

Organic Law of Georgia

on the National Bank of Georgia

Chapter I

General Provisions

Article 1. The National Bank of Georgia

1. The National Bank of Georgia (hereinafter – the National Bank) is the central bank of Georgia, the bank of banks, the banker and the fiscal agent of the Government of Georgia. It is the legal entity of public law. In its activity the National Bank shall guide with the Constitution of Georgia, this Organic Law, Georgian legislation and base upon the established procedures and customs of the international banking practice. It is authorized to independently enter into contracts, independently purchase real and movable property and own and dispose them, appear as plaintiff and defendant, independently discharge the duties imposed upon it.

2. Removed (Amended on 23.03.2010 N2828)

3. The National Bank shall be located in Tbilisi.

Article 2. Definitions

Definitions used in this Law shall have the following meanings:

a) Representative of Financial Sector – a commercial bank, non-bank depository institution, insurance undertaking, reinsurance undertaking, brokerage company, independent registrar of securities, asset managing company, central depository, specialized depository, stock exchange, insurance brokerage company, accountable company, as well as money transfer agent and currency exchange point;

b) Financial Sector – the aggregate of representatives of financial sector;

c) Commercial Bank – a legal entity licensed by the National Bank that accepts deposits and by using them conducts on its own behalf the banking activity as prescribed under the Georgian legislation;

d) Inflation Target Indicator – inflation rate to be reached by the National Bank;

e) Official Currency Exchange Rate – exchange rate established by the National Bank in relation to different currencies to be used for accounting and other official purposes;

f) State Loan – public debt of Georgia as stipulated by the Law of Georgia on Public Debt and state guarantees of Georgia issued for credits;

g) Deposit – monetary funds or other means of payment placed by a person with a commercial bank or non-bank depository institution on which right to ownership is acquired by the commercial bank or non-bank depository institution;

h) Banknotes – banknotes and coins issued by the National Bank and other country's issuer institutions in the form of legal tender;

i) Forged Banknotes – banknotes and coins manufactured in a fraudulent and illegal way as well as counterfeited banknotes on which face value remake can be traced;

j) Issuance – emission of Lari banknotes and coins or securities by the National Bank for circulation;

k) Reproduction – manufacturing of banknotes and coins, issued by the National bank, in full or in part including of their individual design elements, colour, measures, symbols or their materially or immaterially modified image which might resemble authentic banknotes or create impression of authentic banknotes;

l) Numismatic Valuable – banknotes and coins of GEL reproduced by the National Bank of Georgia, intended for realisation or collection purposes, including those banknotes and coins which are withdrawn from circulation, or which have not been emitted because of irrelevant features, also historical banknotes and coins, their copies; (1.07.2011 N5001)

m) Credit – any liability related to issuance of monetary funds on the basis of repayment, valuation, security and maturity;

n) Clearing (clearing agreement) - system of cashless settlement, which is based upon mutual offset of claims and liabilities and is applied to both domestic and international settlement;

o) Spot Operation – a transaction which is settled within 2 banking days after the transaction is made;

p) Forward Operation – a transaction which is settled within more than 2 banking days after the transaction is made;

q) Swap – a transaction on purchase or sale of foreign currency under the preliminarily agreed condition of its further sale or repurchase;

- r) Fiscal Agent - a person supporting the implementation of the government's fiscal policy by organizing the payment system and securities circulation which represents the government in relations with the central banks of other countries and international financial organizations;
- s) Administrative and Capital Costs – all costs except the ones that are directly related to implementation of monetary-credit and currency policy and to provision of economy with cash;
- t) Statistics of the Georgian Financial Sector – statistics describing the reserves and flows of national economy's financial assets and liabilities, as well as, financial and non-financial assets and liabilities of financial corporations;
- u) a Person – natural person or legal entity as well as an organizational establishment under the Georgian legislation which is not a legal entity;
- v) Non-Bank Depository Institution – a legal entity which is not a commercial bank and is authorized to accept deposits and by using them on its behalf carry out part of banking activity under the Georgian legislation;
- w) Interim Bank – a bank urgently and temporarily set up by the National Bank for ensuring the stability of banking system and safety of deposits in emergencies;
- x) Control – exercising a strong influence, directly or indirectly, alone or in concert with others, by using voting shares (stock), or through any other means;
- y) Controlling Person – a person exercising the control;
- z) Family Member – a person's spouse, minor child and stepchild, as well as a person permanently residing with the person;
- a) Close Relative – a person being a relative of I or II class of legal hereditary line as provided for under the Civil Code of Georgia;
- bb) Public Register – National Bank's departmental public register in which National Bank's legal acts are registered and systemized;
- cc) Foreign Sector Statistics – statistics of balance of payments, international investment climate, foreign debt and official international reserves;
- dd) Inflation – change in the price index of basket of goods published by the official authority maintaining the statistics on prices;
- ee) Reserve Money – cash issued by the National Bank (minus the balance of funds in the

National Bank's cash desk), funds existing on the commercial banks' (including the bank with revoked license) accounts in the National Bank in national currency;

ff) Free Industrial Zone – an area set up in accordance with the law of Georgia on Free Industrial Zones;

gg) Free Trade Point – a controlled zone, for operation of which a permission from the revenue service of Georgia is required, and where it is allowed to retail any goods without rate measures, except for the goods, for which import to the territory of Georgia, export from the territory of Georgia or the sale on the territory of Georgia is prohibited. (*Amended on 12.10.2010, N3702*)

Article 3. Tasks and Duties of the National Bank

1. The main task of the National Bank shall be to ensure price stability.
2. The National Bank shall ensure stability and transparency of financial system and shall facilitate stable economic growth in the country provided this is possible in a manner to avoid threatening of its main task.
3. The duties of the National Bank shall be to:
 - a) develop and implement monetary-credit and currency policies in accordance with basic directions as defined by the Georgian Parliament;
 - b) supervise financial sector;
 - c) ensure functioning of monetary-credit system;
 - d) own, maintain and dispose official international reserves;
 - e) act as the banker and fiscal agent of the Government of Georgia;
 - f) ensure effective and smooth functioning of payments systems;
 - g) issue banknotes of Georgia;
 - h) pursuant to international standards and methodologies, compile and disseminate the statistics on country's financial and external sectors;
 - i) pursuant to this Organic Law, support prevention of legalization of illicit proceeds and of financing of terrorism through the legal entity of public law set up at the National Bank – Financial Monitoring Office;

j) discharge other duties as prescribed under this Organic Law.

Article 4. Independence of the National Bank

1. National Bank shall be independent in its activity. Legislative, executive and other authorities shall not be entitled to interfere in its activity or to monitor it except in cases as prescribed under the Georgian Constitution and this Organic Law.

2. The National Bank shall be economically independent and shall provide for all its expenses. The National Bank shall not be liable for liabilities of the State of Georgia. Georgia shall not be liable for the liabilities of the National Bank except in cases as envisaged under this Organic Law. *(Amended on 23.03.2010 N2828)*

3. The National Bank, its assets, property and income, as well as activities and operations carried out by it shall be exempt from all state taxes, duties fees, charges and fees established for services carried out by an administrative body. *(1.07.2011 N5001)*

Article 5. International Cooperation

1. Within the scope of its competence the national Bank shall represent Georgia at all international meetings, councils and organizations.

2. Within the scope of its competence it shall cooperate with other country's competent financial sector supervision authority. Such cooperation may cover exchange of information between the National Bank and other country's competent financial sector supervision authority provided that this authority will keep the confidentiality of information obtained in this manner.

3. National Bank shall have the right to render banking service to other country's government, Central Bank and monetary-credit authorities as well as international organization whose member is the National Bank and Georgia.

4. Being the representative of Georgia, the National Bank shall have the right to assume obligations and carry out operations related to Georgia's participation in the work of international organizations.

Chapter II

Organization and Management of the National Bank

Article 6. Organization of the National Bank

1. National Bank is the integral centralized system. Legal entity of public law the Financial Monitoring Office of Georgia shall be set up at the National Bank.

2. The National Bank shall define the rules of formation, operation and abolishment of organizational units on the basis of this Organic Law.

Article 7. Management of the National Bank

1. The supreme body of the National Bank shall be the Board of National Bank comprised of 7 members. If the number of Board members is less than 4, the Board of the National Bank shall not be authorized to discharge its duties. In this case the vacancy shall be filled within no later than 2 months after occurrence of this fact.

2. Members of the Board of the National Bank shall be the citizens of Georgia or foreign country, professional economists or/and financiers and distinguished by their integrity.

3. Chairman of the Board of the National Bank shall be the President of the National Bank. Besides the Chairman of the Board, two Vice Presidents and other members shall be also included in the composition of the Board.

4. Members of the Board of the National bank as nominated by the President of Georgia shall be elected by the Parliament of Georgia for 7 year-term of office with the majority of votes of total number of the Parliament Members.

5. A member of the Board of the National Bank may be dismissed only in accordance with Article 64 of the Constitution of Georgia upon the decision of the Parliament of Georgia.

6. Member of the Board shall be entitled to be re-elected. In the event of preterm termination of the Board member's term of office, new member shall be elected to replace him/her with the full term of office of the Board member.

7. The President of the National Bank shall be appointed among the Board members and dismissed by the President of Georgia upon the nomination of the Board of the National Bank; and the Vice-Presidents of the National Bank shall be appointed among the Board members and

dismissed by the President of Georgia upon the nomination of the President of the National Bank.

8. President of the National Bank shall be dismissed if s/he:

a) is not the member of the Board of the National Bank any more;

b) has been deprived of the right to serve the position of the member of the Board of the National Bank pursuant to Article 13 of this Organic Law;

c) is unable to perform his duty due to his/her health or the court has found him/her incapable;

d) dies.

9. Vice Presidents of the National Bank shall be dismissed as per the rule under paragraph 8 of this Article.

10. A member of the National Bank except the President and Vice Presidents of the National Bank shall not be a public servant.

Article 8. Board of the National Bank

The Board of the National Bank shall lead and supervise the activity of the National Bank.

Article 9. The Powers of the Board of the National Bank

The Board of the National Bank shall be authorized to:

a) review and approve the key principles of management and disposition of international reserves;

b) stipulate the rule of determination of national currency's official exchange rate against other countries' currencies;

c) approve the budget of National Bank's administrative and capital costs;

d) create special reserves;

e) review, approve and submit to the President of Georgia annual report and financial statements of the National Bank;

- f) issue legal acts;
- g) define the basic trends of supervision and regulation of the activity of financial sector;
- h) approve the organizational structure and regulation of the National Bank;
- i) perform other duties as prescribed under this Organic Law.

Article 10. Setting the Amounts of Additions to Wages for the Members of the Board of the National Bank

The amount of additions to wages of the members of the Board of the National Bank shall not be less than average wages of the National Bank and shall be set by the President of Georgia.

Article 11. Resignation of the member of the Board of the National Bank

1. A member of the Board of the National Bank may resign provided s/he applies to the Chairperson of the Parliament of Georgia with a written notice no later than 2 months earlier to resignation.

2. A member of the Board of the National Bank shall be deemed resigned from the date referred in the notice.

Article 12. Meeting of the Board of the National Bank

1. The meeting of the Board of the National Bank shall be led by the President of the National Bank and in his/her absence by the Acting President.

2. As a rule, the meeting of the Board of the National Bank shall be called by the President or Acting President of the National Bank. The meeting may be called at any time upon the written request of two members of the Board.

3. Each member of the Board has one vote. The meeting is authorized if more than half members of the Board take part one of whom is the President or Acting President of the National Bank of Georgia.

4. The decision of the Board shall be adopted with the simple majority of members of the Board present at the meeting. Only the member of the Board participating at the meeting shall have

the right to vote. In the event of tie vote, decisive shall be the vote of the President of the National Bank of Georgia, or in the event of his absence, of the Acting President.

5. The Board of the National Bank shall set the rules and procedures of conduction of the meeting of the Board of the National Bank.

6. Meeting of the National Bank shall be conducted at least once per quarter.

7. Meeting of the Board may be also conducted by using the means of electronic communications.

8. The Board may adopt a decision on announcing the meeting closed.

Article 13. Conflict of Interests of the Members of the Board of the National Bank

1. Member of the Board of the National Bank, except for the President and Vice Presidents of the National Bank shall not simultaneously be: a public servant, legal entity's manager, employee of the Georgian financial sector's representative or of a legal entity related thereto.

2. President and Vice Presidents of the National Bank s are public servants.

3. Member of the Board of the National Bank and his/her family members shall not be entitled to be a partner of the Georgian financial sector's representative or of a legal entity related thereto.

Article 14. Further job of the Member of the Board of the National Bank

1. When the term of office of the member of the Board of the National Bank expires or the member is dismissed from the office, the President and Vice Presidents of the National Bank shall not be allowed to work in the Georgian financial sector for 6 months.

2. When the term of office of the member of the Board of the National bank expires or the member is dismissed from the office, the President and Vice Presidents of the National Bank shall retain the official salaries for 6 months.

Article 15. The Powers of the President of the National Bank

1. The President of the National Bank shall:

- a) manage the activity of the National Bank;
- b) represent the National Bank with third persons;
- c) appoint and dismiss the employees of the National Bank;
- d) distribute duties between the President and Vice Presidents of the National Bank, as well as between the employees of the National Bank;
- e) be authorized to attend the meetings of the Government of Georgia without the right to vote;
- f) define the list of staff members and amount of official salaries of employees, as well as the amount of all kinds of additional benefits;
- f¹) define the common rules of correspondence carried out at the National Bank; *(1.07.2011 N5001)*
- g) issue legal acts;
- h) set up councils and advisory bodies (committee, commission);
- i) discharge other duties as provided for under this Organic Law.

2. In the absence of the President of the National Bank his/her duty shall be discharge by one of the Vice Presidents.

Article 16. National Bank's Committee for Financial Sector Supervision

1. President of the National Bank shall on the basis of his/her Order set up the National Bank's Committee for Financial Sector Supervision. Members of the Financial Sector Supervision Committee are the President of the National Bank, competent Vice President, managers of the competent organizational units of the National Bank. Upon the decision of the President of the National Bank the members of the Financial Sector Supervision Committee may be other employees of the National Bank and invited persons.

2. Duty of the Financial Sector Supervision Committee shall be to develop and implement the financial sector supervision and regulation policy.

3. Financial Sector Supervision Committee shall be authorized to:

a) review and develop legal acts concerning the regulation of financial supervision;

b) review the comments of financial sector representatives regarding the measures taken by competent organizational units of the National Bank.

4. The decision of the Financial Sector Supervision Committee shall be provided to the President of the National Bank in a recommendatory form and the National Bank shall issue legal acts based on the final decision of the President.

Article 17. National Bank's Committee for Monetary Policy

1. On the basis of his/her Order the President of the National Bank shall set up the National Bank's Committee for Monetary Policy. Members of the Monetary Policy Committee shall be the President, two Vice Presidents of the National Bank, managers of the competent organizational units of the National Bank. Upon the decision of the President of the National Bank, the members of the Monetary Policy Committee may be other employees of the National Bank and invited persons.

2. The duty of the Monetary Policy Committee shall be to develop and implement monetary-credit and currency policies.

3. The Monetary Policy Committee shall be authorized to:

a) develop country's monetary-credit and currency policies;

b) define the rules of open market and other monetary-credit and currency operations, of issuance and circulation of own securities, of calculation and observance of minimum reserve requirements;

c) set interest rates on National Bank's loan, deposit and other monetary-credit operations except for the final instance loan;

d) define the norms of minimum reserve requirements;

e) perform other duties related to monetary and currency policies.

4. The decision of the Monetary Policy Committee regarding monetary policy shall base upon retaining the inflation target rate in a mid term and achievement of short-term goals which might affect the price stability in a mid term shall not be decisive.

5. The decision of the Monetary Policy Committee shall be provided to the President of the National Bank in a recommendatory form and the National Bank shall issue legal acts on the basis of final decision of the President.

Article 18. Internal Audit Office of the National Bank

1. The Head of the Internal Audit Office of the National Bank shall be appointed and dismissed by the Board of the National Bank with a simple majority of the Board member votes. Head of the Internal Audit Office shall be appointed for the seven year term of office. He or she shall be eligible for reappointment.

2. Head of the Internal Audit Office may resign of which s/he shall give one month's notice to the President of the National Bank.

3. Duties of the Internal Audit Office shall be to:

- a) periodically audit the National Bank's internal control systems and operations
- b) for the purposes of reporting to the Board of the National Bank, draw up the progress report and develop recommendations on budgetary and accounting procedures and internal control systems;
- c) periodically audit the National Bank's financial statements and related documents.

Article 19. Remuneration of the employees of the National Bank

1. The amount of the remuneration of employees of the National Bank shall be commensurate with the level of wages of the Georgian banking system. The amount of remuneration for part-time servants shall be set on the basis of contract.

2. Amount of official wages, additions and other payables to be paid by the National Bank shall not depend on the National Bank's net income.

Article 20. Trade Secret and Conflict of Interests

1. No present or former member of the Board of the National Bank or no employee or auditor of the Georgian Financial Monitoring Office shall be entitled to permit access of an unauthorized person to confidential information, or disclose or publicize such information or use it

for personal gain.

2. The Law of Georgia on the Support of Prevention of Legalization of Illicit Proceeds provides for the rule and conditions of protection of confidential information by the Georgian Financial Monitoring Office.

3. Notices on accounts and/or transactions of Natural and legal entities may be issued only on the basis of court decision.

4. Notices under paragraph 3 of this Article shall be issued to persons who are authorized to implement the acts subject to enforcement under the Law of Georgian on Enforcement Proceedings during their enforcement.

5. Any information existing at the National Bank, for the purposes of monetary policy, statistical and/or financial sector stability, upon the decision of the Board of the National Bank may be deemed confidential for a reasonable period of time. The list of such information, the time frame of restriction and rule of issuance shall be set by the Board of the National Bank.

6. President of the National Bank, Vice Presidents of the National Bank and employees of the organizational units of the National Bank who carry out supervision of financial sector based on this Organic Law, shall not have the right to be employees of financial sector's representative or of a legal entity related thereto, direct or indirect shareholders, members of Supervisory Board or Directorate. If a family member or close relative of an employee of the organizational unit of the National Bank who carries out supervision of financial sector based on this Organic Law, is the holder of more than 10 percent share of a person being supervised and regulated by the National Bank or a person related to such, member of supervisory board or directorate, s/he shall apply in writing to the National Bank in accordance with the rule prescribed by it. Moreover, s/he shall not have the right to participate in the solution of issues related to such person. Employee of the National Bank may not be assigned to supervise the person whose share holder, member of supervisory board or directorate is his/her family member or close relative.

7. Employee of the National Bank shall not have the right to receive any property or benefit by using his/her official capacity from a person being supervised and regulated by the National Bank or from a person related to such person on his own or any other person's behalf with whom s/he has a close relative connection, official or financial relation.

8. A member of the Board of the National Bank, employee of the National Bank, employee of the Georgian Financial Monitoring Office shall, in accordance with the procedure prescribed by it, notify the National Bank about the loan or other material liability of financial sector's representative or his family member, as of a natural person, to the financial sector representative, the total amount of which is more than 10,000 GEL.

Chapter III

Financial Provisions

Article 21. The Capital of the National Bank

1. The capital of the National Bank shall comprise of chartered capital and common reserve fund.
2. The capital of the National Bank is 15,000,000 Laries.
3. Net profit shall be the source of increase of National Bank's chartered capital.

Article 22. National Bank's Common Reserve Fund

1. National Bank's common reserve fund shall be created of annual net profit, to be distributed in accordance with Article 25 of this Organic Law.
2. National Bank's common reserve fund may be used only for covering the National Bank's net loss.
3. With a view to ensuring stability and transparency of financial system, as well as sustainable economic development, the Board of the National Bank of Georgia shall be entitled to take decision on distribution of money from the reserve fund. *(Added on 1.12.2009 N 2186)*

Article 23. National Bank's Special Reserves

1. Upon the decision of the Board of the National Bank, the following may be set up out of the National Bank's net profit:
 - a) reserves for covering the expected loss due to changing national currency rate against other countries' currencies;
 - b) reserve for covering the loss caused by changing asset price;
 - c) other special reserves.
2. Special reserves shall be used for covering the respective loss.

Article 24. Calculation of National Bank's Net Profit

The net profit of the National Bank for each financial year shall be calculated as the sum of unrealised net gains or losses resulting from net operational profit or loss and revaluation. Net operational profit or loss shall be received after deducting from revenues of the reporting year all operating expenditures intended for the main activity.

Article 25. Distribution of the National Bank's Net Profit

If the National Bank has net profit at the completion of financial year it shall be distributed in the following order:

a) if net profit consists of unrealised net profit resulting from net operational profit and revaluation, the unrealised profit resulting from revaluation shall be transferred to the respective special reserve of revaluation. If net profit includes unrealised loss of revaluation it shall be compensated from the revaluation reserve account. If net profit consists of unrealised net profit resulting from net operational loss and revaluation, net profit shall be transferred to the respective special reserve of revaluation;

b) with the remaining amount of net profit shall be filled the National Bank's common reserve fund until its volume makes up 15 % of the amount of reserve fund available at the end of respective financial year. The Board of the National Bank of Georgia shall be entitled to take decision to fill the National Bank's common reserve fund until the amount is less than 15 % of the amount of reserve fund available at the end of respective financial year. (*Amended on 1.12.2009 N 2186*)

c) the remaining net profit of the financial year shall be wired to the account of Ministry of Finance of Georgia within 6 months after completion of National Bank's financial year.

Article 26. Distribution of National Bank's Net Loss

1. If the National Bank incurs net loss in any financial year, it shall be distributed as follows:

a) if net loss consists of unrealised net loss resulting from net operational loss and

revaluation, the amount of net operational loss shall be assessed to common reserve fund and the amount of unrealised loss resulting from revaluation shall be distributed to the revaluation reserve accounts. If after the distribution of this kind the revaluation reserve accounts become negative, the negative balance shall be distributed to the common reserve fund;

b) if net loss consists of the sum of net operational profit and greater unrealised net revaluation loss, the revaluation loss shall be compensated from the revaluation reserve accounts. The remaining loss shall be distributed to the common reserve fund;

c) if net loss consists of net operational loss and net unrealised profit of revaluation, the loss shall be assessed to common reserve fund;

d) if after the distribution of such kind the capital of National Bank becomes less than the chartered capital, in order to cover the deficit (to fill the chartered capital of the National Bank) the Ministry of Finance shall transfer into the ownership of the National Bank the circulating (market) government debt liabilities in bearer form on terms and conditions similar to those of other government securities.

2. The Ministry of Finance of Georgia shall issue the securities under paragraph 1.d of this Article unconditionally within 5 months after the completion of National Bank's financial year. After the issuance these securities shall be reflected in the state budget of Georgia.

Chapter IV

National Bank's Monetary-Credit Duties and Operations

Article 27. National Bank's Own Securities

For the purposes of implementation of monetary credit policy the National Bank shall be authorized to issue its own securities in accordance with the rule and conditions set by it.

Article 28. Operations on Open Market

When implementing monetary-credit policy the National Bank shall be authorized to carry out operations on open market with government securities and securities issued by the National Bank by way of direct purchase or sale or under the condition of their further alienation or repurchase (repo and reverse repo transactions).

Article 29. Minimum Reserve Requirements

1. The National Bank shall be authorized to set for commercial banks and non-banking depository institutions the minimum reserve requirements to be defined as percentage to the attracted funds and upon the National Bank's decision may be subjected to maintenance with the National Bank in a mandatory manner.

2. The norms of minimum reserve requirements, the rule for their calculation and observance, as well as sanctions for their violation shall be set by the National Bank. Monetary penalty imposed in the form of sanction for violation of the norms of minimum reserve requirements shall be transferred to the state Budget of Georgia.

3. If minimum reserve requirements are placed with the National Bank, it may adopt a decision on payment of interests on the amount of minimum reserve requirements

Article 30. National Bank's Discount Operations

1. The National Bank shall be authorized, by way of purchase of Georgian government's and National Bank's securities, to carry out discount operations with commercial banks and non-bank depository institutions under the rule and conditions set by it.

2. The National Bank shall be authorized to alienate securities purchased by discount operation at its own discretion.

Article 31. Loan and Deposit Operation of the National Bank (*Amended on 23.03.2010 N2828*)

1. In accordance with the rules and conditions set by it the National Bank may issue secured loans to commercial banks and non-bank depository institutions that have accounts opened at the National Bank.

2. The Board of the National Bank shall approve the list of assets that may be secured for the credit insurance.

3. National Bank shall be authorized to accept deposits in accordance with the rules and conditions set by it.

Article 32. Accounts of Commercial Banks and Non-Bank Depository Institutions with the National Bank

The National Bank shall be authorized to have the accounts of commercial banks and non-bank depository institutions and accept deposits from them pursuant to the rules and conditions set by it.

Article 33. Last Instance Creditor

1. Except for the loans permitted under Article 31 of this Organic Law, the National Bank shall have the right to issue last instance loan to a commercial bank.

2. The term of last instance loan under paragraph 1 of this Article shall not be longer than 3 months, interest rate shall not be less than interest rate set for one-day loan by the National Bank and shall be secured by assets under Article 31 of this Organic Law. (*Amended on 23.03.2010 N2828*)

3. In emergencies, where country's financial system may be threatened, the decision of the Board of the National Bank may permit issuance of loan for longer term, with different interest rate and without security.

4. The Board of the National Bank shall set the rules and conditions of issuance of last instance loan commensurate with this Organic Law.

Article 33¹. Informational support of execution of monetary and statistical functions of the National Bank

1. For the purposes of informational support of execution of monetary and statistical functions of the National Bank, the latter is authorized to request from representatives of the financial sector to submit statistical and accounting reports necessary for compilation of monetary, financial and external sectors statistics.

2. The National Bank is authorized to request from financial institutions, the confidential information exclusively for execution of statistical functions. (*1.07.2011 N5001*)

Chapter V

Means of Payment

Article 34. Monetary Unit

1. The monetary unit of Georgia shall be the "Lari". Lari consists of one hundred "Tetri"
2. The "Lari" shall be the only legal tender on the territory of Georgia, except for free industrial zones, free trade points and/or cases defined by the National Bank. *(1.07.2011 N5001)*
3. The Lari banknotes and coins realized or issued for circulation by the National Bank, shall be the National Bank's unconditional liability with face value, except the Lari banknotes and coins which have been withdrawn from circulation and/or appertain to the numismatic value. *(1.07.2011 N5001)*

Article 35. Issuance

1. Only the National Bank shall have the right to manufacture Lari banknotes and coins intended for circulation, collection or/and for other purposes and issue them throughout the territory of Georgia. Only the National Bank is a holder of the copyright on Lari banknotes and coins. *(Amended on 23.03.2010 N2828)*
2. The Board of the National Bank shall define the face value, measures, weights, volume, designs, materials and other features of Lari banknotes and coins.
3. In the event when the design and material of present face value Lari banknote and coin, and/or the year indicated on it is changed, or new face value of Lari is introduced, they shall be put into circulation upon the decision of the Board of the National Bank.
4. Issuance of Lari banknotes and coins for covering the Georgian state budget deficit shall be prohibited.
5. The National Bank shall have the right to realize Lari banknotes and coins as well as numismatic valuables both inside and outside the country. *(Amended on 23.03.2010 N2828)*
6. The Board of the National Bank shall determine the rules of manufacturing and realization of Lari banknotes and coins. *(Amended on 23.03.2010 N2828)*
7. The Board of the National Bank shall determine the criteria of determination of authenticity of Lari banknotes and coins and the rules of their acceptance and replacement.

Article 36. Maintenance and Destruction of Banknotes and other Valuables

1. The National Bank shall ensure reliable maintenance of original material and other valuables necessary for manufacturing of banknotes as well as Lari banknotes and coins and of other valuables.

2. Only the National Bank shall ensure destruction of Lari banknotes and coins and original material needed for their manufacturing.

3. The rule of destruction or further use of Lari banknotes and coins shall be set by the Board of the National Bank.

Article 37. Withdrawal from Circulation and Replacement of Lari Banknotes and Coins

1. The National Bank shall have the right to withdraw from circulation and replace the issued Lari banknotes and coins.

2. The rule on withdrawal from circulation and replacement of Lari banknotes and coins shall be established by the Board of the National Bank.

3. As soon as the term of replacement of Lari banknotes and coins set by the Board of the National Bank expires, legal tender of Lari banknotes and coins to be replaced shall become ineffective.

Article 38. Stock of Banknotes and Issue Plan

The National Bank shall be the immediate controller of stock of cash, shall determine the plan of its issuance, provide the Georgian economy with Lari banknotes and coins.

Article 39. Forged Banknotes and Reproduction of Banknotes

1. Forging of banknotes shall be prohibited and punishable under the law.

2. Forged banknotes shall be withdrawn from circulation and not compensated.

3. The Board of the National Bank shall set the rule of taking actions against the detected forged banknotes on the territory of Georgia.

4. National Bank shall be the key expert in establishment of authenticity of Lari banknotes

and coins and expert of foreign currency banknotes and coins on the territory of Georgia.

5. Lari banknotes and coins may be reproduced on the territory of Georgia only in accordance with the rule set by the Board of the National Bank.

Chapter VI

International Reserves

Article 40. Official International Reserves

1. The National Bank owns, maintains and manages the official international reserves which may consist of the following assets:

- a) monetary gold;
- b) foreign currency in the form of coins and banknotes;
- c) bank balances held abroad in foreign currencies;
- d) special drawing rights of International Monetary Funds (SDR) and reserve position in the Monetary Fund;
- e) bills of exchange and promissory notes, denominated and payable in foreign currencies;
- f) debt liabilities issued by foreign countries, central banks, international financial organizations and private companies;
- g) financial instruments and agreements on purchase of securities denominated and payable, effectuated in foreign currency under the condition of their further alienation (reverse repo transactions);
- h) any other universally recognized international reserve funds .

2. For the purposes of performing the tasks of managing the official international reserves, the National Bank shall be authorized to borrow foreign currency on its own behalf, for the term of up to one year, to be secured by the assets in the international reserves or to enter into agreements on alienation/lending of securities under the condition of its further repurchase (repo transactions).

Chapter VII

Relations of National Bank with other State Authorities

Article 41. The Banker and Fiscal Agent

1. The National Bank shall perform the role of banker and fiscal agent of the Government of Georgia.

2. The National Bank shall be obliged to render advisory support to the President of Georgia and Government of Georgia on all issues related to the activity of National Bank or falling within the scope of its competence.

Article 42. Consultations on the Draft state Budget of Georgia

1. Before submitting the draft state budget of Georgia or draft changes to the state budget of Georgia to the Parliament of Georgia, the Minister of Finance of Georgia consults with the President of the Bank on main parameters of the state budget of Georgia covering:

- a) the volume and structure of aggregate revenues;
- b) the volume and structure of surplus state budget of Georgia;
- c) changing financial assets;
- d) structure of expenses of the state budget of Georgia.

2. The consultations shall necessarily take into account the information on the plans on receipt of domestic and foreign loans for government sector for the next financial year including on issues of agreement on the volume of credit funds, their acceptance and distribution and expected conditions of loans. The central and local self-government bodies of Georgia shall notify the National Bank about the assumed debt liabilities.

3. After consultations the President of the National Bank shall send to the Parliament of Georgia and the Government of Georgia the opinion on the main parameters of the state budget of Georgia.

Article 43. Depositor's Duties

1. National Bank shall accept the deposits of Treasury Office of the Ministry of Finance of Georgia. As a depositor the National Bank shall receive and issue monetary funds, keep register of and effectuate other financial service related thereto. On the basis of payment documents the National Bank shall issue the amount within the limits of the amount deposited on these accounts. The National Bank may adopt a decision on payment of interests as per such deposits.

2. National Bank may permit other financial institutions to accept such deposits commensurate with the conditions set by it.

Article 44. Duties of the Financial Agent

National Bank may itself perform the role of financial agent of state institutions on the following issues:

a) realization of debt liabilities issued thereby, including performance of transfer agent's or other necessary administrative duties

b) issuance of principal amounts and interests, effectuation of other payments as per securities;

c) performance of payment transactions from their accounts;

d) other issues commensurate with the National Bank's duties.

Article 45. Information to be supplied to the National Bank

The National Bank shall be authorized to require and receive from state institutions and any other person all statistical, accounting and other information (including confidential) necessary for discharging the duties imposed thereon.

Article 46. National Bank's Right to Financial Assistance

1. The National Bank shall not financially assist the Government of Georgia and state institutions except in the case of paying of dividends out under Article 25 of this Organic Law. National Bank, in the purposes of monetary-credit policy, shall purchase government securities only on secondary market.

2. The National Bank of Georgia shall have the right to purchase government securities on primary market only in exchange for securities already existing in its portfolio unless their payment day coincides with the date of issuance of new securities. They shall be purchased at average weighted price identified at the auction. The volume of securities purchased by the National Bank in each auction shall be the additional issuance of securities offered for sale on auction and shall not exceed 20% of total volume of securities sold at this auction.

Chapter VIII

Supervision of Financial Sector

Article 47. The Goals and Objective of the National Bank in terms of Supervision over the Financial Sector

The National Bank's objective shall be to support financial sustainability and transparency of financial sector, protect customers' and investor's rights. To this end, the National Bank shall support stable and effective functioning of the financial system, control of systemic risk, establishment of competitive environment, reduction of potential risks.

Article 48. National Bank's Power in terms of Supervision over the Financial Sector

1. The National Bank shall be granted a full authority to supervise the operation of commercial banks, non-bank depository institutions, microfinance organizations, insurance undertakings, reinsurance undertakings, founder of non-state pension schemes, securities independent registrars, brokerage companies, stock exchange, central depository, specialized depository, assets managing companies and accountable companies on the basis of this Organic Law and Georgian legislation.

2. For the purposes of supporting the prevention of legalization of illicit proceeds and circulation of forged money the National Bank shall be authorized to regulate money transfer agents and currency exchange points by way of registering, auditing them and setting minimum requirements for them.

3. For effectuation of supervisory duties the National Bank shall be authorized to issue relevant decrees, orders, effectuate relevant measures and impose relevant sanctions.

Article 49. Supervision of Commercial Banks and Non-Bank Depository Institutions

1. The National Bank shall be authorized to:

a) supervise the operation of commercial bank and non-bank depository institution. It covers: issuance and revocation of licenses, audit and regulation, imposition of restrictions and sanctions;

b) require and receive information on source of origination of commercial bank's capital and direct and beneficiary owners of its significant share;

c) supervise and audit commercial bank and non-bank depository institution, audit their subsidiaries, audit the accounting documents, components of financial statements and other material and receive any information from them within the scope of their competence. In the case of detection of signs of crime after the audit the material shall be handed over to competent authorities;

d) increase the required reserves of commercial bank and non-bank depository institution, to terminate their active operations, to prohibit distribution of profit, assessment and payment of dividends, to prohibit increases in the remuneration or the payment of bonuses and similar compensations, to require the injection of additional capital and to increase required reserves on possible losses from assets and contingent liabilities

e) suspend the commercial bank's and non-bank depository institution's administrator's right to signature; impose money penalties on them and require their dismissal from the office; require the commercial bank and non-bank depository institution to pay money penalty; revoke the relevant license of the commercial bank and non-bank depository institution;

f) stipulate the rules of issuance and revocation of the relevant license for the commercial bank and non-bank depository institution in the normative act, set the amount and rule of imposition of money penalty. The amount of money penalty shall be transferred to the state budget of Georgia;

g) exempt the commercial bank and non-bank depository institution for a certain period of time and/or under certain conditions from the norms set by the National Bank;

h) set up and manage a temporary bank which effectuates its activity pursuant to the Law of Georgia on the Activity of Commercial Banks;

i) through temporary administrator or liquidator support transfer of insolvent commercial bank's assets and liabilities or their part in accordance with the rule and conditions set by it.

j) in emergencies, for the purposes of stable functioning of the financial system,

immediately take appropriate measure for commercial banks: setting holidays in addition to public holidays under the Labour Code of Georgia, announcing holidays, envisaged by the Labour Code of Georgia, as being banking days; setting for commercial banks of certain restrictions and/or exemptions from restrictions, other action necessary for maintaining the sustainability of financial system. (1.07.2011 N5001)

2. Liquidator and temporary administrator of commercial bank and non-bank depository institution shall be appointed by the National Bank and they shall be accountable before the National Bank. Full authority of all bodies (including the general council of shareholders) of commercial bank and non-bank depository institution shall be handed over to the liquidator and temporary administrator.

3. The National Bank shall be authorized to set for commercial bank and non-bank depository institution the amount of minimum capital and the rule of its calculation.

4. No one shall have the right to accept deposits and issue loans by using them without holding the license to be issued by the National Bank.

5. Commercial bank and non-bank depository institution may be announced insolvent and bankrupt only upon National Bank's decision commensurate with the rule set by the National Bank.

6. National Bank shall audit international financial company commensurate with the special rule set by it, only to audit the performance of restrictions that are set under the Georgian legislation for international financial companies.

Article 50. Supervision over Microfinance Organizations, Money Transfer Agents and Currency Exchange Points

1. The National Bank shall supervise the microfinance organizations by registering, them, revoking their registration, auditing them and imposing sanctions on them.

2. The National Bank shall supervise the money transfer agents and currency exchange points only by preventing circulation of forged money and, for the purposes of the Law of Georgia on the Support of Prevention of Legalization of Illicit Proceeds, registering them, revoking their registration, auditing them and setting minimum requirements and sanctions to them.

3. The rule of registration and revocation of registration by the National Bank, the amount of monetary penalty and the rule of its imposition shall be defined under the National Bank's normative act. The amount of monetary penalty shall be wired to the state budget of Georgia.

Article 51. Insurance Market Supervision

The National Bank shall be authorized to:

- a) issue and revoke license for undertaking insurance activity;
- b) register and revoke registration of non-state pension scheme founder, register and revoke registration of pension schemes, register and revoke registration of insurance broker commensurate with the rule established by it;
- c) supervise and audit the observance of the requirements of normative and methodological documentations by insurer/non-state pension scheme founder, audit accounting documents, components of financial statements and other material for which it may require the insurer to give any information within the scope of its competence;
- d) set minimum capital amount and rule of its calculation for insurer/non-state pension scheme founder;
- e) maintain register of insurers/non-state pension scheme founders, create methodological and recommendatory documentation on issues related to insurance/non-state pension schemes;
- f) to withhold insurer's administrator's right to signature and to apply to the insurer's supervisory board/general council on his/her temporary dismissal or dismissal from the office; withhold or restrict distribution of profit, paying out of dividends and material incentives and assumption of new commitments; in emergencies where the interests of insured and policy holder is threatened, withhold its right to exercise certain operations, revoke its license to undertake insurance activity;
- g) set sanctions including monetary penalties to insurers/non-state pension scheme founders the amount and rule of imposition of which shall be defined under the National Bank's normative act. The amount of monetary penalty shall be wired to the state budget of Georgia;
- h) exempt the insurer for a certain period of time and/or under certain conditions from the norms set by the National Bank;
- i) liquidate and run bankruptcy proceedings of the insurer commensurate with the norms set by the Law of Georgia on Insurance, other laws and the rules set by it;
- j) appoint insurer's temporary administrator, liquidator and bankruptcy manager who shall be accountable before the National Bank;
- k) through insurer's temporary administrator, liquidator and/or bankruptcy manager support

transfer of insolvent insurer's assets and liabilities (including the insurance portfolio) or their part in accordance with the rule and conditions set by it.

Article 52. Supervision of Securities Market

The National Bank shall be authorized to:

- a) regulate the relations arising from issuance and circulation of securities by issuers; ensure detection, avoidance and prevention of incompliances in the field of issuance and circulation of securities
- b) issue and revoke the licenses of regulated players of securities market;
- c) set minimum capital requirements for the regulated players of securities market;
- d) approve issuance prospect;
- e) monitor, audit and research the regulated players of securities market;
- f) commensurate with the Georgian legislation, adopt, amend and cancel the rules of regulation of securities market and supervise over their performance;
- g) set sanctions for regulated players of securities market including monetary. The amount of monetary penalty and rule of imposition shall be determined under the National Bank's normative act. The amount of monetary penalty shall be wired to the state budget of Georgia.

Chapter IX

Financial Monitoring Office of Georgia

Article 53. Financial Monitoring Office of Georgia

1. To support the prevention of legalization of illicit proceeds, the legal entity of public law – the Georgian Financial Monitoring Office (hereinafter the Monitoring Office) – shall be established at the National Bank.

2. The Georgian Financial Monitoring Office shall be an independent authority and shall not subordinate to any agency or officer in its activities. The Office shall conduct its activities commensurate with the Constitution of Georgia, international treaties and agreements, this Organic

Law, Law of Georgia on the Legal Entity of Public Law, Law of Georgia on the Support of Prevention of Legalization of Illicit Proceeds, and other normative acts and Regulation of the Monitoring Office.

3. Within the scope of its competence the Monitoring Office shall represent Georgia at international meetings, in all councils and organizations.

4. The Monitoring Office shall have an independent balance sheet, bank account, the seal bearing the state emblem and its name.

5. The Monitoring Office shall be accountable before the President of Georgia.

6. The Monitoring Office shall submit to the President of Georgia the annual progress report.

Article 54. The Head of the Monitoring Office

1. The Monitoring Office shall be headed by the Head of the Monitoring Office who as agreed with the Board of the National Bank shall be appointed for the 4 year term of office and dismissed by the President of Georgia.

2. Preterm dismissal of the Head of Monitoring Office may take place in the following cases:

a) personal application;

b) committal of considerable misdemeanour at work;

c) failure to discharge his/her duties due to health or due to incapacity or limited capacity as found by the court;

d) termination of Georgian citizenship;

e) upon entry into effect of a sentence of conviction of a crime.

3. Head of the Monitoring Office shall issue normative act – an order.

Article 55. Management and Budget of the Monitoring Office

1. The duties of the Monitoring Office, the issues related to its management, structure, accountability, representation and control shall be regulated under this Organic Law, other

legislative acts and the regulation of Monitoring Office to be approved by the President of Georgia upon submission of the Head of Monitoring Office.

2. The list of staff and amount of official wages of employees of the Monitoring Office shall be approved by the President of Georgia upon submission of the Head of Monitoring Office.

3. The amount of remuneration of employees of the Monitoring Office shall be commensurate with the level of remuneration of the Georgian banking system. The amount of remuneration of part-time employees shall be set on the basis of the contract.

4. In order to exercise the authorities under the Georgian legislation the National Bank shall ensure the Monitoring Office with necessary buildings, facilities, funds and other property.

5. Upon the submission of the Head of the Monitoring Office, the budget of the Monitoring Office shall be approved on annual basis by the Board of the National Bank. Operating costs of the Monitoring Office shall not be less than the financing approved in the previous year. Operating costs of the Monitoring Office may be reduced compared to the previous year's financing only under preliminary consent of the Head of the Monitoring Office. Unless the Board of the National Bank approves the budget of the Monitoring Office, the Monitoring Office shall be financed in the amount of financing approved for the Monitoring Office in the previous year.

Chapter X

National Bank's Reports, Financial Reporting, Audit and General Reporting

Article 56. National Bank's Financial Year

Financial year of the National Bank shall commence on the first day of January and end on the last day of December.

Article 57. Maintenance of Accounting

The National Bank shall maintain its reporting, operations and other documentation necessary for describing its financial standing commensurate with the international accounting standards and international financial reporting standards.

Article 58. National Bank's Financial Reporting

The National Bank shall draw up financial statement for each financial year. Reporting covers the balance, profit and loss statement, report on changing own capital, report on cash flow and explanatory comments related thereto.

Article 59. Audit of National Bank's Reporting

1. National Bank's reporting shall be audited by independent auditing firm appointed by the Parliament of Georgia.

2. For the purposes of audit of National Bank's reporting, no later than 1 October after completion of audit the competent committee of the Parliament of Georgia shall submit to the Parliament of Georgia the world's four largest audit firms and through tender or competition the Parliament of Georgia shall select one of them from this list. Contract shall be signed with external audit for at least two and maximum four years.

3. Chamber of Control of Georgia shall audit only administrative and capital expenses of the National Bank and Monitoring Office.

Article 60. Submission and Publication of National Bank's Balance Sheet and Documents

1. The National Bank shall prepare and as soon as possible, no later than within 10 working days submit to the Parliament of Georgia and publish non-audited balance sheet as of the last working day of the reporting month.

2. Within no later than 4 months after completion of financial year the National Bank shall publish and submit for approval to the Parliament of Georgia the previous month's audited financial statement and the report under Article 61 of this Organic Law.

3. Besides the financial statements and documents under paragraphs 1 and 2 of this Article, the National Bank may publish other reports and surveys on financial and economic issues which it considers reasonable to publish.

Article 61. Determination and Reporting of Basic Directions of Monetary-Credit and Currency Policies

1. National Bank shall independently set target indicators of inflation.

2. No later than 1 October of each year the National Bank shall submit to the Parliament of Georgia the draft of basic directions of monetary-credit and currency policies for future three years.

3. By the end of ongoing year the Parliament of Georgia shall approve the basic directions of monetary-credit and currency policies.

4. Unless the Parliament of Georgia approves the draft of basic directions of monetary-credit and currency policies for the National Bank of Georgia, the National Bank shall act within the framework of the draft developed thereby.

5. The draft of basic directions of monetary-credit and currency policies shall contain target indicator of inflation, key instruments of monetary policy to be used by the National Bank for achievement of targeted inflation and overview of potential risks.

6. On annual basis within no later than 4 months after completion of financial year, the National Bank shall submit to the Parliament of Georgia the report on the progress of monetary-credit, currency and supervision policies. The Parliament of Georgia shall approve the report submitted.

Article 62. Agreements on Clearing and Payments

The National Bank shall be authorized to enter into agreements on clearing and payment or any other contract for the same reason with foreign country's public and private central clearing institutions both on its behalf and on behalf of and as assigned by Georgia.

Article 63. The Mechanism of Clearing, Cashless Settlement and Payments System

The National Bank shall be authorized to issue at its own discretion the legal acts regulating clearing, cashless settlement activity and payments systems, set the relevant rules and requirements, organize creation and implementation of payments systems in the country, manage and ensure servicing and administration of these systems, assist other banks in creation of payment systems, supervise payment systems applied in Georgia.

Chapter XI

Additional Rights and General Prohibitions of the National Bank

Article 64. National Bank's Preferential and Unconditional Right

1. The National Bank shall have the preferential and unconditional right to satisfy each of its claims from the funds, cash balances available at debtor's accounts, or from tangible assets owned by the debtor at the time that any such claim becomes due and payable. This rule shall not apply to funds held with the National Bank as required reserves.

2. The National Bank may exercise a preferential right by setting off against cash balances on its books and by selling other assets at auction to reimburse itself for the debt out of the proceeds thereof after first deducting the costs associated with the sale. The rules for conducting auctions shall be set by the National Bank. If any such auction is declared failed, the National Bank is empowered to satisfy its claim by directly obtaining title to the property. The competent authorities shall be obliged to provide the National Bank with all relevant documentation proving its title to such property.

3. Upon the decision of the Board of the National Bank these powers may not be applied against a commercial bank under liquidation or temporary administration.

Article 65. Activity Prohibited to the National Bank

1. Except for the cases directly provided for under this Organic Law, the National Bank shall be prohibited to:

a) render financial assistance, including in the form of a direct loan or grant loan or a contingent commitment, or by purchasing a loan, loan participation or another instrument of indebtedness, or through the assumption of a debt or a contingent liability;

b) be engaged in commercial activity, purchase shares;

c) acquire by purchase, lease, or otherwise any full or partial right to immovable property, unless it is necessary or expedient to use the buildings for administrative activity and conduct of operations, or for other circumstances related to the performance of the tasks under this Organic Law;

d) issue loan to Government of Georgia and public institutions.

Article 66. Exclusive Powers of the National Bank

The National Bank shall be authorized to:

- a) issue loans to, or acquire the right to ownership of share or otherwise participate in the activity of any organization whose operation is related to discharge of the National Bank's own duties and tasks;
- b) define the list of employees of the National Bank's system who have the right to carry firearm pursuant to the rule prescribed by the law.
- c) Ensure manufacturing, procurement and realization of golden bars. (*Added on 23.03.2010 N2828*)
- d) Ensure manufacturing, purchase and realisation of subjects necessary for popularisation of the national currency. (*1.07.2011 N5001*)

Article 67. Regulatory Provisions

1. In discharging its duties the National Bank shall enjoy the autonomous (independent) right to regulate. The National Bank shall maintain the public register of normative acts, directives and instructions.
2. Formats and standards set for electronic settlement accounts and informational security, approved by the National Bank under the appropriate rule shall be individually provided to commercial bank and non-bank depository institution and shall come into force as of the date set by the National Bank.
3. The National Bank shall send draft normative acts to the Ministry of Justice for legal expertise unless there is a need for a particular normative act to immediately take effect.
4. The need for immediate enactment of a normative act shall be determined by an adopting (issuing) body (official). Normative act adopted by the National Bank shall be immediately, but no later than the following business day submitted to the Ministry of Justice to be granted state registration codes. Normative act of immediate enactment shall become effective as of the date set in the normative act.
5. In the case of application of the norm of immediate enactment of a normative act this normative act shall indicate in a separate Article the reasons for immediate enactment of the act concerned.

Article 68. Standards of Administration

1. The National Bank shall use the powers granted to it under this Organic Law on the basis of the principles of equality and impartiality and in accordance with applied standards of administration.

2. The National Bank shall refrain from using above powers for achieving the goal which is not commensurate with these powers, or exercise its rights to the extent which exceeds the measures required to achieve the respective legitimate goal.

3. For the purposes of fulfilling the provisions of this Organic Law the decisions of the National Bank shall be subject to the principles of impartiality and shall be motivated only by objective and rational considerations. All decisions shall be implemented in compliance with legal standards and shall serve the objectives set.

4. In the event where there is litigation brought to oppose individual administrative law act of the National Bank the burden of proof lies with the plaintiff pursuant to Article 17.2 of the Administrative Procedures Code of Georgia.

5. In the event that there is litigation brought to oppose an administrative act of the National Bank the bringing of such litigation shall not suspend the effect of such administrative act until the final decision is made, unless otherwise decided by the National Bank.

6. No employee of the National Bank shall be personally liable to any party for any action done or not done as long as such action was done or refrained from in good faith by such person and in the ordinary course of his or her duties in accordance with the Georgian legislation.

7. The President, a Vice-President or an employee of the National Bank authorized by the President or Vice- President, or in emergency cases, another person shall represent the National Bank in courts, other bodies or persons

Chapter XII

Transitional and Final Provisions

Article 69. Government of Georgia's Indebtedness to the National Bank of Georgia

Indebtedness (credits obtained and reregistered debt liabilities) of the Government of Georgia to the National Bank of Georgia which is the public domestic debt, shall be covered before 16 March 2030 on the basis of the agreement signed between the Government of Georgia and National Bank

of Georgia in the manner which allows on annual basis to reregister one part of the debt as a yearly, annually updatable public debt liability – government bond intended for the National Bank of Georgia, and to reregister another part as government bonds of various terms for open market operations which shall be covered from the respective years' state budgets of Georgia.

Article 70. Transitional Provisions

1. The Legal Entity of Public Law Georgian Financial Supervision Agency set up at the NBG shall be liquidated on December 1 2009.

2. National Bank of Georgia shall be reorganized.

3. Reorganized organizational units of NBG shall exercise the powers of Georgian Financial Supervision Agency.

4. NBG is the legal successor of the Georgian Financial Supervision Agency.

5. Buildings, equipment and other property registered on the balance sheet of the Georgian Financial Supervision Agency shall be transferred to the NBG.

6. Normative acts regulating Georgian financial sector shall remain legally valid before issuance of new normative acts by the NBG.

7. Licenses, permits issued and registrations made in regard to the activity of financial sector that have not be revoked shall remain legally valid.

8. Upon entry of this Organic Law into effect:

a) NBG shall ensure compliance of the legal acts falling within its competence with this Organic Law;

b) Government of Georgia shall ensure compliance of the Georgian legislation with this Organic Law.

9. Article 25 of this Organic Law shall not apply to distribution of net profit of 2008 financial year of the National Bank to be disposed of in accordance with the legislation applicable in 2008.

Article 71. Enactment of the Law

1. This Organic Law, except the Articles 1-69 Articles, paragraphs 3-8 of Article 70 shall enter into effect upon its publication.

2. Articles 1-69, paragraphs 3-8 of Article 70 of this Organic Law shall enter into effect from December 1 2009

3. Organic Law of Georgia on the National Bank of Georgia dated 23 June 1995 (Official Gazette “Parliamentis Utskebani, 1994-1995, NN27-30, Art. 642)) shall be made invalid from 1 December 2009

President of Georgia

Michael Saakashvili

Tbilisi

24 September 2009

N 1676 – IIS