
1. The purpose of this regulation shall be to identify the issues with regard to determining and imposing pecuniary penalties by the National Bank of Georgia (hereafter referred to as NBG) on commercial banks (hereafter the bank).

2. NBG shall be authorized to use the pecuniary penalties set forth under this Regulation against commercial banks provided that the bank or any administrator or controlling person of the bank:
   a. violates the standard, instruction, regulation, procedures, rules, resolutions, requirements and written instructions of NBG as considered under Article 2 of this Regulation;
   b. violates any condition or restriction, which is attached to the banking license or the respective regulation of NBG;
   c. violates time frames established for presenting financial statements, or presents incorrect statements and other inaccurate information thereof;
   d. violates the requirements of the Financial Monitoring Service (hereafter FMS) set forth in accordance with the Law of Georgia on “Facilitating the Prevention of Illicit Income Legalization”;

3. NBG shall issue an individual administrative-legal act on imposition of pecuniary penalties on the banks. The administrative-legal act shall be issued in the form of a decree of President or Vice President of NBG, which shall define the procedure of its implementation.

4. The individual administrative-legal act issued by NBG on imposition of pecuniary penalties on the banks shall become effective from the moment the banks become familiar with it.

5. Pecuniary penalties paid by the bank shall be transferred to NBG income.
Article 2. Amount of Pecuniary Penalty

1. When carrying out activities other than permitted under the applicable legislation by the bank it shall be penalized at the amount of 0.1% of the regulatory capital existed as of the latest statement at the moment of revealing the violation.

2. When carrying out banking operations by the bank (the bank’s branch or other structural unit) without the NBG permission the bank shall be penalized at 0.1% of the regulatory capital existed as of the latest statement at the moment of revealing the violation.

3. In the event the bank carries out transactions prohibited under directives, regulations, procedures, rules, resolutions, requirements and written instructions of NBG, the bank shall be penalized at the amount of 0.1% of the regulatory capital existed at the moment of revealing the fact of carrying out the transaction.

4. In the event the bank does not carry out an annual independent audit according to the procedure set by NBG and/or does not submit the respective audit report to NBG within the set time frames, the bank shall be penalized at the amount of GEL 10,000 (ten thousand).

5. In the event the bank does not comply with the requirements set forth under the NBG Regulation on Transparency of Financial Condition, the bank shall be penalized at the following amount:

   a) in each case of non-publishing quarterly and audited annual financial statements according to the set form and/or within the set time frame in the press - at the amount of GEL 1000 (one thousand);

   b) in the event the bank does not submit the information about publishing the bank’s quarterly and audited annual financial statements, and an electronic version of the published quarterly and audited annual financial statements to the National Bank of Georgia within the set time frame - at the amount of GEL 500 (five hundred) on each fact of violation

6. For incompliance with the following requirements set under the directives, regulations, rules, resolutions, requirements and written instructions of NBG, the bank shall be penalized at the following amount:

   a) In the event of non-submitting financial statements, other financial and statistic information to the NBG according to the set form and within the set time frames - at the amount of GEL 1,000 (one thousand) on each fact of violation;

   b) in the event of submitting incorrect information to NBG, at the amount of GEL 1,000 (one thousand) on each fact of violation;

   c) in the event of violating reporting and accounting rules, at the amount of GEL 1,000 (one thousand) on each fact of violation;

   d) in the event of non-recording the bank’s liabilities (on-balance sheet and off-balance sheet), at the amount of GEL 5,000 (five thousand) on each fact of violation;
e) in the event of incorrect calculation of set prudential standards and limits presented to NBG, at the amount of GEL 1,000 (one thousand) on each fact of violation;

f) in the event of violating the bank’s consolidated overall open foreign exchange position limit – at the amount of 0.1% of the sum in access of the set limit on each day of violation;

g) in the event of violating on balance sheet overall open foreign exchange position limit – at the amount of 0.1% of the sum in access of the set limit on each day of violation;

h) in the event of simultaneous violation of the on balance sheet and consolidated overall open foreign exchange position limits – at the amount of 0.1% of the highest amount in access of the set limit on each day of violation.

7. The bank shall be penalized for non-submission of the following documentation required under NBG directives, regulations, rules, procedures, resolutions and written instructions at the following amount:

a) in each case of non-submitting minutes of the General meeting of Shareholders, meetings of the Supervisory Council and Audit Committee of the bank within the set time frames - at the amount of GEL 1,000 (one thousand);

b) in each case of non-submitting the bank’s business register, charter, the registration documents of the bank’s branches as well as the documents confirming introduction of changes thereto within the set period of time - at the amount of GEL 1,000 (one thousand);

c) in each case of non-submitting financial and legal documents with regard to the bank’s shareholders within the set period of time - at the amount of GEL 1,000 (one thousand);

d) in each case of non-submitting documents with regard to the bank’s administrators within the set period of time - at the amount of GEL 1,000 (one thousand);

e) in each case of non-submitting documents with regard to the bank and any other information with regard to banking activity within the set period of time - at the amount of GEL 1,000 (one thousand).

8. The bank shall be penalized for incompliance with the following requirements set under the Law of Georgia on “Facilitating the Prevention of Illicit Income Legalization” and the normative act and written instructions issued by FMS of Georgia pursuant to the above-noted law at the following amount:

a) in the event of revealing non-submission or/and incompliance with the set time frame -delayed submission of the information on transactions subject to monitoring to FMS of Georgia by the date established under the NBG order on the bank’s inspection, for each fact of the violation:

  - up to 30 days delay – at the amount of GEL 100 (one hundred);
  - 30 days and more delay – at the amount of GEL 300 (three hundred).”
b) in the event of revealing non-submission of the information on transactions subject to monitoring to FMS of Georgia by the date established under the NBG order on the bank’s inspection - at the amount of GEL 5,000 (five thousand) for each fact of the violation;

c) in the event of revealing a fact of rendering banking services to any person without identification - at the amount of GEL 1,000 (one thousand) for each fact of the violation;

d) in the event of revealing violation of the requirements set for registering and maintaining the information (documentation) about the monitoring process - at the amount of GEL 1,000 (one thousand) for each fact of the violation;

e) in the event of revealing non-submission or/and incompliance with the set time frame - delayed submission of the additional information and documents on transactions subject to monitoring to FMS of Georgia by the date established under the NBG order on the bank’s inspection, for each fact of the violation
  - up to 30 days delay – at the amount of GEL 100 (one hundred);
  - 30 days and more delay – at the amount of GEL 300 (three hundred).

f) in the event of revealing non-submission of the additional information and documents on transactions subject to monitoring to FMS of Georgia by the date established under the NBG order on the bank’s inspection - at the amount of GEL 5,000 (five thousand) for each fact of the violation.

g) in case of incompliance with the requirements set under the Law of Georgia on Facilitating the Prevention of Illicit Income Legalization, the administrator of a commercial bank will be fined with a 2,000 GEL if the he/she fails to comply with Internal Control Procedures established in the legislation

8\(^3\). In case of breach of requirements set under Law of Georgia on Activities of Commercial Banks and sub-legal normative acts of banking activities, also, when administrator does not perform his/her relevant obligations that result in breach of legislation by bank, the administrator of a commercial bank will be fined with a 2,000 GEL.

9) After imposing the pecuniary penalty on the bank for incompliance with the set requirements, in the event of incompliance with the same requirement, NBG shall be authorized to use other sanctions set forth under Article 30 of the Law of Georgia on Activities of Commercial Bank against the bank.

10). In the event of revealing the violations defined under this Article, and due to seriousness of the violation and existed or potential risks of assets, NBG shall be authorized, instead of imposing the pecuniary penalty, to use other sanctions set under Article 30 of the Law of Georgia on Activities of Commercial Bank against the bank.

**Article 3. Exemption from a Pecuniary Penalty**

1. NBG shall exempt the bank from already imposed and unpaid pecuniary penalty, as well as from imposition and payment of a new pecuniary penalty, provided that:
a) there has been a temporary administration operating in the bank;
b) the banking license has been revoked from the bank;
2. In exclusive cases, NBG may exempt the bank from imposition and payment of a pecuniary penalty if payment of the penalty may result in the following:
a) the bank’s financial condition becomes so much deteriorated as to jeopardize its future functioning and solvency;
b) the bank becomes illiquid and fails to service its clients’ deposits, which may result in hampering settlements in the banking system;
3. NBG shall issue an individual administrative-legal act on exempting the bank from imposition and payment of a pecuniary penalty. The individual administrative-legal act shall be issued in the form of a decree of President or Vice President of NBG.