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Governing for  
Growth  
in Georgia

# GOVERNING FOR GROWTH (G4G) IN GEORGIA

INDEPENDENT REPORT ON  
NATIONAL BANK OF GEORGIA  
ADHERENCE TO FX GLOBAL CODE

June 2019



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## Foreword - The FX Global Code

- The FX Global Code (FXGC) is a set of **55 Principles of good practice** in the Foreign Exchange Market, developed to provide a common set of guidelines to promote the **integrity and effective functioning of the wholesale FX market**. It was developed by a partnership between Central Banks and Market Participants from 16 jurisdictions around the globe, under the supervision of The Global FX Committee.
- [www.globalfxc.org/fx\\_global\\_code.htm](http://www.globalfxc.org/fx_global_code.htm)
- [www.globalfxc.org/docs/fxglobal.pdf](http://www.globalfxc.org/docs/fxglobal.pdf)
- This document is an **Independent Report on Adherence with Recommendations** to the Relevant Principles of the FX Global Code.



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## What is FXGC Adherence?

**Aligning** FX activities with the Principles of FXGC  
and **embed** the Code's guidance into **practices**

- Identify which **FXGC Principles** are applicable to your FX Market activities
- Complete a **Front-to-Back Review** of existing policies, processes and procedures
- Produce a **Gap Analysis** against the applicable **FXGC Principles**
- Where necessary, **enhance Internal business processes** to ensure **alignment** with **FXGC**
- Market Participants sign a **Statement of Commitment** to the FXGC and post to a **Public Register**



## Six leading Principles

### PRINCIPLES

### LEADING PRINCIPLE

#### **Ethics (1-3)**

Market Participants are expected to behave in an ethical and professional manner to promote the fairness and integrity of the FX Market

#### **Governance (4-7)**

Market Participants are expected to have a sound and effective governance framework to provide for clear responsibility for and comprehensive oversight of their FX market activity and to promote responsible engagement in the FX Market

#### **Execution (8-18)**

Market Participants are expected to exercise care when negotiating and executing transactions in order to promote a robust, fair, open, liquid, and appropriately transparent FX Market



## Six leading Principles

### PRINCIPLES

### LEADING PRINCIPLE

**Information  
Sharing  
(19-23)**

Market Participants are expected to be clear and accurate in their communications and to protect Confidential Information to promote effective communication that supports a robust, fair, open, liquid and appropriately transparent FX Market

**Risk &  
Compliance  
(24-41)**

Market Participants are expected to promote and maintain a robust control and compliance environment to effectively identify, manage, and report on the risks associated with their engagement in the FX Market

**Confirmation &  
Settlement  
(42-55)**

Market Participants are expected to put in place robust, efficient, transparent and risk-mitigating post-trade processes to promote the predictable, smooth and timely settlement of transactions in the FX Market



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## **NBG FX Activities Reviewed**

- **FX Market Operations:**
  - Domestic Market Operations – FX Auctions
  - Domestic Market Operations – Auctions of FX Options Sale
  - International FX Operations
- **Determination of National Bank of Georgia Official Exchange Rate**
- **Governance Framework**
- **Centralised Risk Management and Compliance**
- **Confirmation & Settlements**



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## Reference documents

- Organic Law of Georgia on National Bank of Georgia
- Law of Georgia on the Conflict of Interest and Corruption in Public Service
- Law of Georgia on Public Service
- Law of Georgia on State Secrets
- Rules Concerning the Determination of the Official Exchange Rate of Domestic Currency Against Foreign Currencies
- Regulation on Monetary Operations of the National Bank of Georgia
- National Bank of Georgia Code of Ethics
- Settlement Department Procedures
- Financial Market Operating Procedures: Domestic and International



# Adherence - Ethics

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
1	Market Participants should strive for the highest ethical standards.		<ul style="list-style-type: none"> <li>- The National Bank of Georgia (NBG) is guided by the Constitution of Georgia, and through the Organic Law of Georgia and legislation of Georgia, it relies on the procedures and customs accepted in international banking practice.</li> <li>- National Bank of Georgia has its own internal Code of Ethics which covers employees to meet the highest ethical standards.</li> </ul>	All NBG staff required abide to NBG Code of Ethics (introduced June 2018).
2	Market Participants should strive for the highest professional standards.		<ul style="list-style-type: none"> <li>- The National Bank of Georgia is guided by the Constitution of Georgia, and through the Organic Law of Georgia and legislation of Georgia, it relies on the procedures and customs accepted in international banking practice.</li> <li>- Law of Georgia on Public Service determines the status of a public servant, the conditions for the recruitment of qualified public officers and performance of service by them.</li> <li>- National Bank of Georgia Code of Ethics includes General obligations of the employee to meet the highest professional standards.</li> </ul>	All NBG staff required to abide to NBG Code of Ethics (introduced June 2018).



# Adherence - Ethics

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
3	Market Participants should identify and address conflicts of interest.		<ul style="list-style-type: none"> <li>- Law of Georgia on the Conflict of Interests and Corruption in Public Service establishes the ways to prevent, reveal and suppress conflicts of interests and corruption in public services including officials of NBG.</li> <li>- Covered by The Organic Law of National Bank of Georgia, Article 20 Professional Secrecy and Conflicts of Interest.</li> <li>- NBG has a dedicated Ethics Committee, which oversees the internal Code of Ethics including Conflicts of Interest.</li> </ul>	All NBG staff required to adhere to NBG Code of Ethics (introduced June 2018).



# Adherence - Governance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
4	The body, or individual(s), that is ultimately responsible for the Market Participant’s FX business strategy and financial soundness should put in place adequate and effective structures and mechanisms to provide for appropriate oversight, supervision, and controls with regard to the Market Participant’s FX Market activity		<p>The Organic Law of Georgia on the NBG provides the directives on governance, authorisations, roles and activities to be performed. This includes:</p> <ul style="list-style-type: none"> <li>- Formation, appointment, and oversight of the NBG Board of Directors, and their supervision of the activities of NBG.</li> <li>- Formation, authority, and role of oversight of the Monetary Policy Committee.</li> <li>- Authorisations for market operations.</li> <li>- The formation, authority, and role of The Reserve Management Committee.</li> <li>- Financial Market operating procedures exist for execution of FX market transactions.</li> </ul>	



# Adherence - Governance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
5	Market Participants should embed a strong culture of ethical and professional conduct with regard to their FX Market activities.		<ul style="list-style-type: none"> <li>- The NBG Code of Ethics specifically includes directives on personal professional conduct and protection of the reputation and integrity of NBG.</li> <li>- Senior staff and relevant front, middle and back office staff attended specific training on the FX Global Code.</li> </ul>	
6	Market Participants should have remuneration and promotion structures that promote market practices and behaviours that are consistent with the Market Participant’s ethical and professional conduct expectations.		<ul style="list-style-type: none"> <li>- This Principle does not apply to NBG FX activity.</li> </ul>	
7	Market Participants should have appropriate policies and procedures to handle and respond to potentially improper practices and behaviours effectively		<ul style="list-style-type: none"> <li>- The NBG Code of Ethics policy covers improper practices.</li> <li>- The Ethics Committee has a mechanism for handling and reviewing improper practices, and refer to the Disciplinary Committee when appropriate.</li> </ul>	



# Adherence - Execution

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
8	Market Participants should be clear about the capacities in which they act.		- NBG clearly states in its operating procedures for counterparties that it acts as Principal.	
9	Market Participants should handle orders fairly and with transparency in line with the capacities in which they act.		<p>- FX Auction Committee oversees the activities of FX and FX Option auctions.</p> <p>- Guidelines for FX and FX Options can be found on NBG Website.</p> <p><a href="https://www.nbg.gov.ge/index.php?m=560">https://www.nbg.gov.ge/index.php?m=560</a></p> <p>- Regulation on Monetary Operations of the National Bank of Georgia provides the framework for FX Market operations.</p> <p><a href="https://www.nbg.gov.ge/uploads/legalacts/finansuribazrebi/2_2_mo_regulation7_20101216_eng.pdf">https://www.nbg.gov.ge/uploads/legalacts/finansuribazrebi/2_2_mo_regulation7_20101216_eng.pdf</a></p> <p>- NBG Financial markets Dealing Operations Procedures provides dealers with the guidelines for FX Market operations.</p>	



# Adherence - Execution

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
10	Market Participants should handle orders fairly, with transparency, and in a manner consistent with the specific considerations relevant to different order types.		This Principle does not apply to NBG FX activity.	
11	A Market Participant should only Pre-Hedge Client orders when acting as a Principal and should do so fairly and with transparency.		This Principle does not apply to NBG FX activity.	
12	Market Participants should not request transactions, create orders, or provide prices with the intent of disrupting market functioning or hindering the price discovery process.		This Principle does not apply to NBG FX activity.	



# Adherence - Execution

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
13	Market Participants should understand how reference prices, including highs and lows, are established in connection with their transactions and/or orders.		<p>- Reference rate determination is specifically covered in the Rules Concerning the Determination of the Official Exchange Rate of the Domestic Currency against Foreign Currencies.</p> <p><a href="https://www.nbg.gov.ge/uploads/legalacts/finansuribazrebi/12__gel_official_ex_rate_calculation_3__20090522_en.pdf">https://www.nbg.gov.ge/uploads/legalacts/finansuribazrebi/12__gel_official_ex_rate_calculation_3__20090522_en.pdf</a></p> <p>- A description of the determination of the Georgian Lari (GEL) official exchange rates is available on the NBG website.</p> <p><a href="https://www.nbg.gov.ge/index.php?m=542">https://www.nbg.gov.ge/index.php?m=542</a></p>	
14	The Mark Up applied to Client transactions by Market Participants acting as Principal should be fair and reasonable.		This Principle does not apply to NBG FX activity.	



# Adherence - Execution

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
15	Market Participants should identify and resolve trade discrepancies as soon as practicable to contribute to a well-functioning FX Market.		- Existing Front Office / FX Operations procedures in place to manage discrepancies in an efficient and methodical way. - NBG front office has dual control policies to mitigate such occurrences.	
16	Market Participants acting as Voice Brokers should only employ name switching where there is insufficient credit between parties to the transaction.		This Principle does not apply to NBG FX activity.	
17	Market Participants employing last look should be transparent regarding its use and provide appropriate disclosures to Clients.		This Principle does not apply to NBG FX activity.	
18	Market Participants providing algorithmic trading or aggregation services to Clients should provide adequate disclosure regarding how they operate.		This Principle does not apply to NBG FX activity.	



# Adherence - Information Sharing

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
19	Market Participants should clearly and effectively identify and appropriately limit access to Confidential Information.		<ul style="list-style-type: none"> <li>- Confidentiality is covered in laws of Georgia and in policies and procedures of NBG. These are:               <ol style="list-style-type: none"> <li>1. Organic Law of Georgia on the NBG</li> <li>2. Law of Georgia on State Secrets</li> <li>3. Rule of Confidentiality</li> <li>4. NBG internal Code of Ethics</li> </ol> </li> <li>- NBG Information Security Committee is responsible for the oversight of information security, and has authorised a policy on the Categorisation of Confidential Information, and access to such information.</li> <li>- These policies are aligned with the International Organisation for Standardisation ISO 27001 standard on Information Security Management.</li> </ul>	



# Adherence - Information Sharing

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
20	Market Participants should not disclose Confidential Information to external parties, except under specific circumstances.		<ul style="list-style-type: none"> <li>- Confidentiality is covered in laws of Georgia and in policies and procedures of NBG. These include:               <ol style="list-style-type: none"> <li>1. Organic Law of Georgia on the NBG</li> <li>2. Rule of Confidentiality</li> <li>3. NBG Code of Ethics</li> <li>4. ISO 27001 standard on Information Security Management</li> <li>5. NBG utilises a Data Leakage Protection (DLP) System</li> <li>6. NBG uses PGP Encryption practices as protection</li> </ol> </li> </ul>	
21	Market Participants should communicate in a manner that is clear, accurate, professional, and not misleading.		<ul style="list-style-type: none"> <li>- NBG internal Code of Ethics covers standards of communication</li> </ul>	



# Adherence - Information Sharing

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
22	Market Participants should communicate Market Colour appropriately and without compromising Confidential Information.		This Principle does not apply to NBG FX activity.	
23	Market Participants should provide personnel with clear guidance on approved modes and channels of communication.		This Principle does not apply to NBG FX activity.	



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
24	Market Participants should have frameworks for risk management and compliance.		<p>- NBG has a comprehensive framework for the oversight and monitoring of Risk Management &amp; Compliance. NBG Board is ultimately responsible and oversees relevant functions responsible for Risk Management and Compliance which include:</p> <ol style="list-style-type: none"> <li>1. Legal Department</li> <li>2. Audit Committee</li> <li>3. Centralised Risk Management Department</li> <li>4. Internal Audit Department</li> <li>5. Reserve Management Committee</li> <li>6. Market Risk Department</li> </ol> <p>- The Centralised Risk Management Department oversees the internal Risk Matrix across Financial Markets, Middle Office and Operations. This includes frequent reviews of the Risks Incidents Register, and oversight of a 3 Lines of Defence structure for identifying and reporting risk and compliance matters.</p>	



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
25	Market Participants should familiarise themselves with, and abide by, all Applicable Law and Standards that are relevant to their FX Market activities and should have an appropriate compliance framework in place.		<p>NBG is required to abide by all laws of Georgia and internal polices including:</p> <ul style="list-style-type: none"> <li>- Law of Georgia on Public Service.</li> <li>- Organic Law of National Bank of Georgia.</li> <li>- Internal Code of Ethics (Article 2.2.B).</li> <li>- NBG 3 Lines of Defence procedures and Risk Matrix.</li> </ul>	All relevant staff have been trained and are familiar with the FX Global Code of Conduct.
26	Market Participants should maintain an appropriate risk management framework with systems and internal controls to identify and manage the FX risks they face.		- NBG internal Reserve Management Committee and Centralised Risk Management Department, oversee the FX Market activities through policy, internal controls and reporting matrices.	Through oversight of Georgian Financial Markets and Treasuries Association, NBG will review developments to FX Global Code and conduct periodic reviews of its Adherence to the Code.
27	Market Participants should have practices in place to limit, monitor, and control the risks related to their FX Market trading activity.		<ul style="list-style-type: none"> <li>- Controls, limit management, and monitoring of NBG’s FX Market Operations are covered by the Daily Compliance Report.</li> <li>- Risk parameters are stated in the Financial Markets Division Key Risk Indicators, with controls imbedded in trade management system Wall Street Suite.</li> </ul>	



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
28	Market Participants should have processes in place to independently review the effectiveness of and adherence to the risk management and compliance functions.		<ul style="list-style-type: none"> <li>- Centralised Risk Management Department reports into an independent Audit Committee (Article 17 of Organic Law of Georgia on the National Bank of Georgia).</li> <li>- Internal Audit Department provide an Independent Opinion and Assurance Service.</li> <li>- Internal Audit uses a Quality Assurance and Improvement Programme.</li> <li>- Internal audit applies the Institute of Internal Auditors - IPPF Guidance in its practices.</li> </ul>	
29	Market Participants should have adequate processes to manage counterparty credit risk exposure, including where appropriate, through the use of appropriate netting and collateral arrangements, such as legally enforceable master netting agreements and credit support arrangements.		<ul style="list-style-type: none"> <li>- Credit Limits are approved by NBG Board</li> <li>- Domestic FX Operations: Not applicable, as activity cash collateralised.</li> <li>- International FX Operations: Credit Checks are made in Wall Street Suite prior to trading.</li> <li>- Existing process for exception management exists.</li> </ul>	



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
30	Market Participants should have processes to measure, monitor, report, and manage market risk in an accurate and timely way.		- Oversight of measuring and managing market risk is the responsibility of the Market Risk Department and their reporting to Centralised Risk Management, Senior Management and NBG Board of Directors, using a Daily Compliance Report and other reports as required.	
31	Market Participants should have independent processes in place to mark-to-market trading positions to measure the size of their profit and loss and the market risk arising from trading positions.		- Market to market procedures are handled by Financial Markets Department, using an automated process within the Wall Street Suite System connected to Alta General Ledger system. Note NBG is prohibited from speculating in Financial Markets including FX.	



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
32	Market Participants should have appropriate processes in place to identify and manage operational risks that may arise from human error, inadequate or failed systems or processes, or external events.		<ul style="list-style-type: none"> <li>- Oversight, reporting and management of operational risks is the responsibility of the Audit Committee and Centralised Risk Management Department.</li> <li>- Financial Markets and Operations departments report incidents using the Risk Incidents Register, and in cases of failed systems or processes follow specific internal system failure and operating procedures.</li> </ul>	
33	Market Participants should have business continuity plans (BCPs) in place that are appropriate to the nature, scale, and complexity of their FX business and that can be implemented quickly and effectively in the event of large-scale disasters, loss of access to significant trading platforms, settlement, or other critical services, or other market disruptions.		<ul style="list-style-type: none"> <li>- NBG has a frequently reviewed and tested Business Continuity Plan. This is managed by Centralised Risk Management Department, BCP Working Group and a BCP "Champion" in each Department, and IT Systems Department.</li> <li>- Financial Markets is included in a Quarterly Test Program using 12 different scenarios.</li> </ul>	



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
34	Market Participants should have in place processes to address potential adverse outcomes arising from the use of or reliance on technological systems (hardware and software).		- Technology Risk is monitored by Centralised Risk Management Department, and IT Systems Department.	
35	Market Participants should take prudent measures to manage and reduce their Settlement Risks, including prompt resolution measures to minimise disruption to trading activities.		- All counterparties retain accounts with NBG. Settlement risk is mitigate using a payment against payment procedure, and “four eyes” review of transactions. This oversight is managed by Operations Department and where appropriate Financial Markets Department.	
36	Market Participants should keep a timely, consistent, and accurate record of their market activity to facilitate appropriate levels of transparency and auditability and have processes in place designed to prevent unauthorised transactions.		- Information Security Department is responsible for ensure data security and access to confidential data. This includes the access and input processes for transactions executed via Bloomberg Trading Platform. - There is a 2-step verification required at each stage from trade initiation, trade execution, trade input, confirmation and settlement.	



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
37	Market Participants should perform “know-your-customer” (KYC) checks on their counterparties to ascertain that their transactions are not used to facilitate money laundering, terrorist financing, or other criminal activities.		The Reserve Management Committee approves all new counterparties and changes to to the list of counterparties. Banks operating in Georgia are licensed by NBG Banking Supervision Department. Other regulated entities are registered or licensed by NBG.	
38	Market Participants should have in place reasonable policies and procedures (or governance and controls) such that trading access, either direct or indirect, is limited to authorised personnel only.		- NBG manages FX Auctions from a dedicated secure room with restricted access and communications. Trades are executed via Bloomberg Trading Platform. - Security access to restricted areas for authorised personnel only is by key cards. Approved lists are maintained by the Information Security Team. - Authorisation forms require Governor or Vice Governor and Department Head approval.	



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
39	Market Participants should generate a timely and accurate record of transactions undertaken to enable effective monitoring and auditability.		<ul style="list-style-type: none"> <li>- All Trades are time stamped on Bloomberg Trading Platform.</li> <li>-Full audit trail exists, through to booking of trades in Wall Street Suite.</li> <li>- All phone lines are recorded, and any manual trades are additionally confirmed via email.</li> <li>- International Operations: Physical copies of trade confirmations from Bloomberg are filed.</li> </ul>	
40	Market Participants should have processes in place to identify and manage legal risks arising in relation to their FX Market activities.		<ul style="list-style-type: none"> <li>- NBG Legal Department and Centralised Risk Management Department monitor Legal Risks.</li> <li>- NBG has obtained Statements of Commitment to the FX Global Code from international counterparties.</li> </ul>	NBG will obtain Statements of Commitment from Georgian Market Participants as they adhere to the Code. NBG to review the legal contract with Bloomberg and update as necessary.



# Adherence – Risk & Compliance

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
41	Prime Brokerage Participants should strive to monitor and control trading permissions and credit provision in Real Time at all stages of transactions in a manner consistent with the profile of their activity in the market to reduce risk to all parties.		This Principle does not apply to NBG FX activity.	



# Adherence – Confirmation & Settlement

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
42	Market Participants should establish consistency between their operating practices, their documentation, and their policies for managing credit and legal risk.		<ul style="list-style-type: none"> <li>- Internal Controls Committee (includes representatives from Centralised Risk Management Department and Internal Audit Department) oversee standardisation of procedures and ensure existing processes are in place, documented and fully operational.</li> <li>- NBG is currently migrating polices to a new Standardised Procedure Guides format.</li> </ul>	Ensure all relevant NBG Procedure Guides are migrated to the new format by end of 2019.
43	Market Participants should institute a robust framework for monitoring and managing capacity in both normal and peak conditions.		<ul style="list-style-type: none"> <li>- Centralised Risk Management Department monitor Technology Risks.</li> <li>- IT Department are responsible for maintaining system capacity.</li> </ul>	



# Adherence – Confirmation & Settlement

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
44	Market Participants are encouraged to implement straight-through automatic transmission of trade data from their front office systems to their operations systems.		<p>Domestic FX Operations:</p> <ul style="list-style-type: none"> <li>- STP Processes exist for domestic FX Auctions via Bloomberg System into Wall Street Suite</li> <li>- Similar workflow exists for GEL Call FX Option Auction, although there is a manual step required to generate the XML message first.</li> </ul> <p>International FX Operations:</p> <ul style="list-style-type: none"> <li>- Manual process to enter trade details into Wall Street Suite. 2-step verification process required before the trade is booked.</li> <li>- All transaction details, Bloomberg Price Chart and Bloomberg Trade Notification are printed and kept in Trade Confirmation Folder.</li> </ul>	International FX Operations Department to implement STP from Bloomberg into Wall Street Suite in order to remove manual process.
45	Market Participants should conduct any novations, amendments, and/or cancellations of transactions in a carefully controlled manner.		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Not applicable.</li> <li>- International FX Operations: Dual control Operating Procedures exists in both Front Office and Settlements for managing enquiries and amendments.</li> </ul>	



# Adherence – Confirmation & Settlement

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
46	Market Participants should confirm trades as soon as practicable, and in a secure and efficient manner.		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Trade confirmations are sent from Bloomberg System to Licensed Banks. Auction results are filed in Bloomberg SFTP encrypted folder. Operations download the file into Alta General Ledger. This process is the same for both FX and FX Options Auctions.</li> <li>- International FX Operations: Procedures exist to ensure MT300 FX Confirmations are exchanged and matched in a timely manner with counter-parties.</li> </ul>	
47	Market Participants should review, affirm, and allocate block transactions as soon as practicable.		This Principle does not apply to NBG FX activity.	
48	Market Participants should identify and resolve confirmation and settlement discrepancies as soon as practicable.		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Not applicable</li> <li>- International FX Operations: Dual control Operating Procedures exists in Settlements Department for managing enquiries and discrepancies.</li> </ul>	



# Adherence – Confirmation & Settlement

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
49	Market Participants should be aware of the particular confirmation and processing features specific to life cycle events of each FX product.		<ul style="list-style-type: none"> <li>- Domestic FX Operations have specific Operating Procedures for FX and FX Options.</li> <li>- International FX Operations: Dual control Operating Procedures exists in Settlements Department for current FX activity.</li> </ul>	
50	Market Participants should measure and monitor their Settlement Risk and seek to mitigate that risk when possible.		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Licensed Banks maintain both GEL and USD nostro accounts with NBG. NBG embedded procedures, including automated balance checks in systems, result in a Payment-against-Payment process. This ensures USD are received before GEL credited to Licensed Bank’s account, and that GEL is on account before USD payment is made.</li> <li>- International FX Operations: Settlements Department have existing procedures to manage payments to / from FX counterparties, with automated upload of Swift MT910 confirmations into Wall Street Suite.</li> </ul>	



# Adherence – Confirmation & Settlement

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
51	Market Participants should utilise standing settlement instructions (SSIs).		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Licensed Banks maintain both GEL and USD nostro accounts with NBG.</li> <li>- International FX Operations: SSI are used maintained in static data within Wall Street Suite, with dual controls for amendments.</li> </ul>	
52	Market Participants should request Direct Payments.		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Not applicable due to process of NBG applying debits and credits to GEL and USD Nostro accounts of Licensed Banks.</li> <li>- International FX Operations: Included in Settlements Operating Procedures.</li> </ul>	



# Adherence – Confirmation & Settlement

	PRINCIPLE	RAG	EVIDENCE	COMMENTS & RECOMMENDATIONS
53	Market Participants should have adequate systems in place to allow them to project, monitor, and manage their intraday and end-of-day funding requirements to reduce potential complications during the settlement process.		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Not applicable due to process of applying debit and credits to GEL and USD Nostro accounts of Licensed Banks and Payment-against-Payment process.</li> <li>- International FX Operations: Settlements Department manage Nostro balances with Correspondent Banks.</li> <li>- Procedures exist for reviewing FX instructions and liquidity using preadvices from Clients before receipt of authenticated instructions.</li> </ul>	
54	Market Participants should perform timely account reconciliation processes.		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Licensed Banks Nostro accounts are reconciled daily.</li> <li>- International FX Operations: Settlements Department have existing procedures to perform daily reconciliations as per international best practice.</li> </ul>	
55	Market Participants should identify settlement discrepancies and submit compensation claims in a timely manner.		<ul style="list-style-type: none"> <li>- Domestic FX Operations: Not applicable, as controls are in place though the FX &amp; FX Options Auction processes.</li> <li>- International FX Operations: Included in Settlements Department Operating Procedures.</li> </ul>	



## Recommendations

### Summary of key findings:

- International FX Operations Department to **implement STP from Bloomberg into Wall Street Suite** in order to remove manual process.
- Ensure all relevant NBG Procedure Guides are **migrated to the new format** by end of 2019
- Risks associated with signing a Statement of Commitment should be **added to the Central Risk Register**



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# National Bank of Georgia Statement of Commitment



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## Report prepared by:

Julian Gladwin, Consultant, USAID G4G [jg@axiomglobal.org](mailto:jg@axiomglobal.org)

Nick Downes, Consultant, USAID G4G [nd@axiomglobal.org](mailto:nd@axiomglobal.org)