
 - f. Is defined as such by the charter of the reporting enterprise.
3. A related person, as defined by Paragraph 2 of this Article, shall immediately inform in writing the Supervisory Board of the reporting enterprise of his/her interests in the transaction to be concluded, type and volume thereof; if a transaction is approved by the

- general shareholder meeting pursuant to Paragraphs 5 and 6 of this article, then a related person shall notify the general meeting as well.
4. If a person had no knowledge/information that based on paragraph 2 of this article was a related person of the transaction, then he/she shall immediately fulfill the requirement of Paragraph 3 of this article upon receipt of information of being a related person.
 - 4¹. A member of a managing board of a reporting enterprise shall immediately inform in writing any conflict of interest regarding the transaction to the Supervisory Board, and, according to Paragraphs 5 and 6, if the transaction is approved by the general meeting it shall be notified as well.
 5. Related persons defined under Paragraph 2 of this Article shall be prohibited to exercise voting rights through all related bodies in regards to the transaction they are related to. In such a case, all remaining votes shall be considered as a complete number of votes and all procedures related to decision-making will be implemented under the rules defined by the Law of Georgia on Entrepreneurs if not provided otherwise under the company charter.
 - 5¹. A transaction to be concluded where related persons are involved envisaged by Paragraph 2 of this Article and the value of which equals or exceeds 10% of the value of assets of the reporting enterprise or less amount provided for in its charter shall be audited by an external auditor/certified accountant. The external auditor/certified accountant checks whether a transaction is concluded with the same conditions as it may be concluded among persons having no interest in it. The report of the external auditor/certified accountant before the conclusion of a transaction is sent either to the supervisory board or the general meeting in accordance the fact who has to approve it.
 6. A transaction in which related parties are involved or the value of which equals or exceeds 10% or less amount provided for in the charter, shall be approved by the Supervisory Board or the general meeting, while if the transaction cost exceeds 50% of the value of assets or the reporting enterprise, then the transaction is to be approved only by the general meeting according to the requirements provided in Paragraph 5 of this Article.
 - 6.¹ A transaction, in which related parties are involved and the value of which is greater or equal to 10% of the total assets of the reporting enterprise or any amount less, under the company charter is to be approved only by a general meeting according to the requirements provided in the Paragraph 5 of this Article.
 7. A reporting enterprise shall immediately inform the National Bank of Georgia about approving a transaction in which related persons are involved. Notice shall state the volume and type of transaction, as well as other basic terms. A reporting enterprise shall ensure publication of the information determined by this paragraph on its own or Stock Exchange's website, or through mass media as determined by the National Bank of Georgia within 5 days following sending a notice to the National Bank of Georgia. The information on each mentioned transaction and/or agreement between reporting enterprise and its 100% subsidiary or 100% shareholder, the value of which constitutes 10% or more of the reporting enterprise's assets and/or is of less value envisaged by the statute, shall be reflected in the current and annual reports of a reporting enterprise.
 8. A person who knew or should have known and did not make a statement on own interest in a transaction and/or did use the voting right regardless prohibition set by this Article, shall reimburse damages inflicted to the company as a result of this transaction

and return personal benefit received through such transaction, if it is proved that because of conflict of interests as a result of transaction the company incurred damages and the agreement would have been executed with better conditions in case of absence of such interest.

- 8¹ Members of the Reporting Enterprise' managing body which knew or should have known and did not make a statement about conflict of interest and accepted to conclude transaction with the violation of provisions of this article and that incurred damages to the company, shall reimburse jointly with the interested person damages inflicted as a result of this transaction and return personal benefit received through such transaction (in case of existence), if it is proved that because of conflict of interests as a result of transaction the company incurred damages and the agreement would have been executed with better conditions in case of absence of such interest.
9. In case, if a transaction has been closed by violation of requirements of this Article, within 18 months from concluding such a transaction, a member of a managing body of a reporting enterprise and/or owners (or group of owners) of 5% or more shares may apply to the court and request the transaction to be deemed as annulled and/or compensated for damages, inflicted by the related person defined in Paragraph 8 and 8¹ of this Article, and return of personal benefit.

[The Law of Georgia N4536-SSMI of March 28, 2007, N9, 31.03.2007, Art 93](#)
[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)
[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)
[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)
[The Law of Georgia N4323 of Marc 9, 2011- website, 22.03.2011](#)
[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)
[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)
[The Law of Georgia N813 ofMay 4, 2017 - website, 29.05.2017](#)

ARTICLE 17. Rescinded

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)
[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

CHAPTER IV. PUBLIC TRADING IN SECURITIES

ARTICLE 18. TRANSACTIONS ON STOCK EXCHANGE

1. Secondary trades of public securities may be performed on a Stock Exchange or outside of it.
2. The following items may be traded on a Stock Exchange:
 - a. Securities of Georgian and foreign issuers the circulation of which is allowed in Georgia in accordance with procedures established by the National Bank of Georgia;
 - b. Securities, which reflect the state debt and/or are issued by the National Bank of Georgia, including government securities envisaged by the Georgian legislation on State Debt, if their trading does not contradict the Georgian legislation on securities emission and circulation.
 - c. Without any additional regulation, securities of the issuer, which are traded at least on one of the Stock Exchanges recognized by the National Bank of

Georgia. In this case the issuer is obliged to send a notification to the National Bank of Georgia.

3. Public trading of securities on a Stock Exchange shall be carried out in accordance with this Law and the rules of the Stock Exchange.
4. Transactions of public securities may be carried out only with the participation of Brokerage Company or Financial Institution having respective License. This requirement does not apply to the transactions being carried out with the participation of Sophisticated (experienced) Investors.
5. Public securities of the same class may be accepted for trade at one or more Stock Exchanges.
6. If a transaction of publicly traded securities are concluded outside of a Stock Exchange and its amount exceeds GEL 100 in such a case:
 - a. Brokerage company or financial institution having appropriate license shall register quantity and price of securities on a Stock Exchange in accordance with the rules of the Stock Exchange.
 - b. Securities Registrar shall register quantity and price of securities on a Stock Exchange in accordance with the rules of the Stock exchange if a transaction has been carried out with the participation of sophisticated (experienced) investors and without the participation of a Brokerage Company or financial institution having appropriate license.

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N5437 of June 22, 2016 – website, 11.07.2016](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

ARTICLE 19. TRANSACTIONS IN PUBLICLY HELD SECURITIES

1. For a transaction of publicly held securities, the title of ownership shall be originated, amended or terminated only after the registration of this fact in the securities register, and when securities are kept with the nominee holder from the moment of registration in records of nominee holder.
2. The National Bank of Georgia may define requirements and procedures to set registration date of ownership right over securities for the purpose of disposing the ownership right over such securities.
3. The National Bank of Georgia is entitled to specify procedures for origination, amending or terminating the ownership right.

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

CHAPTER V. LICENSING

ARTICLE 20. TYPES OF LICENSES

1. Under the Law of Georgia on Licenses and Permits the National Bank of Georgia shall be entitled to issue, amend and abolish the following types of licenses:
 - a. License for brokerage activities;
 - b. License for Stock Exchange;
 - c. License for Central Depository;
 - d. License for Securities Registrar.
2. It shall be prohibited to pursue respective activities except for cases specified in the Georgian legislation without the licenses issued by the National Bank of Georgia listed in paragraph 1 of this Article.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 20¹. ACQUISITION OR ESTABLISHMENT OF A FOREIGN SUBSIDIARY BY A SECURITIES REGISTRAR OR A BROKERAGE COMPANY

1. Securities Registrars or Brokerage Companies are required to submit the following documents to the National Bank of Georgia within 14 days of establishing a branch/acquiring and/or establishing a foreign subsidiary for ensuring performance of activities by the persons envisaged by the Law of Georgia on Facilitating the Prevention of Illicit Income Legalization:
 - a. The decision of the Securities Registrar/the Managing Body of the Brokerage Company regarding establishment of a branch/ the acquisition and/or establishment of a subsidiary;
 - b. A letter of the Securities Registrar/Managing Body of the Brokerage Company stating that for the purpose of compliance of the foreign subsidiary with the Financial Action Task Force (FATF) recommendations the branch/subsidiary has developed a program for prevention of Money Laundering and Terrorism Financing on an initial stage of its functioning.
2. In such case, if at the origination of the foreign subsidiary, if FATF recommendations are not mandatory, or if the country does not follow FATF recommendations and has not introduced legislation on anti-money laundering and combating the financing of terrorism activities:
 - a. A managing body of a Securities Registrar or Brokerage Company shall make a written commitment that Securities Registrar or Brokerage Company will guarantee compliance of a branch or subsidiary to the requirements of Anti-Money Laundering and Combating the Financing of Terrorism legislation and FATF recommendations.
 - b. A Securities Registrar/Brokerage Company shall submit information to the National Bank of Georgia that a foreign branch or subsidiary cannot take measures

envisaged under the requirements of Georgian legislation related to the Anti-Money Laundering and Combating the Financing of Terrorism as it is prohibited in the country of origin of the branch/foreign subsidiary.

[The Law of Georgia N2831-SSMI of March 23, 2010, N19, 13.04.2010, Art 105](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 21. Rescinded

[The Law of Georgia N4520-SSMI of March 27, 2007, N9, 31.03.2007, Art.85](#)

ARTICLE 22. Rescinded

[The Law of Georgia N4520-SSMI of March 27, 2007, N9, 31.03.2007, Art.85](#)

ARTICLE 23. ACTIVITIES OF A BROKERAGE COMPANY

License for brokerage activities allows the Brokerage Company to implement transactions and render services related with circulation of equity share, shares, bonds, certificates, promissory notes, checks and other securities, including:

- a. Providing direct consultations to investors on investments, including issues concerning the price of securities, investment in securities, buying and selling of securities, as well as related foreign exchange transactions;
- b. Conduct a survey on financial instruments and issuers thereof and ensure dissemination of recommendations of survey findings and/or investment strategy;
- c. Consult issuers on the issuance of securities and raising investments;
- d. Arranging and carrying out the distribution of the issuer's securities on a non-guaranteed basis;
- e. Receiving and transmitting clients orders in connection with securities, effecting transactions in securities for clients' accounts, with clients' funds;
- f. Managing clients' investment portfolios, including pension schemes and funds allocated for operations in securities;
- g. Holding clients' investable cash and/or securities, providing securities safekeeping, custody and nominee services; For that purpose opening for clients the cash and securities accounts and conducting transactions on them.
- h. Effecting transactions in securities for their own account with their own funds(proprietary trading);
- i. Arranging and carrying out the distribution of the issuer's securities on a guaranteed basis;
- j. Loaning securities to and borrowing securities from clients as well as using their own funds for the acquisition of securities for clients, engaging in short selling as defined in National Bank of Georgia regulations;
- k. Carry out Foreign exchange trading;
- l. Implementing other operations related to financial instruments, enterprise shares, or other authority as prescribed by this Law.
- m. Organize Foreign Currency Trading Platform.

[The Law of Georgia N2255-SSMI of July 20, 1999, N34 \(41\), 21.07.1999, Art.168](#)
[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)
[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)
[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)
[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)
[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)
[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

ARTICLE 23¹. GENERAL REQUIREMENTS

1. A person may be the owner of the significant shares or employee of several Brokerage Companies at the same time. Such Person shall immediately inform the National Bank of Georgia in writing thereof and make the information public.
2. An employee of a Stock Exchange, Securities Registrar or Central Depository, who has access to confidential information, at the same time cannot be an employee of a Brokerage Company.
3. This law permits the participation of banks in the securities markets directly or through subsidiaries (Brokerage Companies) as provided in Article 10.2 of the Law of Georgia on the Activities of Commercial Banks which shall not restrict bank activity within the scope of Article 1.2 hereof.
4. Brokerage companies shall not engage in activities that are not set forth in Article 23 of this Law except the participation in the activities related to the transactions with government securities and auxiliary activity need to implement the main activity.
5. A company, which does not represent a commercial bank, and activities of which are related only to government securities under Article 23.1 of the present law shall be a subject to this law.
6. The National Bank of Georgia may by its regulation determine activities specified in Article 23.1 for which it is not required that an entity is a Brokerage Company, or has a license if the activities of such person are regulated by relevant legislation.
7. The Brokerage Company carries out the account opening procedures in accordance with the Law of Georgia on “Facilitating the Prevention of Illicit Income Legalization” and “Agreement between the Government of the United States of America and the Government of Georgia to improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA)”. The Brokerage Company during the process of business relationship with a client and in the process of transaction verification shall know the client’s identity, activity and risk level of this activity. The Brokerage Company due to the existing requirements arising out of the “Agreement Between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA)” is also obliged to define the tax residency of the client and obtain information concerning the relevant status of a person. It is authorized to define and request other, additional information by itself. The Brokerage Company has a right to refuse to open an account without any justification. Thereto, the Brokerage Company is authorized to refuse to open an account for a person or close the existing

account if he/she refuses to submit to the Brokerage Company the information required due to the requirements of the “Agreement Between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA)”.

8. Entities which do not have brokerage licenses shall not have the right to use the firm’s name in activities and advertising by words “Securities Brokerage Company” or other words or their combination, which expresses content of such activity.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N4460 of October 28, 2015 - website, 11.11.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 24. LICENSING CONDITIONS FOR BROKERAGE ACTIVITIES

An applicant for a license of Brokerage Activity shall apply to the National Bank of Georgia for obtaining a license. The applicant shall provide the following information and documentation in addition to those listed in Article 9 of the Law of Georgia on Licenses and Permits:

- a. That it is registered as a limited liability company or joint stock company under the Law of Georgia on Entrepreneurs;
- b. That none of the members of its managing body and holder of the significant shares has been previously convicted for grave and particularly grave crimes, financing the terrorism, and/or money laundering or other economic crimes; has been deprived of the right to be a member of the managing body; or during the past 5 years has been subject to administrative sanctions for gross violations of the legislation on securities;
- c. Identity of the beneficial owner of the Brokerage Company who directly or indirectly owns significant share;
- d. Annual or semi-annual financial statement (whichever is more up-to-date) of the last year certified by an auditor; a person who applies to the National Bank of Georgia within half a year from its foundation shall submit the current balance sheet.
- e. That it has minimum equity envisaged by the National Bank of Georgia (if there is such requirement);
- f. That members of the managing body have appropriate education and/or experience.

[The Law of Georgia N2255-SSMI of July 20, 1999, N34\(41\), 21.07.1999, Art.168](#)

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N5528 of December, 20, 2011 – website, 28.12.2011](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 25. Rescinded

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

ARTICLE 26. Rescinded

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

ARTICLE 27. LICENSING CONDITIONS OF A STOCK EXCHANGE

1. An applicant for a license to operate a Stock Exchange shall apply to the National Bank of Georgia and attach the following information and documents to the application in addition to ones listed in the Article 9 of the Law on Licenses and Permits:
 - a. That it has been registered as a limited liability company or joint stock company under the Law of Georgia on Entrepreneurs;
 - b. That none of the members of its managing body and holder of the significant shares has been previously convicted for grave and particularly grave crimes, financing the terrorism, and/or money laundering or other economic crimes; has been deprived of the right to be a member of the managing body; or during the past 5 years has been subject to administrative sanctions for gross violations of the legislation on securities;
 - c. That it meets adequacy criteria of the managing body as defined by the rules of the National Bank of Georgia;
 - d. Adequacy declaration of the beneficial owner of the significant stock as defined by the rules of the National Bank of Georgia;
 - e. Its charter, internal regulations and rules which:
 - i. Include regulations for membership, trading, permission to trading, dispute resolution and other rules requested under this law;
 - ii. Require fair, reasonable, and non-discriminatory treatment towards every candidate or member of Stock Exchange;
 - f. That it has minimum equity set by the National Bank of Georgia (if there is such requirement);
 - g. Annual or semi-annual financial statement (whichever is more up-to-date) of the last year certified by an auditor and is prepared in accordance with the rules set by the National Bank of Georgia; If a person applies to the National Bank of Georgia within half a year from its foundation shall submit the current financial statement certified by an independent auditor.
 - h. Document(s) from the licensed commercial bank(s) of Georgia on depositing minimum capital on bank accounts pursuant to the rule of the National Bank of

- Georgia;
- i. That its organizational structure and technical facilities are in compliance with the rules defined by the National Bank of Georgia (if such rules exist);
 - j. Names of partners (shareholders) holding significant shares and the volume of their shares.
2. Persons, who do not hold license of a Stock Exchange, shall not be entitled to use in their activities and advertising firm name including “Stock Exchange” or other words or combinations thereof expressing such activity by content.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)

[The Law of Georgia N5528 of December, 20, 2011 – website, 28.12.2011](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 28. LICENSING CONDITIONS OF A CENTRAL SECURITIES DEPOSITORY

1. Central depository may also hold a license of Securities Registrar. In such a case a license shall be issued in accordance with the Article 9.6 of the Law of Georgia on Licenses and Permits.
2. An applicant seeking a license as a Central Depository shall apply to the National Bank of Georgia and attach the following information and documents to the application in addition to ones listed in the Article 9 of the Law on Licenses and Permits:
 - a. That it has been registered as a limited liability company or joint stock company under the Law of Georgia on Entrepreneurs;
 - b. That none of the members of its managing body and holder of the significant shares has been previously convicted for grave and particularly grave crimes, financing the terrorism, and/or money laundering or other economic crimes; has been deprived of the right to be a member of the managing body; or during the past 5 years has been subject to administrative sanctions for gross violations of the legislation on securities;
 - c. That it meets adequacy criteria of the managing body as defined by the rules of the National Bank of Georgia;
 - d. Adequacy declaration of the beneficial owner of the significant stock as defined by the rules of the National Bank of Georgia;
 - e. Its charter, internal regulations and rules;
 - f. That it has minimum equity set by the National Bank of Georgia (if there is such requirement);
 - g. Annual or semi-annual financial statement (whichever is more up-to-date) of the last year certified by an auditor and prepared in accordance with the rules set by the National Bank of Georgia. If a person applies to the National Bank of Georgia within half a year from its foundation shall submit the current financial statement certified

- by an independent auditor.
- h. Documents from the licensed commercial banks of Georgia on depositing minimum capital on bank accounts pursuant to the rule of the National Bank of Georgia;
 - i. That its organizational structure and technical facilities are in compliance with the rules defined by the National Bank of Georgia (if such rules exist);
 - j. Names , addresses and description of the appropriate professional experience of managers;
 - k. Names of those employees who are responsible for the supervision of the compliance with this Law, regulations of the National Bank of Georgia and Central Depository (Depository);
 - l. Names of partners (shareholders) holding significant share and the volume of their shares.
3. Persons that do not hold a license of a Central Depository, shall not be entitled to use in their activities and advertising the term “Central Depository” or other words or combination thereof expressing such activity by contents.

[The Law of Georgia N2255-SSMI of July 20, 1999, N34\(41\), 21.07.1999, Art.168](#)

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)

[The Law of Georgia N5528 of December, 20, 2011 – website, 28.12.2011](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 29. LICENSING CONDITIONS OF A SECURITIES REGISTRAR

1. An applicant seeking a license as a Securities Registrar shall apply to the National Bank of Georgia and attach the following information and documents to the application in addition to ones listed in the Article 9 of the Law of Georgia on Licenses and Permits:
 - a. That it has been registered as a limited liability company or joint stock company under the Law of Georgia on Entrepreneurs;
 - b. That none of the members of its managing body and holder of the significant shares has been previously convicted for grave and particularly grave crimes, financing the terrorism, and/or money laundering or other economic crimes; has been deprived of the right to be a member of the managing body; or during the past 5 years has been subject to administrative sanctions for gross violations of the legislation on securities;
 - c. That its organizational structure and technical facilities are in compliance with the rules defined by the National Bank of Georgia (if such rules exist);
 - d. That it has minimum equity set by the National Bank of Georgia (if there is such requirement);
 - e. Its charter, internal regulations and rules;
 - f. Names of Partners (shareholders) and volume of their shares; Activities carried out within last 5 years and the information on holding securities in the reporting enterprises;

- g. Names , addresses and description of the appropriate professional experience of managers;
 - h. Names of those employees who are responsible for the supervision of the compliance with this Law, with relevant regulations and rules adopted by Securities Registrar;
 - i. Names of partners (shareholders) holding significant share and the volume of their shares.
 - j. That the members of its managing body have appropriate education and/or experience.
2. Persons, which do not have a license to operate a Securities Registrar, shall not promote themselves with, nor do business under, a name that includes the words "Securities Registrar or Registrar" or any other word or their combination designating or suggesting such activity.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N5528 of December, 20, 2011 – website, 28.12.2011](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 30. Rescinded

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

ARTICLE 31. REVOCATION OF LICENSES OF BROKERAGE COMPANY, STOCK EXCHANGE, A CENTRAL DEPOSITORY (DEPOSITORY) AND SECURITIES REGISTRAR

1. The National Bank of Georgia is entitled to revoke licenses of Brokerage Company, Stock Exchange, a Central Depository or Securities registrar in accordance with the rules set forth under the Law of Georgia on Licenses and Permits:
 - a. If the License holder no longer meets the requirements on the basis of which the license was issued;
 - b. If the License holder violates requirements set under the Georgian legislation;
 - c. In other cases provided for in the Law of Georgia on Licenses and Permits.
2. If necessary, the National Bank of Georgia is entitled to appoint an administrator in the entities envisaged under paragraph 1 of this Article.
3. As of the time of making decision on revoking the license of a Stock Exchange, no transactions may be made, except of those necessary for the protection of investors.
4. An administrator appointed under Article 31.2 shall exercise the powers of management and take all measures necessary for the protection of investors within the capacity granted by the Law.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)
[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)
[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)
[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

CHAPTER VI. REGULATED SECURITIES MARKET PARTICIPANTS

ARTICLE 32. ACCOUNTS, REPORTINGS AND THEIR EXAMINATION

1. For the purpose exercising its authorities the National Bank of Georgia shall prescribe regulations to its regulated entities for preparing various documents, terms of keeping them and submitting reports.
2. Information concerning any transaction (including case of an attempt to conclude a transaction), account, operations carried out from those accounts and balances on the accounts may be disclosed to respective account holders and their representatives, also to the National Bank of Georgia within its competences, to the Financial Monitoring Service of Georgia in cases envisaged under Georgian legislation, as well as to the Tax Authorities in cases provided in paragraph 3 of this Article. Such information may be disclosed to other persons only on the basis of the Court's decision.
3. The information envisaged by paragraph 2 of this Article within the frames of the "Agreement Between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA)" shall be given to the tax authority. The tax authority is authorized to submit information to the competent tax authority of the United States of America envisaged by this Agreement. "
4. The National Bank of Georgia is entitled to check compliance of its licensed entities with normative and methodological documents, also to verify accounting documents, account components and other documents and for this purposes the National Bank of Georgia is entitled to request and obtain any information financial statements, and components of financial reports and other such documents in its competences.
5. In the interests of Georgian legislation on preventing legalization of illicit income, a person subject to a licensing by the National Bank of Georgia shall file respective reports with it. Reporting form, quality and terms of submission are defined under the legal act of the National Bank of Georgia.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)
[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)
[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)
[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)
[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)
[The Law of Georgia N5528 of December, 20, 2011 – website, 28.12.2011](#)
[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)
[The Law of Georgia N4460 of October 28, 2015 - website, 11.11.2015](#)
[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 33. DUTIES OF BROKERAGE COMPANIES AND BROKERS

1. A Brokerage Company shall maintain separate accounts that segregate its own assets from the securities and cash funds of its clients.
2. All contracts between a Brokerage Company and its clients shall be executed in writing
3. Brokerage Companies and brokers shall assure the execution of their clients' orders under the best terms existing in the market in accordance with the rules set by the National Bank of Georgia: they shall not compete against or manipulate the execution of clients' orders or determine the execution of such orders under price and cost that is less advantageous for clients.
4. A broker, on behalf of a Brokerage Company, shall be prohibited from knowingly providing misleading recommendations and information to clients. A Brokerage Company shall provide such information as the National Bank of Georgia may by regulation prescribe regarding the suitability of investments, potential conflicts of interest for a brokerage firm or the broker, and the financial condition of the Brokerage Company.
5. A Brokerage Company shall notify the National Bank of Georgia in writing, within 7 days of the relevant decision or event (whichever is earlier) of:
 - a. The opening and closing of branch offices;
 - b. A change in the name of the Brokerage Company.
6. A Brokerage Company shall obtain prior consent from the National Bank of Georgia on its reorganization. The National Bank of Georgia may refuse to give its consent to a reorganization of a Brokerage Company if it threatens the security of clients' funds and/or securities entrusted to the Brokerage Company.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 34. MEMBERS OF A STOCK EXCHANGE

1. Only licensed financial institutions may be members of a Stock Exchange.
2. Licensed financial institutions may be a member of more than one Stock Exchange.
3. A Stock Exchange shall deny membership in a Stock Exchange to any person:
 - a. If a person does not recognize Stock Exchange rules and does not meet Stock Exchange requirements;
 - b. Brokers who will be trading on the Exchange on behalf of the applicant do not meet such standards of education, experience, or competence as are prescribed in Exchange rules;
 - c. If such company does not agree in writing to permit the examination of its books

and records to verify the accuracy of any information so supplied.

4. A member of a Stock Exchange may appeal to the Court against the decisions that contradict Georgian legislation and/or regulations of a Stock Exchange.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

ARTICLE 34¹. STOCK EXCHANGE RULES

1. Trading rules of a Stock Exchange shall:
 - a. Define methods and procedures for resolution of disputes related to transactions concluded at the Stock Exchange;
 - b. Determine procedures of securities trading at the Stock Exchange and the terms for temporary or permanent termination of trading in a specific securities;
 - c. Determine the trading session days and hours for the Stock Exchange;
 - d. Define the rights and responsibilities of trading participants, as well as penalties for violation of these requirements;
 - e. Set quotations and announcement procedures, as well as quotation form and content and market data related to securities trading (the regulations shall contribute to the creation of fair and informational quotations, shall not allow misleading or false quotations, and facilitate an organized procedure for the collection and distribution of quotations).
 - f. Define the informational means of the Stock Exchange;
 - g. Define rules for recording transactions concluded at the Stock Exchange necessary for creating records on transactions concluded among member and further settlement;
 - h. Define procedures for permitting brokers to the Stock Exchange for conduct trading, including, qualification and testing requirements, supervision over brokers' activities, and terms for temporary or permanent termination of admission to conduct trading;
 - i. Ensure a mechanism for averting falsification and manipulation; contribute to establishing fair and equitable trading principles, facilitate coordination of activities of persons involved in regulation, clearing, settlements and information processing and development of cooperation for promoting securities transactions;
 - j. Prohibit discrimination among clients, issuers, brokerage companies, and brokers having the same status.
2. The Stock Exchange, on each trading day, shall make a public statement about daily trading turnover, prices, and other market information related to securities trading.
3. Other rules of the Stock Exchange determine:
 - a. Types of Stock Exchange services and prices of such services;
 - b. Procedure of addressing claims of member clients in relation to issues pertaining to Stock Exchange rules;
 - c. Responsibility for the violation of rules of this Law and respective rules of the Stock

- Exchange, implying application of measures for expelling, suspending, and limiting functions and activities, reprimanding, penalizing, and other respective measures;
- d. Norms of code of ethics.
4. It shall not be permitted for the Stock Exchange to pursue activity other than:
 - a. Stock Exchange activity (basic) provided under the Law;
 - b. Other activities necessary for implementing the above basic activities;
 - c. Auxiliary activity aimed at efficient use of assets for the above-mentioned basic activity.
 5. Multiple Stock Exchanges may simultaneously operate in Georgia.

ARTICLE 35. MANAGING BODY OF A STOCK EXCHANGE

1. Members (composition) of Supervisory Board are defined by shareholders
2. The management of a Stock Exchange shall:
 - a. Adopt, amend, and repeal Stock Exchange Rules ;
 - b. Ensure the observance of this Law and its bylaws, charter and Stock Exchange Rules, and, in furtherance thereof, examine the business conduct and financial condition of owner- members of the Stock Exchange;
 - c. Clarify the rules of the Stock Exchange. Any such interpretation shall be final and conclusive;
 - d. Approve securities for trading and suspend or stop trading in certain securities pursuant to Stock Exchange Rules;
 - e. Admit members to the Stock Exchange pursuant to Stock Exchange Rules and Article 34 of this Law and remove their brokers temporarily or permanently from the floor under the provisions of the Stock Exchange Rules;
 - f. Ensure legal and accurate business and publication of quotations, prices, and related market information.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

ARTICLE 36. Rescinded

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

ARTICLE 37. REORGANIZATION AND LIQUIDATION OF A STOCK EXCHANGE

1. Reorganization or liquidation of a Stock Exchange without prior consent of the National Bank of Georgia shall be prohibited.
2. A Stock Exchange shall be reorganized or liquidated in accordance with the procedures established by the Law of Georgia on Entrepreneurs, this Law, regulations of the National Bank of Georgia, and its charter, internal regulations and rules.

3. A Stock Exchange shall be reorganized/liquidated when the National Bank of Georgia revokes the license to engage in the activities of a Stock Exchange.
4. A Stock Exchange which decides to liquidate itself or suspend its activity shall immediately notify the National Bank of Georgia in writing thereof.
5. A liquidator of the Stock Exchange shall be appointed by the National Bank of Georgia.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 38. CENTRAL DEPOSITORY

1. A licensed Central Depository shall perform the following functions:
 - a. Open, operate and close securities accounts of participants in accordance with its rules;
 - b. Prepare and implement measures which ensure the integrity and security of the system of securities accounting set forth in the rules of the Central Depository;
 - c. Verify whether participants comply with the rules and instructions of securities accounting;
 - d. Provide other services related to the servicing of securities accounts by participants;
 - e. Issue a statement for securities accounts to participants in accordance with its rules;
2. In accordance with its own rules, the Central Depository (Depository) may summarily suspend or close the accounts of a participant who:
 - a. Is suspended from any Securities Registrar or Central Depository;
 - b. Is in default of any delivery of funds or securities;
 - c. Is in such financial or operational difficulty that the Central Depository (Depository) makes decision on suspension or closing of its accounts and notifies the National Bank of Georgia, that such suspension or closing of accounts is necessary for the protection of the Central Depository, its participants, creditors or investors.
3. The rules of the Central Depository ensure:
 - a. Defined duties and responsibilities of members.
 - b. Fair and nondiscriminatory treatment of existing or prospective participants.
 - c. The responsibility of the Central Depository for timely and accurate clearing and transactions.
 - d. The expulsion, suspension, and limitation of activities and functions, reprimanding, penalizing and other actions for violation of Depository rules.
 - e. Compliance with a code of ethics by its members and employees.
4. The name of the Central Depository shall include the wording “Central Depository of Securities” if not provided otherwise by legislation.
5. The Central Depository (Depository) shall be prohibited to pursue any activities other than

those defined by the Law and regulations for Central Depository, Securities Registrar, and the National Bank of Georgia.

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 39. Rescinded

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

ARTICLE 40. OBLIGATIONS OF A SECURITIES REGISTRAR

1. A Securities Registrar shall ensure compliance with the regulations adopted by the National Bank of Georgia and its own rules.
2. A Securities Registrar shall not refuse to perform required activities if the issuer has met terms of the contractual relationship with the Securities Registrar, presented documentation meets the provisions established in the issuer's charter and internal regulation, this Law, regulations of the National Bank of Georgia, and rules of the Securities Registrar. Any such refusal may be appealed to the National Bank of Georgia.
3. A Securities Registrar shall have a contractual relationship to an issuer based upon the terms and conditions of a written agreement between the two that conforms to the regulations of the National Bank of Georgia. At a minimum, in case if the issuer fulfilled its obligations, such agreement shall require the Securities Registrar to provide the issuer with a current list of registered owners in a timely manner for the purposes of holding annual and special meetings, issuing dividends, paying interest, redeeming principal amounts on debt, as well as for the purposes defined by the Article 15 of this Law and for other authorized corporate actions. In the event of a violation of terms provided under the agreement by the issuer, the Securities Registrar shall be entitled to suspend service to the issuer prior to fulfilling obligations by the latter.
4. If so requested in writing by a registered owner of securities, the Securities Registrar shall provide such registered owner with:
 - a. A copy of an extract of his account;
 - b. Information on the turnover of securities on the specific account.
5. The extract provided by a Securities Registrar shall:
 - a. Prominently state that such extract is not a security, does not need to be presented to the Securities Registrar, and only records that the person mentioned in the extract is the registered owner of the securities as of the date mentioned in the Extract;
 - b. Include the following information: the full name of the account holder(s); the date and time of issuance of the extract (in case of turnover extract); the name and the legal address of the issuer, the identification number of the securities' class; the number of securities in the account; any relevant obligations or restrictions on the

- securities; and any other information required by the rules of the Registrar or pursuant to the regulations of the National Bank of Georgia regulations.
6. A Securities Registrar may require the payment of additional compensation from account holders for providing additional copies of the extract. Such fees established by the Registrar shall be fair, reasonable, non-discriminatory (for the clients with the same status), reflecting real costs, and disclosed to the National Bank of Georgia in advance.
 7. Rules of Securities Registrar shall:
 - a. Determine the type of information to be indicated in the Securities Register on each issuer whose securities are registered in accordance with the regulations of the National Bank of Georgia;
 - b. Determine rule for recognition of transactions and making records in securities register, on timing of necessary information and recordings related to them in accordance with the National Bank of Georgia's rules;
 - c. Determine what type of information should be indicated in the accounts opened in the names of security owners or nominee holders for each type of security, provided that those account holders shall notify the Securities Registrar in writing about any change in the submitted information in accordance with the regulations of the National Bank of Georgia's regulations;
 - d. Request from employees to observe norms of conduct in accordance with the regulations of the National Bank of Georgia.
 8. Employees of a Securities Registrar and its managers are prohibited to provide non-public confidential information, obtained when working at a Securities Registrar, to any person other than the National Bank of Georgia, or use such information in trading with securities.
 9. A Securities Registrar, if it is not a holder of the License of Central Depository, shall be prohibited to pursue all activities other than that of a Securities Registrar and/or performance of public authorities based on the administrative contract
 10. In the event that an issuer of public securities either directly or indirectly owns more than 10% of the Securities Registrar, it shall inform the National Bank of Georgia about such fact.
 11. A Securities Registrar and the members of its governance body shall not be entitled to hold a significant share of those issuers of public securities for which the Securities Registrar maintain a register. In case of holding insignificant share the information on these registered owners shall be public.
 12. A Securities Registrar files with the National Bank of Georgia a sample copy of the contract between issuer and a Securities Registrar that is prepared in accordance with the rules established by the National Bank of Georgia.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N3066-SSMI of May 4, 2010, N25, 17.05.2010, Art. 169](#)

[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 41. STOCK EXCHANGE AND CENTRAL DEPOSITORY

1. A Stock Exchange and a Central Depository shall be entitled to define any request to their members which does not contradict Georgian legislation.
2. A Stock Exchange shall not be entitled to receive clearing and settlement services from more than one Central Depository.
3. A Stock Exchange/Depository shall inform the National Bank of Georgia about the adoption of new regulations and the amendment or rescission of the existing ones.
4. Quotations of securities on a Stock Exchange can be presented in any currency.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)
[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)
[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)
[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)
[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 42. Rescinded

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)
[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

ARTICLE 43. ADDITIONAL POWERS OF THE NATIONAL BANK OF GEORGIA

1. In case if any regulation of a Security Exchange or Central Depository contradicts Georgian legislation, the National Bank of Georgia shall be entitled to suspend effectiveness of such regulation and request from the Securities Exchange or Central Depository to introduce changes and/or amendments to the respective regulation.
2. On the basis of the appropriate justification the National Bank of Georgia is entitled to introduce amendments to the regulations of the Stock Exchange/Central Depository or suspend its effectiveness if it considers that such regulation:
 - a. Endangers functioning of fair and orderly public securities market;
 - b. Obstructs prompt, accurate, and safe clearance and settlement of transactions in securities.
3. In cases provided for in Paragraph 2 of this Article, the National Bank of Georgia is also authorized to set requirements or limitations for the Stock Exchange/Central Depository with respect to any issue or activity, which according to this Law, comes under scope of regulation of the National Bank of Georgia and the Stock Exchange and Central Depository;
4. A legal act issued by the National Bank of Georgia on the basis of this Article shall be valid for the period defined by the National Bank of Georgia;
5. The National Bank of Georgia shall suspend effectiveness of the legal act issued on the basis of this Article prior to the date set by the National Bank of Georgia, if reasons contributing to issuance of such act are eliminated.
6. The Stock Exchange/Central Depository shall immediately fulfill the legal act issued by the National Bank of Georgia on the basis of this Article.
7. The Stock Exchange/ Central Depository shall be entitled to appeal the decision of the

National Bank of Georgia, made on the basis of this Article, to the Court.

8. In the event of filing an appeal to the Court, the effectiveness of the legal act of the National Bank of Georgia may be suspended by the Judge's decision.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

CHAPTER VI¹. INVESTMENT FUNDS

The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30
The Law of Georgia N844 of July 24, 2013 - website, 16.08.2013

ARTICLE 43¹. Rescinded

The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30
The Law of Georgia N844 of July 24, 2013 - website, 16.08.2013

ARTICLE 43². Rescinded

The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30
The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161
The Law of Georgia N844 of July 24, 2013 - website, 16.08.2013

ARTICLE 43³. Rescinded

The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30
The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161
The Law of Georgia N844 of July 24, 2013 - website, 16.08.2013

ARTICLE 43⁴. Rescinded

The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30
The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011
The Law of Georgia N844 of July 24, 2013 - website, 16.08.2013

ARTICLE 43⁵. Rescinded

The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30
The Law of Georgia N844 of July 24, 2013 - website, 16.08.2013

CHAPTER VII. PROHIBITIONS AGAINST FRAUD AND MANIPULATION IN SECURITIES TRANSACTIONS

ARTICLE 44. FRAUD AND MANIPULATION

It shall be unlawful for any person, for the purpose of creating a false or misleading appearance of active trading in any publicly held security, or a false or misleading appearance with respect to the organized market for such security, to:

- a. Effect any transaction in such security which involves no change in the beneficial

- ownership thereof;
- b. Enter any order(s) for the purchase or sale of such security with the knowledge that a corresponding opposite order(s) has been or will be entered by or for the same or different parties.

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N5009 of July 1, 2011 – website, 15.07.2011](#)

ARTICLE 45. INSIDE INFORMATION AND ITS UNFAIR USE

1. Inside information means non-public material information relating to one or more reporting companies or any of their publicly held securities.
2. Insider means any person who, by virtue of his/her membership in the managing body of a reporting enterprise, his/her holdings in the capital of such company, or based upon his/her access to such information by virtue of the exercise of his/her employment, profession or duties, possesses inside information. Any other person shall be considered as an insider if he/she obtained inside information that clearly originated through an insider.
3. It shall be unlawful for any insider, and any person who knowingly receives inside information from an insider, to:
 - a. Acquire or dispose of, for his own account, or the account of a third party, either directly or indirectly, publicly held securities of the reporting enterprise or enterprises to which that inside information relates;
 - b. Disclose inside information to any third party unless such disclosure is made in the normal course of the exercise of his employment, profession, or duties;
 - c. Recommend to, or procure, a third party, on the basis of inside information, to acquire or dispose of publicly held securities.

CHAPTER VIII. SUPERVISION OF THE SECURITIES MARKET

ARTICLE 46. Rescinded

[The Law of Georgia N1929-SSMI of April 30, 1999, N14\(21\), 13.05.1999, Art.59](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

ARTICLE 47. Rescinded

[The Law of Georgia N1929-SSMI of April 30, 1999, N14\(21\), 13.05.1999, Art.59](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

ARTICLE 48. Rescinded

[The Law of Georgia N1929-SSMI of April 30, 1999, N14\(21\), 13.05.1999, Art.59](#)

The Law of Georgia N2255-SSMI of July 20, 1999, N34(41), 21.07.1999, Art.168
The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340

ARTICLE 49. Rescinded

The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156
The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85
The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340
The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30

ARTICLE 50. Rescinded

The Law of Georgia N1929-SSMI of April 30, 1999, N14(21), 13.05.1999, Art.59
The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340

ARTICLE 51. Rescinded

The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340
The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30

ARTICLE 52. Rescinded

The Law of Georgia N2255-SSMI of July 20, 1999, N34(41), 21.07.1999, Art.168
The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156
The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85
The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340
The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30

ARTICLE 53. Rescinded

The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340
The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30

ARTICLE 54. Rescinded

The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340
The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30

CHAPTER IX. SANCTIONS IMPOSED FOR THE VIOLATIONS OF THE LEGISLATION ON SECURITIES

ARTICLE 55. ADMINISTRATIVE AND CRIMINAL SANCTIONS FOR THE VIOALTIONS OF THE GEORGIAN LEGISLATION ON SECURITIES

1. The types of violations of legislation on securities are defined under this law, whereas administrative sanctions and rules for their imposition shall be determined by the regulations

- of the National Bank of Georgia;
2. If a person has violated the requirements of this Law, regulations of the National Bank of Georgia or the legislation on securities, or its acts may threaten the interests of investors, the National Bank of Georgia based on its legal act may:
 - a. Put such person under an obligation to undertake specific measures needed to ensure compliance of their activities with the requirements of Georgian legislation within the time period specified by the National Bank of Georgia;
 - b. Suspend the sale or transactions of securities;
 - c. Suspend the participation of an offender in the securities market for a stated time periods;
 - d. Impose sanctions upon an offender in accordance with this law and normative act of the National Bank of Georgia.
 3. For a violation of Georgian securities legislation committed in aggravated circumstances, a criminal responsibility may be established.

[The Law of Georgia N2255-SSMI of July 20, 1999, N34\(41\), 21.07.1999, Art.168](#)

[The Law of Georgia N4520-SSM of March 27, 2007, N9, 31.03.2007, Art.85](#)

[The Law of Georgia N5269-SSMI of July 11, 2007, N30, 30.07.2007, Art.340](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

ARTICLE 55¹. VIOLATIONS AND SANCTIONS

1. The National Bank of Georgia has the right to use the following sanctions against the regulated participants of the securities market and/or against a member of its Supervisory Board if the participant or the member of its Supervisory Board has:
 - a. violated the rules of securities offerings;
 - b. violated the requirements set forth in the legislation on securities;
 - c. violated Licensing rules;
 - d. violated Securities circulation rules and other rules;
 - e. violated Reporting and confidentiality requirements and/or procedures for preparing rules;
 - f. violated Requirements set forth by the Law of Georgia on Facilitating the Prevention of Illicit Income Legalization (when the case concerns Securities Registrar/Brokerage Company or member of its managing body);
 - g. carried out or carries out unhealthy or endangering entrepreneurial practice.
2. When the above-mentioned violations are discovered, the National Bank of Georgia has the right, in a consecutive manner or with increasing severity depending on the seriousness of such violation, to practice the following sanctions:
 - a. Issue written warnings;
 - b. Carry out special actions or issue instructions requiring that regulated participant of the securities market must cease such violations and desist from future ones and

- take measures to eliminate violations within a period specified by the National Bank of Georgia;
- c. Impose fines according to the rules and amounts established by the National Bank of Georgia;
 - d. Suspend the right of signature to the member of the managing body of the securities regulated participant and require the managing body temporary suspension of his/her office or dismissal from the office;
 - e. Discontinue or suspend certain transactions, suspend or limit allocation of profit, issuance of dividends and financial rewards, increase of remuneration and assuming new obligations;
 - f. Require supervisory person to limit or rescind control in case of non-disclosure of financial or other type of information to the National Bank of Georgia or in case of identifying other type of violations. Such limitation or rescission shall be accompanied by the terms and conditions that the National Bank of Georgia considers to be necessary on the basis of the existing circumstances.
 - g. Revoke the license for respective activity.
3. Sanctions imposed in accordance with this Article shall correspond with the seriousness of the violation and potential risks.
 4. Amounts of penalties applied in accordance with this Article shall be transferred to the state budget of Georgia.
 5. Forced enforcement of the sanctions imposed upon regulated participants of the securities shall be on the basis of writ of execution issued under administrative legal act, in accordance with the Law of Georgia on Enforcement Proceedings.

[The Law of Georgia N1678-SSMI of September 24, 2009, N29, 12.10.2009, Art.161](#)

[The Law of Georgia N2831-SSMI of March 23, 2010, N19, 13.04.2010, Art 105](#)

[The Law of Georgia N4201 of September 3, 2015 – website, 10.09.2015](#)

[The Law of Georgia N441 of March 10, 2017 – website, 22.03.2017](#)

[The Law of Georgia N1903 of December 23, 2017 – website, 11.01.2018](#)

CHAPTER X. TRANSITIONAL PROVISIONS

ARTICLE 56. Rescinded

[The Law of Georgia N1929-SSMI of April 30, 1999, N14\(21\), 13.05.1999, Art.59](#)

[The Law of Georgia N2255-SSMI of July 20, 1999, N34\(41\), 21.07.1999, Art.168](#)

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

CHAPTER XI. FINAL PROVISIONS

ARTICLE 57. FINAL PROVISIONS

1. This Law shall become effective after 15 days from its publishing.
2. Upon the entry into force of this Law, the following legislation becomes invalid: On Some Organizational Measures about Formation of Share Registrars System approved by the

#412 decree of the President of Georgia on 9 August 1997.

3. Upon the approval of the regulations on the maintenance of Securities Registers by the National Bank of Georgia, the Temporary Regulations on Maintenance of Securities Registers and the #375 decree of the President of Georgia on June 18, 1998 on the Approval of the Temporary Regulations On Maintenance of Securities Registers become invalid.
4. All licenses issued prior to April 15, 2008 in accordance with this Law shall have the same legal force as licenses issued after April 15, 2008.
5. All regulations of the Financial Monitoring Service of Georgia effective prior to April 15, 2008 shall be valid until February 15, 2009 and following this date, new regulations corresponding to the Georgian legislation shall become effective.

[The Law of Georgia N2503-SSMI of July 18, 2003, N22, 08.08.2003, Art 156](#)

[The Law of Georgia N5910-SSMI of March 14, 2008, N7, 26.03.2008, Art.30](#)

**President of Georgia:
Shevardnadze**

Eduard

**December 24, 1998
№1745–IIS**