

LAW OF GEORGIA
ON SECURITIES MARKET

The purpose of this Law is to develop the securities market in Georgia, to protect the interests of investors in the securities market, to ensure the transparency of issuers' information at the time of public offerings of securities, as well as to ensure the transparency of the public trading of securities and to establish fair rules and free competition in the public trading of securities.

Chapter I – General Provisions

Article 1 – Scope of the Law

1. Matters related to securities shall be regulated under this Law, the Civil Code of Georgia and other legislative acts of Georgia.

2. This Law does not apply to the rules for issuing or publicly offering government securities on behalf of the state of Georgia, and to the rules for securities trading by banks outside a stock exchange.

[2. This Law does not apply to the rules for issuing and offering government securities. (*Shall become effective from 4 October 2020*)]

3. The rules for the disposal of state property are set out in the Law of Georgia on State Property.

4. This Law regulates relations associated with the public offering of securities and their circulation, and determines the rules of activities and responsibilities of stock exchanges, central depositories, securities registrars, brokerage companies, brokers and investment funds on the securities market, as well as additional requirements for the rules of the activities and responsibilities of those companies whose securities are publicly offered and sold.

[4. This Law regulates relations associated with the public offering of securities and their circulation, and determines the rules of activities and responsibilities of stock exchanges, central depositories, securities registrars, brokerage companies and brokers on the securities market, as well as additional requirements for the rules of the activities and responsibilities of those companies whose securities are publicly offered and sold.

4¹. This Law does not determine procedures for issuing units of investment funds as provided by the Law of Georgia on Collective Investment Undertakings, and for the public offering of such units of investment funds by investment funds and/or asset management companies acting on their behalf. These procedures are established by the Law of Georgia on Collective Investment Undertakings. (*Shall become effective from 19 October 2020*)]

5. Competences of the National Bank of Georgia shall be defined under this Law and other legislative and subordinate acts.

6. Financial institutions (except for commercial banks) may, based on the powers granted by the relevant authorities of developed countries, carry out their activities in Georgia, in accordance with the legislation of Georgia, without additional authorisation.

7. The activities of stock exchanges and central depositories are based on a self-regulation principle, pursuant to which their activities are regulated by themselves in accordance with the legislation of Georgia.

8. State authorities and/or enterprises established with the participation of the state, where the ownership interest of the state is more than 50%, shall be prohibited from holding an ownership interest in financial institutions, except in cases provided for by the Organic Law of Georgia on the National Bank of Georgia.

Law of Georgia No 1929 of 30 April 1999 – LGH I, No 14(21), 13.5.1999, Art. 59

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 1944 of 3 November 2009 – LGH I, No 35, 19.11.2009, Art. 249

Law of Georgia No 3519 of 21 July 2010 – LGH I, No 48, 09.8.2010, Art. 320

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 5668 of 20 December 2019 – website, 31.12.2019

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Article 2 – Definition of terms

The terms used herein have the following meanings for the purposes of this Law:

1. A reporting company – a company defined in Article 9(1) of this Law.

2. A material fact or event – a fact or event that may reasonably be considered important by an investor or a potential investor when deciding to buy or sell securities.

3. An auditor – a member of a professional organisation (a natural or legal person), who gives his/her/its opinion on a financial statement or a consolidated financial statement on the basis of an audit and/or an assurance on the basis of the procedures for reviewing financial statements. An audit firm may not be affiliated with, and shall be independent from, the person, as defined in paragraph 11 of this article, to whom it provides audit services.

[3. An auditor – an auditor and/or an audit (auditing) firm as defined in the Law of Georgia on Accounting, Reporting and Audit, which is independent and is not a person related to the issuer and/or the enterprise to whom it provides audit services. (*Shall become effective from 4 October 2020*)]

4. A bank – a banking institution that is organised under the Law of Georgia on Entrepreneurs, and licensed under the Law of Georgia on the Activities of Commercial Banks.

5. A beneficial owner – a person who receives monetary or other benefits under the law or from transactions, and who has no obligation to transfer those benefits to a third person; if a beneficial owner is an entity established for ideal purposes, or if the owner is a legal person in which no person owns a significant interest, then the beneficial owner will be a member of its governing body.

5¹. A registered owner – a person, who is not a nominee holder of securities or a representative of a registered owner, and who meets any of the following requirements:

- a) is a registered owner of securities, except for a nominee holder;
- b) authorises a nominee holder to act on his/her behalf, on the basis of a written agreement;
- c) receives monetary profit as the owner of security;
- d) has the power to direct the voting of a security;
- e) has other rights under the legislation of Georgia to become a registered owner of a security.

6. A broker – a natural person who executes securities transactions on behalf of an employer brokerage company and/or conducts other related activities.

7. A newspaper – a newspaper or an official publication recognised as such by the National Bank of Georgia for the purposes of this Law.

8. (Deleted).

9. A sale – a contract for sale or any other disposition of securities.

10. A licence – a licence within the meaning of Article 3(a) of the Law of Georgia on Licences and Permits.

11. A connected person:

- a) a relative of a natural person who falls under the category of the first or second heir, according to the Civil Code of Georgia;
- b) an enterprise where a person directly or indirectly holds such an ownership interest as to allow him/her to actually influence the decisions of the enterprise;

c) a member of the governing body of an enterprise, where a person directly or indirectly holds such an ownership interest as to allow him/her to actually influence the decisions of the enterprise;

d) a legal person who is:

d.a) a member of the governing body and/or an authorised representative;

d.b) a partner or founder of a legal person who can actually influence the decisions of this legal person.

12. A prospectus – a written notice or a notice communicated by an electronic or printed medium, which is sent with the aim of offering for sale any security.

13. A preliminary prospectus – a prospectus that has been submitted to the National Bank of Georgia but has not yet been approved thereby.

14. An approved prospectus – a prospectus approved by the National Bank of Georgia.

15. A final prospectus – a prospectus approved by the National Bank of Georgia and in which the number and price of the securities to be offered is specified, and information on the contracts which offer securities on behalf of an issuer and/or holder of the securities.

[15. A final prospectus – a set of an approved prospectus and an approved proposal terms and conditions document.

15¹. A proposal terms and conditions document – a document that forms an integral part of a final prospectus and that elaborates final proposal terms and conditions in accordance with procedures established by the National Bank of Georgia. *(Shall become effective from 4 October 2020)*]

16. An issuer – a person who issues securities in the manner laid down by the legislation.

[16. An issuer – a person, as well as an entity with no status of legal person, who issues securities. *(Shall become effective from 4 October 2020)*]

17. (Deleted).

18. Legislation on securities – this Law, and other laws and subordinate acts regulating the securities market, compliance with which is monitored by the National Bank of Georgia within its competence.

19. (Deleted).

19¹. (Deleted – 10.3.2017, No 441).

20. Control (substantial interest, significant purchase) – a situation where a person or a group of related persons hold more than 10% of the voting rights in an enterprise or are otherwise able to control such an enterprise.

[20. Control (significant share) – a situation where a person or a group of related persons hold more than 10% of the voting rights in an enterprise or are otherwise able to control such an enterprise. *(Shall become effective from 4 October 2020)*]

21. Secondary public trading – the sale or purchase of securities that:

a) is not conducted on behalf of the issuer or is not the part of a public offer under Articles 3, 4, 5, 6, 7, 8 of this Law;

b) is open for participation, directly or through a representative, to more than 100 persons or to an unspecified group of persons.

22. A governing body – directors and/or a supervisory council elected or appointed in the prescribed manner.

23. A person – a legal or natural person.

24. A registered holder – an owner or a nominee holder of securities who is registered with the securities register.

25. An advertisement – the publication of a statement in any possible form, including by displaying notices, signs, labels, business cards, letters, catalogues, price lists, or by exhibiting pictures and photos, presenting films, broadcasting via audio and television programmes, or through computer networks, or by disseminating different recordings, or by any similar means.

26. A brokerage company – a legal person that has a licence for brokerage activity.

27. A business year – the period from 1 January to 31 December of each year.

28. A government security – any security issued by the Government of Georgia.

29. A stock exchange – an organised securities market that ensures the collection of offers to buy and sell securities or other financial instruments, and the organisation of trade in accordance with established rules and procedures, and disseminates information on completed transactions and other information on prices.

30. (Deleted).

31. A gross violation of securities market legislation – a violation that is not of a technical nature and constitutes an intentional disregard of the laws on securities or of the requirements of the rules of a stock exchange or a depositary.

32. A security (securities) – transferable financial instruments and rights that may be publicly offered in the form of equity securities or debt securities (or their combination) or that may be converted into such securities, or that carry the right to subscribe or to purchase such securities, and investment contracts and other instruments and rights related to securities. The following instruments shall not be considered as securities and are not regulated under this Law:

a) bank obligations, related to deposits or other fixed-term financing, which arise from services directly provided to clients, without any intermediary, and which are not publicly circulated;

b) any insurance policy or annuity contract issued by a legal person operating under insurance legislation;

c) a cheque (regulated under the Law of Georgia on Cheques);

c¹) a bill of exchange (regulated under the Law of Georgia on Bills);

c²) a derivative (regulated under the Law of Georgia on Financial Collaterals, Mutual Setoffs and Derivatives);

[c²) a derivative, which is not publicly offered and whose value, and monetary flows, do not depend on publicly held securities; (*Shall become effective from 4 October 2020*)]

d) contracts and financial instruments classified as exceptions under the procedures established by the National Bank of Georgia, which are regulated under this Law or other laws.

33. A dematerialised security – a security that is not available in paper form, but exists in the form of a record in the securities register or in the records of nominee holders in the name of the registered owner or the nominee holder.

34. An investment contract – a contract under which an investor grants to a third person money or other property rights to invest in an economic activity, in order to generate possible income.

35. A debt security – a security that confirms the right to receive a specified principal amount, with or without interest; debt securities include government securities, unless otherwise provided for by the relevant normative act.

36. Publicly held securities – a class of securities offered by way of public offering and/or admitted for trading on a stock exchange;

[36 Publicly held securities – a class of securities offered on the basis of public offering (including in accordance with the Law of Georgia on Collective Investment Undertakings) and/or admitted for trading on a stock exchange. (*Shall become effective from 19 October 2020*)]

37. Emission of securities (issuance) – the procedure for offering securities by an issuer.

38. A class of securities – all securities of an issuer that confirm identical rights and obligations.

39. An equity security – a security confirming the ownership interest of the owner in an enterprise.

40. A securities market participant – an investor, an issuer, a regulated securities market participant and an auditor.

41. Regulated Securities Market Participant – a stock exchange, a central depository, a securities registrar, a publicly accountable enterprise and a securities market intermediary.

42. A securities market intermediary – a brokerage company or other intermediary, whose activities are supervised by the National Bank of Georgia under the procedures established thereby.

43. A nominee holder of securities – a legal person that is a securities market intermediary, a bank or a central depository, authorised under a written agreement by a registered owner (or other nominee holder) of securities to enter the securities in the register in the nominee's name and engage in other transactions related to the securities on behalf of the registered owner or nominee holder.

44. A securities registrar – a legal person licensed by the National Bank of Georgia, which maintains a securities register of an issuer and performs other functions defined by the agreement concluded between the issuer and the securities registrar.

45. A securities register – a register maintained by an issuer or the securities registrar and indicating the number and class of securities and other related information provided for by legislation.

46. A contract which offers securities – an agreement entered into between the issuer publicly offering securities and one or several brokerage companies or an appropriate licence holder financial institution, under which the brokerage company (brokerage companies) or the appropriate licence holder financial institution (financial institutions) undertakes (undertake) to distribute the securities on a guaranteed basis or a non-guaranteed basis in accordance with the procedures established by the National Bank of Georgia:

a) the guaranteed-basis related to the contract which offers securities means that the brokerage companies or appropriate licence holder financial institutions purchase 100% of the issued securities from the issuer with the guarantee to keep them on its books or sell them in the future;

b) the non-guaranteed basis related to the contract which offers securities means that the brokerage companies or an appropriate licence holder financial institutions conditionally purchase 100% of the issued securities from the issuer without the guarantee to keep them on its book or to sell them in the future.

47. An offer – any attempt to sell, or dispose of for consideration, a security or the ownership right to a security that has been issued or is to be issued. An offer shall not include a proposal offered to a brokerage company or an appropriate licence holder financial institution, and/or offered by a brokerage company or an appropriate licence holder financial institution to participate in a contract which offers securities or an ownership right in securities.

48. An offering application – an application submitted to the National Bank of Georgia under Article 4(2) of this Law, which includes any amendments to it and any prospectus, report or document filed as a part of the application or incorporated in the application by reference.

49. A record – any information, presented in the form of a report, correspondence, magnetic tapes and computer discs or other form, which can be read by ordinary or technical means.

50. A central depository (depository) – a legal person licensed by the National Bank of Georgia which is authorised to provide central clearance and settlement of securities under the instructions of a registered owner or a nominee holder, as well as to perform other services defined by the procedures established by the central depository and the National Bank of Georgia.

50¹. A member – a customer of a stock exchange or of a central depository that is recognised as a member of a stock exchange or central depository in accordance with the rules of the stock exchange and the central depository.

51. Written form – printed, lithographic or any graphic form of communication.

52. (Deleted – 10.4.2012, No 6022).

53. Developed countries – countries entered on the list of developed countries determined by the National Bank of Georgia.

54. A financial institution – a legal person engaged in the provision of financial services and acting as a commercial bank, including an interim bank, insurance organisation, reinsurance company, investment bank, stock exchange, central depository (depository), brokerage company, microfinancing organisation, credit union, investment fund or a payment service provider. The National Bank of Georgia may expand and clarify the list of the financial institutions.

[54. A financial institution – a legal person engaged in the provision of financial services and acting as a commercial bank, insurance organisation, reinsurance company, investment bank, stock exchange, central

depository, brokerage company, microfinancing organisation, credit union, investment fund, asset management company or a payment service provider. The National Bank of Georgia may expand and clarify the list of the financial institutions. *(Shall become effective from 19 October 2020)*]

55. An investment fund – a legal person or a collective investment scheme created to accumulate and distribute the funds of investors.

[55. An investment fund – an investment fund as defined in the Law of Georgia on Collective Investment Undertakings. *(Shall become effective from 19 October 2020)*]

56. A collective investment scheme – funds transferred for management to financial institutions for investment purposes.

[56. (Deleted – 14.7.2020, No 6806). *(Shall become effective from 19 October 2020)*]

57. A sophisticated (experienced) investor – a person who has sufficient experience, property or income to sustain the financial losses caused by investment activities. A sophisticated (experienced) investor is a high net worth individual, a financial institution, a director of a financial institution, or a legal person, whose amount of capital exceeds GEL 1 million, or another person recognised as such by the National Bank of Georgia.

58. A high net worth individual – a person, whose proven property is more than GEL 3 million or whose annual income is more than GEL 200 000 for the previous three years.

59. An investment fund of sophisticated (experienced) investors – a financial institution or a collective investment scheme established under this Law. Only sophisticated (experienced) investors can become members of such funds.

[59. (Deleted – 14.7.2020, No 6806). *(Shall become effective from 19 October 2020)*]

60. A manager of an investment fund – a person or a group of persons who manage an investment fund.

[60. (Deleted – 14.7.2020, No 6806). *(Shall become effective from 19 October 2020)*]

61. The free float rate of securities – the portion of any class of securities issued and distributed by the issuer, which does not belong to any of the following categories:

a) a 5% or larger securities package of this class held in registered ownership by a person (including the issuer), except for a securities package held in registered ownership by a global depository for issuing depository receipts;

b) securities in registered ownership of the state or of local self-government bodies and legal entities under public law;

c) securities in registered ownership of the members of the governing body of the issuer and its employees.

62. A recognised foreign stock exchange – a stock exchange entered on the list of stock exchanges recognised by the National Bank of Georgia, the regulations of which are in compliance with international standards and practices. Reputable stock exchanges operating in developed countries are classified as such stock exchanges as a minimum.

63. A quotation – a determination by a stock exchange of the price and/or price interval for a certain date, calculated on the basis of effected transactions and/or submitted trading applications in accordance with the methodology approved by the stock exchange.

64. A consolidated financial statement – a financial statement that contains financial statements of both a parent company and its subsidiary (subsidiaries).

65. A subsidiary (subsidiary organisation) – a legal person in which a regulated securities market participant holds 50% or more of the ownership interest (voting shares, interest), or in the case of an entity without a legal status, in which a regulated securities market participant controls it.

66. A branch – a structural unit of a regulated securities market participant, where the activities or part of the activities stipulated by the charter of the regulated securities market participant are conducted.

67. Pension Agency – an independent Legal Entity under Public Law – Pension Agency.

[68. A benchmark – any rate, index or figure, made available to the public or published that is periodically or regularly determined using a formula, based on the value of one or more assets, prices (including estimated prices), interest rates or other values (including estimated rates), or surveys, and by reference to which the amount payable under a financial instrument or the value of a financial instrument is determined. **(Shall become effective from 4 October 2020)]**

Law of Georgia No 1929 of 30 April 1999 – LGH I, No 14(21), 13.5.1999, Art. 59

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 1925 of 3 November 2009 – LGH I, No 35, 19.11.2009, Art. 235

Law of Georgia No 2831 of 23 March 2010 – LGH I, No 19, 13.4.2010, Art. 105

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 6022 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 3312 of 21 July 2018 – website, 6.8.2018

Law of Georgia No 5668 of 20 December 2019 – website, 31.12.2019

Law of Georgia No 5680 of 20 December 2019 – website, 31.12.2019

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Chapter II – Public Offering of Securities

Article 3 – Concept of the public offering of securities

1. A public offering of securities is an offer, made on behalf of the issuer, to sell securities directly or indirectly to at least 100 persons or to a preliminarily unspecified number of persons. A public offering is also a similar offering related to the securities of a non-publicly accountable enterprise that is made on behalf of a person other than the issuer. Any person may make a public offering if he/she submits to the National Bank of Georgia relevant information (documents) signed by him/her and communicate the basic information on his/her identity as required under this Law. In that case the National Bank of Georgia may establish a different procedure for the public offering of securities.

2. An issuer shall enter into a contract which offers securities with a brokerage company or an appropriate licence holder financial institution for the distribution of securities.

3. The holder of the securities of the issuer who makes a public offering under Article 5 of this Law shall have the right to propose to the issuer to include, in the established manner, the securities held by it in the public offering.

4. A public offering by non-governmental issuers, including by self-governance bodies, shall be made in accordance with this Law.

5. The procedures for a public offering and the alienation of investment fund securities shall be established under this Law, unless otherwise provided for in the legislation of Georgia on securities.

[5. (Deleted – 14.7.2020, No 6806). (Shall become effective from 19 October 2020)]

6. An offer and a sale of securities only to sophisticated investors shall not be deemed a public offering.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Article 4 – Requirements for a prospectus

1. A public offering shall be made only upon or after publication of a prospectus prepared by the issuer and approved in compliance with the requirements of this Law and of the procedures established by the National Bank of Georgia.

2. An issuer shall apply to the National Bank of Georgia for approval of the prospectus of the securities intended for public offering and shall submit the following documents to it, which shall be considered as the public offering application:

a) an application prepared in accordance with the procedure prescribed by the National Bank of Georgia;

b) three copies of a preliminary prospectus, signed by the chairperson and authorised representative of the issuer's supervisory council where the issuer is a company; and in the case of other issuers, signed by persons responsible, under the law, for the management of the issuer (responsible persons). A preliminary prospectus shall include:

b.a) information on the issuer, in particular its name (title), address and the date of establishment, the quantity and class of distributed securities (if any); names of each holder that controls the issuer; if the issuer is a company, the names of the members of its governing body, or, where necessary, the name of the securities registrar selected by the issuer, as well as information on any possible conflict of interest related to the above persons;

b.b) a description of the activities of the issuer for the previous two years and the main risks associated with such activities. If the issuer has conducted activities for less than 2 years, it shall submit the information specified in this paragraph for the period starting from its establishment up to the submission of the application;

b.c) individual financial statements certified by an auditor, and consolidated financial statements (if any) for the previous two business years. If the issuer has conducted activities for less than 2 years, it shall submit the information specified in this paragraph for the period starting from its establishment up to the submission of the application;

[b.c) individual financial statements certified by an auditor, and consolidated financial statements (if any) for the previous two business years, unless otherwise determined in accordance with procedures established by the National Bank of Georgia. If the issuer has conducted activities for less than 2 years, it shall submit the information provided for by this paragraph for the period starting from its establishment up to the submission of the application; (*Shall become effective from 4 October 2020*)]

b.d) information on securities to be issued, in particular:

b.d.a) information on the class and indicative amount of securities to be issued;

b.d.b) details of the signature procedures, and if a brokerage company or an appropriate licence holder financial institution has signed a contract which offers securities and agreed to purchase a portion of the entire issue of securities – the approximate details of such a transaction;

b.d.c) information on whether any securities are being offered on behalf of security holders, and, if so, their names and the number of securities offered by each of them;

b.d.d) methods for calculating interest on debt securities if the securities are interest bearing, and the validity date of the securities and the terms for any allowed forms of coverage;

b.d.e) information on the proposed use of proceeds from the offering.

3. The National Bank of Georgia may establish additional requirements for the communication of information, other than that specified in paragraph 2 of this article, in accordance with the classes of securities issued and to be issued, type of an issuer, and the validity period of securities.

[3. The National Bank of Georgia may establish simplified requirements for the submission of information, as well as establish additional requirements for the communication of information, other than that specified in paragraph 2 of this article, in accordance with the classes of securities issued and to be issued, type of an issuer, and the validity period of securities. (Shall become effective from 4 October 2020)]

3¹. A commercial bank in the resolution mode may be released by a legal act of the National Bank of Georgia from the fulfilment of the requirements established by this article, if this is necessary to achieve the objectives of a resolution defined by the Organic Law of Law on the National Bank of Georgia.

4. If the issuer is a reporting company and has submitted all required statements for the last two years, the National Bank of Georgia is entitled, in accordance with its regulations, not to require the submission of the entire prospectus or require the submission of part of the information necessary for the prospectus.

5. If the information necessary for a prospectus has already been submitted to the National Bank of Georgia, it may be included in the prospectus in the form of a reference to it, in accordance with Article 11(8) of this Law.

6. An issuer whose securities are admitted to at least one of the foreign recognised stock exchanges may issue securities in Georgia in accordance with the stock exchange rules, without additional regulation. In that case, the issuer shall notify the National Bank of Georgia of the issuance of securities, and the National Bank of Georgia, if necessary, shall assign a national identification number to the securities.

[5. If the information necessary for a prospectus has already been submitted to the National Bank of Georgia, it may be included in the prospectus in the form of a reference to it, in accordance with Article 11(11) of this Law.

6. An issuer whose securities are admitted to at least one of the foreign recognised stock exchanges shall have the right to issue securities in Georgia in accordance with procedures established by the National Bank of Georgia. (Shall become effective from 4 October 2020)]

7. The National Bank of Georgia shall, within 15 days after the offering application is submitted to the National Bank of Georgia, review the application and if:

a) it considers that the preliminary prospectus does not comply with this Law or the procedure established by the National Bank of Georgia, it shall send a written reply to the issuer requesting additional information necessary for the interpretation and clarification of the submitted information, and/or require that the issuer submit the documents verifying the accuracy of the information in the preliminary prospectus. The issuer may submit amendments to the offering application after rectifying the above deficiencies. The amendments shall be reconsidered;

b) it approves the prospectus, it shall, upon the request of the issuer, give a written consent on the approval of the prospectus;

c) it considers that the submitted information fails to comply with this Law or the procedure established by the National Bank of Georgia, or the issuer refuses to submit the documents, data and clarifications referred to in this article, it shall be entitled to issue a written refusal to approve the prospectus;

d) information has not been communicated to the issuer in writing in accordance with sub-paragraphs (a), (b) or (c) of this paragraph, the prospectus shall be deemed approved after 15 days.

8. Current financial information provided in the final prospectus may not be older than 18 months. A description contained in the text shall correspond to the latest possible date.

9. Within 10 days or more time defined under the procedure established by the National Bank of Georgia, starting from the day when the prospectus is deemed to be approved, the issuer shall submit to the National Bank of Georgia three copies of the final prospectus, the first page of which shall include the number and price of the offered securities, and the terms and conditions of the contract which offers securities. The final prospectus shall be used for the public sale of publicly held securities, in accordance with paragraph 12 of this article.

10. The submission of a final prospectus to the National Bank of Georgia shall not be deemed an amendment made under paragraph 7(a) of this article.

[9. After the submission of an offering application, but not later than within 10 days after the preliminary prospectus is approved or more time defined under the procedure established by the National Bank of Georgia, the issuer shall submit to the National Bank of Georgia for approval three copies of the proposal terms and condition document, which shall be reviewed in accordance with the procedure established by paragraph 7 of this article for the reviewing of offering applications.

10. The submission of a proposal terms and condition document to the National Bank of Georgia shall not be deemed an amendment made under paragraph 7(a) of this article. *(Shall become effective from 4 October 2020)*
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11. The approval of the prospectus by the National Bank of Georgia proves that the information submitted by the issuer complies with this Law and the procedure established by the National Bank of Georgia but it does not prove the accuracy of the information submitted. In addition, it shall not be considered as a recommendation of the National Bank of Georgia. Each preliminary, approved and final prospectus shall clearly display the following words on its front page: 'The approval of the prospectus by the National Bank of Georgia relates to its form and may not be considered as an opinion on the accuracy of its contents or on the value of the investments described therein'.

12. Except for the cases provided for in paragraph 13 of this article, liability for misstating or withholding a material fact or for specifying misleading information in the final prospectus may be imposed under this Law on the following persons:

a) the issuer, authorised representative and chairperson of the supervisory board, who have signed the prospectus jointly and severally;

b) each brokerage company and broker or an appropriate licence holder financial institution that act on behalf of the issuer under the contract which offers securities;

c) any auditor or other person who has agreed to be named as one of the authors of the prospectus, for misstating or omitting a material event in the part of the prospectus prepared by him/her.

13. No person other than the issuer shall be liable under paragraph 12 of this article if it is indicated in the prospectus, or if he/she can prove that:

a) before the final prospectus became effective, he/she resigned or terminated the relationships specified in the final prospectus that are related to his/her activity or the consent to the activity, and he/she has preliminarily notified of this fact in writing to the National Bank of Georgia and the issuer;

b) the respective part of the final prospectus became effective without his/her knowledge, and upon becoming aware of this fact he/she immediately notified the National Bank of Georgia in accordance with sub-paragraph (a) of this paragraph and published a written statement in a newspaper that the given part of the final prospectus has become effective;

c) after conducting appropriate investigations related to a certain part of the final prospectus, he/she had reasonable grounds for believing and did believe that the statements contained in the prospectus were true at the time when the final prospectus became effective, or that the given part of the final prospectus does not represent accurately the statement made by him/her or is not a true copy or part of the report prepared by him/her.

14. Under paragraph 3 of this article, any agreement that limits the liability of persons specified in this article (except as provided for on the cover of the prospectus) shall be considered invalid if the shareholder suffered loss due to the misstatement or omission of a material fact in the prospectus. The issuer, based on Article 5(2) and (3) of this Law, shall be liable to persons purchasing the securities sold in the public offering for losses arising from the purchase of these securities and from the misstatement or omission of a material fact in the approved prospectus or final prospectus. Other persons referred to in paragraph 12 (a)-(c) of this article shall similarly be liable to the buyers for such losses if they are held liable under paragraph 12 of this article. The sale of the securities offered in violation of the requirements under paragraph 1 of this article or Article 5(1) of this Law may be revoked at the request of the purchaser, and shall be subject to such procedural and time restrictions as prescribed by the procedure established by the National Bank of Georgia.

15. The National Bank of Georgia shall register the securities on the basis of the final prospectus and assign a national identification number in accordance with its own procedures.

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 5668 of 20 December 2019 – website, 31.12.2019

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 5 – Offering procedures

1. The final prospectus shall be provided to investors prior to, at the moment of or during the sale.
2. If, during a public offering, it becomes necessary to change any material fact (in particular the number of securities offered in the prospectus, or the closing date for the offering or any other material fact), the issuer shall perform the following procedure:
 - a) submit to the National Bank of Georgia the amendments to the offering application, explaining all changes made to it;
 - b) publish a notice in a newspaper or in other media prescribed by the procedure established by the National Bank of Georgia; announce the cancellation of the offering in its current form and make an offer to cancel all agreements on the sale of securities entered into before the specified date, without any price reduction, in accordance with paragraph 3 of this article.
3. If amendments are made to the prospectus with respect to certain material facts in accordance with paragraph 2 of this article, the subscribers may renounce the purchase of securities and the issuer shall return the paid sum to them without making any deductions, within ten days after the refusal of the subscribers. Subscribers who decide not to renounce their purchase of securities shall be subject to the new terms of the offering.
4. If after the commencement of a public offering the National Bank of Georgia becomes aware that a certain material fact has been misstated or omitted in the prospectus approved by the National Bank of Georgia, it may request the issuer to perform the procedures provided for in paragraphs 2 and 3 of this article.
5. If any other information indicated in the prospectus approved by the National Bank of Georgia changes during a public offering, the issuer shall submit to the National Bank of Georgia a copy of the document containing this change (new information) before making the above change in the prospectus in accordance with the procedure prescribed by the National Bank of Georgia.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 6 – Prohibition of publicity of public offering before approval of the prospectus by the National Bank of Georgia

1. A prospectus may not be distributed prior to its approval by the National Bank of Georgia.

2. Prior to the approval of a prospectus by the National Bank of Georgia, the issuer or a brokerage company acting on its behalf or an appropriate licence holder financial institution may not make any offer to sell the securities or these persons may not accept the consent of another person to the purchase of the securities.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Article 7 – Suspension and cancellation of the approved prospectus

1. If the issuer or a brokerage company acting on its behalf or an appropriate licence holder financial institution fails to comply with the requirements of Articles 4 – 6 of this Law, or if the information specified by them in an issuance prospectus is materially inaccurate or incomplete, the National Bank of Georgia may suspend the prospectus and set a time limit for the correction of such deficiencies. If the deficiencies are not rectified within the set period, the National Bank of Georgia shall have the right to cancel the approved prospectus.

2. If the National Bank of Georgia suspends or cancels an approved prospectus, securities may not be publicly offered and purchasers shall have the right to renounce their purchases in accordance with Article 4(14) of this Law.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Article 8 – Securities issuance and distribution report

1. Within one month after the completion of a public securities offering, the issuer shall submit to the National Bank of Georgia a report on the issuance and distribution of securities, which contains information on the exact number and price of offered and sold securities. The issuer shall submit a report on the actually distributed securities if the securities are not distributed fully.

2. The National Bank of Georgia shall review the submitted report within 14 calendar days after it receives the report. The National Bank of Georgia may request the clarification and/or amendment of the submitted information, which shall be prepared and submitted by the issuer.

3. If the issuer of publicly held securities is not a company, it shall submit to the National Bank of Georgia and distribute to registered holders annual, semi-annual and current reports containing financial and other information.

[3. (Deleted – 29.6.2020, No 6673). (Shall become effective from 4 October 2020)]

4. The National Bank of Georgia may release the commercial bank being in the resolution mode in accordance with the Organic Law of Georgia on the National Bank of Georgia and the Law of Georgia on Commercial Bank Activities from an obligation to submit a report provided for by this article or may temporarily postpone the fulfilment of the obligation.

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 5668 of 20 December 2019 – website, 31.12.2019

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Chapter III – Issuers of Publicly Held Securities

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Article 9 – Concept of a reporting company

1. A reporting company (issuer of publicly held securities) is a legal person established under the Law of Georgia on Entrepreneurs, which has issued publicly held securities (except for covered bonds).

2. The National Bank of Georgia may adopt the procedure determining persons by whom securities are 'held of record'.

3. The National Bank of Georgia shall establish the procedure under which certain types of reporting companies are released from the performance of the requirements under Article 11(1), and Articles 14 and 15 of this Law if,

considering the company's own capital and number of securities holders, the cost to be incurred by preparing appropriate reports is not proportionate to the public interest protected under these Articles.

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 6022 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

[Article 9 – Reporting company and issuer of publicly held securities]

1. A reporting company shall be an issuer of publicly held securities established under the Law of Georgia on Entrepreneurs (except for an issuer of covered bonds).

2. The National Bank of Georgia shall be authorised to establish a procedure for determining persons by whom securities are 'held of record'.

3. The National Bank of Georgia shall establish the procedure under which certain categories of issuers and/or other persons are released from the performance of the requirements under Article 10(3), Article 11(1) and (2), and Articles 14 and 15 of this Law, including in cases where, considering the issuer's own capital and number of securities holders, the cost to be incurred by preparing an appropriate report is not proportionate to the public interest protected under these articles and paragraphs.

4. The National Bank of Georgia shall be authorised to establish by a legal act different requirements and/or additional requirements for the corporate management of and reporting by an issuer of publicly held securities.

5. For the purposes of Articles 11 and 14 of this Law, in the case of depositary receipts with the status of publicly held securities, the issuer shall be an issuer of the securities represented by such depositary receipts, regardless of whether or not these securities are publicly held securities. *(Shall become effective from 4 October 2020)*]

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 9¹ – Audit committee

1. An audit committee shall be established within the supervisory board of a reporting company, which shall control the authenticity of financial statements of an issuer, ensure the efficiency of internal control system and

the independence of an internal audit (if applicable), and shall manage relationships with an external auditor. The audit committee shall be a subcommittee of the supervisory board and shall be comprised of only the members of the supervisory board. The audit committee shall be headed by a member of the supervisory board who is an independent person defined by Article 13¹(2) of the Law of Georgia on Entrepreneurs.

2. Paragraph 1 of this article shall not apply to commercial banks the activities of which are regulated under the Law of Georgia on Commercial Banks.

[2. Paragraph 1 of this article shall not apply to commercial banks the activities of which are regulated under the Law of Georgia on Commercial Banks, and to investment funds the activities of which are regulated under the Law of Georgia on Collective Investment Undertakings. *(Shall become effective from 19 October 2020)*]

Law of Georgia No 4792 of 19 February 2016 – website, 7.3.2016

Law of Georgia No 813 of 4 May 2017 – website, 29.5.2017

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Article 10 – Publicly held securities and maintaining a register of publicly held securities

1. A publicly held security shall be issued in a dematerialised form. A publicly held security issued in a materialised form is subject to dematerialisation.

2. The National Bank of Georgia may adopt an appropriate procedure for maintaining a securities register. A securities registrar and an issuer, who is entitled to maintain its own securities register, shall act in accordance with this procedure.

3. An issuer that is a reporting company, shall, within 60 days after its recognition as a reporting company, select a securities registrar, enter into a written agreement with the securities registrar and, not later than 15 days after signing the agreement, transfer to it the securities register and/or all documents necessary for maintaining this register.

[3. An issuer shall, before publicly offering securities, select a securities registrar, enter into a written agreement with the securities registrar and, not later than 15 days after signing the agreement, transfer to it the securities register and/or all documents and information necessary for maintaining the securities register. *(Shall become effective from 4 October 2020)*]

4. If an issuer that is obliged to transfer a securities register to an independent securities registrar fails to select the securities registrar within the time limit set under the legislation of Georgia, the National Bank of Georgia shall assign a securities registrar to the issuer in accordance with the procedure established thereby.

5. In the case specified in paragraph 3 of this article, the issuer shall notify the National Bank of Georgia of the selection of the securities registrar and of entry into agreement with it. The notification shall contain the following information:

a) the name (title) and legal address of the issuer;

- b) the identity of the securities registrar;
- c) the dates of the signature of the agreement and of its entry into force;
- d) all classes of securities issued by the issuer, the number of securities under each class;
- e) the names, surnames and positions of every member of the governing body of the issuer, and if the issuer is not a company, the names, family names and positions of the officials of its executive body;
- f) the name of the registration body, registration date and identification code.

6. An issuer shall notify the National Bank of Georgia, the securities registrar and the stock exchange where his/her securities are traded, of any changes made to the information specified in paragraph 5 of this article, within 7 days after making the change.

7. If securities are admitted to trading on a stock exchange, the securities registrar shall, in the case of any changes to the data specified in paragraph 5(d) of this article:

a) not later than 5 days before making changes to the securities register, notify the National Bank of Georgia, the stock exchange where the relevant securities are admitted to trading, and the central depository (depository) of this stock exchange (indicating the legal grounds and the date of making the changes);

b) confirm the changes in writing to the stock exchange specified in sub-paragraph (a) of this paragraph and its central depository (depository) before the end of the day of changes, and notify the nominee holder of the relevant securities of this change within 3 days.

8. A stock exchange specified in paragraph 7 of this article and its central depository are obliged to suspend transactions related to securities from the date indicated in the notification referred to in sub-paragraph (a) of paragraph 7 of this article up to the receipt of confirmation specified in sub-paragraph (b) of the same paragraph.

9. If an issuer that is obliged to maintain a securities register through the securities registrar cancels the agreement with the securities registrar for certain reasons it shall select a new securities registrar and enter into an agreement with him/her not later than the day of the cancellation of the previous agreement. The issuer shall perform all obligations under the agreement by the day of the cancellation of the agreement. In that case, the securities registrar shall transfer the securities register and relevant documentation to the issuer or to a new securities registrar selected by the issuer in accordance with the procedure established by the National Bank of Georgia. In the case of failure to comply with the above requirements, the procedure under paragraph 4 of this article shall apply.

10. One issuer may have only one securities registrar.

[11. This article shall not apply to investment funds the activities of which are regulated under the Law of Georgia on Collective Investment Undertakings. (Shall become effective from 19 October 2020)]

Law of Georgia No 2075 of 9 June 1999 – LGH I, No 24(31), 26.5.1999, Art. 111

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 6022 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Article 11 – Periodic reporting requirements

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

- a) an annual report;
- b) a semi-annual report;
- c) a current report.

2. An annual report shall be prepared for each business year. It shall include information on the issuer, its activities, the members of its governing body and persons who hold or control a significant number of voting shares at the general meeting; information on schedules of proceeds received from the company by directors of the reporting company; financial statements certified by an auditor, and other information in the form determined by the National Bank of Georgia. Annual reports shall be prepared from the first business year after the company becomes a reporting company. A reporting company shall file the annual report with the National Bank of Georgia after the end of each business year, not later than 15 May. A company that became a reporting company during the business year shall also file an annual report within the period prescribed by this paragraph.

2¹. For the purposes of paragraph 2 of this article, schedules of proceeds received from the company shall mean information/general description of the types of proceeds (in particular the salary, shares, options and other types of proceeds) received by the directors of a reporting company from the company.

3. A semi-annual report shall be prepared for the first six months of the business year (current as of 30 June). A semi-annual report shall be submitted to the National Bank of Georgia not later than 15 August of the current year. A company that became a reporting company during the first 6 months of the business year shall also submit the semi-annual report (for the first 6 months of the business year) to the National Bank of Georgia within the period under this paragraph. A semi-annual report shall include the financial statements of the reporting

company, information on the material events that occurred during the reporting period, other information presented in the form determined by the National Bank of Georgia.

4. A current report shall be submitted with regard to any material event defined by the National Bank of Georgia and that occurs after a company becomes a reporting company. A current report shall be submitted to the National Bank of Georgia within 15 days period after occurrence of the event described in the report. The form of the current report and the information contained therein shall conform to the procedure prescribed by the National Bank of Georgia.

5. The National Bank of Georgia may determine the form of the report to be filed under this article and the procedure for its filing.

6. If the publicly held securities of a company are traded on a stock exchange, the company shall submit reports specified in this article to the National Bank of Georgia and to the stock exchange at the same time.

7. The National Bank of Georgia may, at any time, request additional information on the company or on a report to be filed under this article. The information may be requested to verify the openness of the information entered in the report, to clarify a record or to obtain new information related to the report. In order that information is included in the additional document submitted, the National Bank of Georgia may also request that an amendment be made to this document.

8. Information under this article may be incorporated as a reference to it from any other document already filed with the National Bank of Georgia, unless otherwise defined by the procedure established by the National Bank of Georgia. The origin, source, page, paragraph of the incorporated information or other data specific to the information shall be clearly indicated. The information shall be filed directly if it is not easily accessible.

9. A financial statement filed pursuant to this article shall be signed by the authorised representatives of the company and the chairperson of the supervisory board of the company. These persons shall be responsible for the accuracy and completeness of the material information entered into the report.

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 4792 of 19 February 2016 – website, 7.3.2016

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 813 of 4 May 2017 – website, 29.5.2017

[Article 11 – Periodic reports and reporting requirements]

1. An issuer of publicly held securities shall prepare, submit to the National Bank of Georgia and publish an annual report.

2. An issuer of public debt securities or public equity securities shall prepare, submit to the National Bank of Georgia and publish a semi-annual report.

3. An annual report of an issuer of publicly held securities shall be prepared for each business year. An annual report shall include:

a) financial statements certified by an auditor;

b) governance reporting;

c) the statement of the responsible persons of an issuer specified in paragraph 12 of this article that the reports provided for by sub-paragraphs (a) and (b) of this paragraph, prepared in accordance with the current legislation, are complete, correct and fair.

4. An annual report of an issuer of publicly held securities shall be prepared and audited for a person of public interest in accordance with the procedures established by the Law of Georgia on Accounting, Reporting and Audit. The National Bank of Georgia shall establish the procedure for the submission and publication of annual reports by issuers of publicly held securities.

5. An annual report of an issuer of publicly held securities shall be prepared from the first business year after the issuer becomes an issuer of publicly held securities. An issuer of publicly held securities shall submit to the National Bank of Georgia and publish an annual report after the end of each business year, but not later than 15 May. An issuer that became an issuer of publicly held securities during the business year shall also submit and publish an annual report within the period referred to in this paragraph. If the financial year of the issuer of publicly held securities differs from the business year, the National Bank of Georgia shall be authorised to set a different time limit for the submission to the National Bank of Georgia and publication of an annual report by an issuer of publicly held securities. However, an annual report shall be submitted to the National Bank of Georgia and published within no later than 4 months after the end of the financial year.

6. A semi-annual report of an issuer of public debt securities or public equity securities shall be prepared for the first 6 months of the business year (as of 30 June). It shall include:

a) financial statements for half a year;

b) interim governance reporting;

c) the statement of the responsible persons of an issuer specified in paragraph 12 of this article that the reports provided for by sub-paragraphs (a) and (b) of this paragraph, prepared in accordance with the current legislation, are complete, correct and fair.

7. The National Bank of Georgia shall establish the procedure for preparing, submitting to the National Bank of Georgia and publishing a semi-annual report of an issuer of public debt securities or public equity securities.

8. A semi-annual report of an issuer of public debt securities or public equity securities shall be submitted to the National Bank of Georgia by 15 August of the current year. An issuer that became an issuer of publicly held securities during the first 6 months of the business year shall also submit a semi-annual report (for the first 6

months of the business year) to the National Bank of Georgia within the period referred to in this paragraph. If the financial year of the issuer of publicly held securities differs from the business year, the National Bank of Georgia shall be authorised to set a different time limit for the submission to the National Bank of Georgia and publication of a semi-annual report, but not later than 2 months after the end of the respective period.

9. An issuer of publicly held securities shall ensure that the reports provided for by paragraphs 1 and 2 of this article are publicly available for at least 10 years.

10. The National Bank of Georgia shall be authorised to request at any time additional information on the issuer of publicly held securities or on a report to be submitted to the National Bank of Georgia and to be published in accordance with this article. The information may be requested to verify the openness of the information entered in the report, to clarify a record or to obtain new information related to the report. In order that information is incorporated/included in the submitted and published report/document, the National Bank of Georgia shall also be authorised to request that an amendment be made to this report/document.

11. Information under this article may be incorporated/included in a report/document as a reference to it from any other document already published or already submitted to the National Bank of Georgia, unless otherwise defined by the procedure established by the National Bank of Georgia. The origin and source of the information incorporated/included in the report/document, the page and paragraph of the document, or other data specific to the information, shall be clearly indicated. The information shall be filed directly if it is not easily accessible.

12. A report submitted to the National Bank of Georgia in accordance with this article shall be signed by the persons authorised to represent the company and the chairperson of the supervisory board of the company. These persons shall be responsible under the legislation of Georgia for the accuracy and completeness of material information entered into the report. *(Shall become effective from 4 October 2020)*]

[13. This article shall not apply to investment funds the activities of which are regulated under the Law of Georgia on Collective Investment Undertakings. *(Shall become effective from 19 October 2020)*]

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Article 11¹ – Reporting requirements on proceeds of directors of reporting company

1. A shareholder or a group of shareholders holding 5% or more than 5% of the reporting company's shares may receive information with regard to salaries and other types of proceeds received from the company by directors or members of the board of directors and members of the supervisory board of the reporting company.

2. Any shareholder of the reporting company shares of which are admitted to trading on a stock exchange shall have the right to receive information on the salaries and other types of proceeds received from the company by the directors or members of the board of directors and members of the supervisory board of the reporting company.

3. Shareholders of the reporting company may not disclose information specified in paragraphs 1 and 2 of this article to a third person (persons).

4. The reporting company shall not be obliged to communicate information specified in paragraphs 1 and 2 of this article to a shareholder if the information is included in the last financial report of the reporting company, which is accessible to the shareholders.

Law of Georgia No 4792 of 19 February 2016 – website, 7.3.2016

Law of Georgia No 813 of 4 May 2017 – website, 29.5.2017

[Article 11¹ – Information on the proceeds of members of the governing body of a reporting company

1. A shareholder of the reporting company shall have the right to receive information on the salaries and other proceeds received from the company by the directors or members of the board of directors and members of the supervisory board of the reporting company.

2. A shareholder of the reporting company shall not disclose information provided for by paragraph 1 of this article to a third person.

3. The reporting company shall not be obliged to communicate information provided for by paragraph 1 of this article to its shareholder if the information is included in the last annual report or semi-annual report of the reporting company, which is accessible to the shareholders. *(Shall become effective from 4 October 2020)*]

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 12 – Disclosure of information on securities owned by members of the governing body of a reporting company

1. Members of the governing body of a reporting company shall submit to the National Bank of Georgia a report on the percentage of those securities of which he/she is a registered owner and/or beneficial owner.

2. If the securities of a reporting company are traded on a stock exchange, the report shall also be submitted to the stock exchange.

3. The report shall be filed within 10 days after:

- a) the company becomes a reporting company;
- b) the person becomes a member of the governing body;
- c) the person purchases the securities of such company.

4. The form and the content of the report referred to in paragraph 1 of this article shall be defined under the procedure established by the National Bank of Georgia.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

[Article 12 – (Deleted) (Shall become effective from 4 October 2020)]

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 13 – Confidential information on reporting companies

1. A reporting company has the right not to include in the reports filed with the National Bank of Georgia information that it deems confidential under paragraph 2 of this article. The National Bank of Georgia may, in accordance with this Law and its own procedures, require that the reporting company disclose information that it has deemed confidential and that is not limited to trade secrets, or strategic commercial or financial information prepared by specialists within or outside the company.

2. A reporting company shall separately submit to the National Bank of Georgia a report, which is marked confidential, and which along with the main report contains confidential information. The National Bank of Georgia shall protect the confidentiality of the submitted information. The National Bank of Georgia may decide on the confidentiality of the submitted information in accordance with its own rules within one week after the receipt of the special report. In addition, if:

a) the National Bank of Georgia considers, in accordance with its own rules, that the information has been improperly removed from the submitted report, the reporting company may request the National Bank of Georgia in writing to reconsider its decision based on additional factors. Within 15 days after the receipt of such written request, the National Bank of Georgia shall verify its final decision. The National Bank of Georgia may verify its decision only once;

b) the National Bank of Georgia makes the final decision that the information was improperly removed from the submitted report, the reporting company that submitted the documents shall submit amended documents containing the removed information.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

[Article 13 – (Deleted) (Shall become effective from 4 October 2020)]

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 14 – Publicity of a substantial acquisition of securities of a reporting company

1. A person or a group of persons shall, in the manner prescribed by the National Bank of Georgia, inform the National Bank of Georgia, the issuer and the stock change at which securities are traded, of a substantial acquisition of securities.
2. A notification of a substantial acquisition of securities shall be communicated within 15 days after the acquisition, unless a shorter period is prescribed by the procedure established by the National Bank of Georgia.
3. Persons shall be deemed to be a group if they have agreed:
 - a) on a common policy of acquiring, holding or disposing of the publicly held securities of a reporting company;
 - b) on the exercise of any ownership rights related to these securities, including voting rights.
4. Such agreement shall be deemed to be in place without a written confirmation between members of the governing body of a reporting company.
5. A group of persons shall be liable to the National Bank of Georgia for the fulfilment of obligations defined under this Law and the procedure established by the National Bank of Georgia.
6. If the National Bank of Georgia or a stock exchange discovers that a person has failed to notify the National Bank of Georgia, the issuer or the respective stock exchange of a significant acquisition of securities, the National Bank of Georgia may, at the nearest meeting of partners, suspend the voting rights of the person with respect to more than 10% of shares of the reporting company owned by it.

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

[Article 14 – Publicity of a substantial acquisition of equity securities]

1. A holder of the equity securities of the issuer who has issued public equity securities with voting rights shall be obliged to submit a notification to the National Bank of Georgia and to the said issuer if the share of the securities with voting rights of the issuer held by him/her reaches, exceeds or falls below the following limits: 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75%. A current holder of the securities provided for by this paragraph, as well as a former owner (where the share falls below the limit), shall be obliged to submit the said notification.
2. An obligation to submit a notification provided for by paragraph 1 of this article shall also be imposed on a person or each member of the group of persons acting by mutual agreement, who, in the cases determined by the National Bank of Georgia, have the right to acquire, dispose of or exercise the right to vote.
3. An obligation to submit a notification provided for by paragraph 1 of this article shall also be imposed on a person who directly or indirectly holds a financial instrument which entitles him/her to purchase, on the basis of an agreement, an equity security with a voting right issued by the issuer referred to in paragraph 1 of this article, or which grants a similar right.
4. The person specified in paragraphs 1-3 of this article shall be obliged to notify the issuer and the National Bank of Georgia of the occurrence of the fact provided for by paragraph 1 of this article within the time limit established by the National Bank of Georgia. The issuer shall make public the information received as a notification within the time limit established by the National Bank of Georgia.
5. A holder of equity securities provided for by paragraph 1 of this article shall be considered a person who directly or indirectly holds:
 - a) equity securities issued by the issuer in his/her own name and in his/her own interests;
 - b) equity securities issued by the issuer in his/her own name and in the interests of another person;
 - c) a depository receipt. In this case, the holder of a depository receipt is considered to be the holder of the equity security represented by the said depository receipt.
6. If the National Bank of Georgia finds that the person has not notified the National Bank or the issuer of the occurrence of the fact provided for by paragraph 1 of this article, depending on the seriousness of the violation, the National Bank of Georgia shall be authorised to suspend the voting right of this person for a certain period of time at the meeting of partners in respect of equity securities with voting rights held by him/her.
7. For the purpose of calculating the limits referred to in paragraph 1 of this article, the information provided for by paragraphs 1-3 of this article shall be aggregated.
8. The National Bank of Georgia shall establish the procedure for calculating voting rights in accordance with this article, as well as the form of a notification to be submitted and the procedure for its submission.
9. The requirements set forth in this article in respect of persons shall apply to natural persons, legal entities and entities with no status of legal person.
10. The requirements of this article shall not apply to the holder of equity securities, who holds the said securities only for clearing or settlement purposes, and/or to the nominal holder of equity securities, if he/she can exercise voting rights in respect of these equity securities only on the basis of instructions issued in written or electronic form. *(Shall become effective from 4 October 2020)]*

[11. This article shall not apply to investment funds the activities of which are regulated under the Law of Georgia on Collective Investment Undertakings. *(Shall become effective from 19 October 2020)*]

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

[Article 14¹ – Additional requirements towards issuers of publicly held securities

1. An issuer of publicly held securities shall ensure the equal treatment of all holders of securities who are on equal terms.

2. An issuer of publicly held securities shall, in accordance with the procedure established by the National Bank of Georgia, ensure the creation of all conditions and access to the information that will make it possible for the holders of publicly held securities to exercise their rights.

3. An issuer of publicly held securities shall immediately, in accordance with the procedure established by the National Bank of Georgia, make public information on any change in the conditions of publicly held securities and/or in rights related to publicly held securities. *(Shall become effective from 4 October 2020)*]

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 15 – Tender offer

1. A person who intends to acquire such a portion of the securities of a reporting company as may lead to the control of that company, may do so by a tender offer, which means making a statement on the accelerated acquisition of the company's securities for gaining control over the company, except as otherwise provided for by the procedure established by the National Bank of Georgia.

2. An offeror may not make a tender offer for any class of publicly held securities if after the acquisition he/she becomes the registered owner of more than 10% of the securities of such class, unless:

a) the offeror submits an application to the National Bank of Georgia, in the form and with the information prescribed by the National Bank of Georgia, before the first publication of the copies of the offer or of the request or before their transmission to securities holders;

b) the offeror publishes the information on the offer in a newspaper in accordance with the procedure established by the National Bank of Georgia.

3. A proposal or a recommendation made to security holders concerning the acceptance or rejection of a tender offer, as well as an invitation to tender, shall be made in accordance with the procedure established by the National Bank of Georgia.

4. The conditions of the tender offer and the information provided by the offeror shall be the same for all owners of the relevant securities.

5. If an offeror obtains consent to sell more securities than indicated in the tender offer, he/she shall purchase securities on the basis of proportionate allocation. This requirement shall also apply to the consents received after the first publication of a notice of an increase in the sum offered to security holders in accordance with Article 15(6) of this Law.

6. If a person changes the terms of a tender offer before the expiration of the offer by increasing the sum offered to security holders, he/she shall pay the increased sum to each security holder who has accepted the terms of the offer, irrespective of whether or not this change was made before or after its publication.

7. During the tender offer, a person making an offer or related persons may not:

a) purchase or negotiate the purchase of securities included in the tender offer, or securities which can be converted into such securities, by any means other than the tender offer;

b) sell any securities of the issuer specified in the tender offer.

8. The National Bank of Georgia may set other requirements for the preparation and execution of a tender offer, for the conduct of the offerors, or requirements with respect to offerors concerning the provision of information to securities holders of the target company by a securities registrar.

[9. This article shall not apply to investment funds the activities of which are regulated under the Law of Georgia on Collective Investment Undertakings. (Shall become effective from 19 October 2020)]

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Article 16 – Responsibilities of members of the governing body of a reporting company

1. The members of the governing body of a reporting company, at the time of exercising their rights and duties, shall:

a) act in good faith;

b) act with the care that a reasonably prudent person would exercise in a similar position and under similar circumstances;

c) act with the belief that their actions are in the best interest of the company and its security holders.

2. Except as provided for in Article 4 (13) of this Law, and paragraph 3 of this article and in other cases specified in the legislation of Georgia, the members of the governing body of a reporting company who have supported a decision that resulted in the non-performance of the duties under this article shall be jointly and severally liable for the loss caused to the company.

3. When determining the grounds and extent of the liability of a member of the governing body of a reporting company, account shall be taken of the fact that such member may rely on opinions and reports (including financial statements and data) if they are prepared by an auditor, legal counsel, company employee or other person whom this member reasonably believes to be a professional in the given matter because this matter falls within their competence. However, a member shall not be considered to be acting in good faith if he/she has, or should have had, such information that makes reliance on the above persons unjustified.

4. A security holder of a reporting company has the right to file a claim against a member of the governing body of this company for violations of the duties specified in this article.

5. The National Bank of Georgia representative may attend the general meeting of the shareholders (partners) of a reporting company in the capacity of an observer to take appropriate measures in the case of a gross violation of the legislation of Georgia during the meeting.

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 8.8.2003, Art. 156

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 16¹ – Conflict of interest and information disclosure

1. Transactions to be executed by a reporting company shall be conducted in accordance with the requirements of this article if the interested person is a member of the governing body of a reporting company or a shareholder possessing, directly or indirectly, 20% or more of the total number of votes. The requirements of this article, except for the requirements of paragraph 7, shall not apply to transactions conducted between a reporting company and its 100% subsidiary or 100% shareholder.

[1. A reporting company that has issued public equity securities with voting rights shall conduct a transaction in accordance with the requirements of this article if the interested person is a member of the governing body of a reporting company and/or a shareholder of a reporting company holding, directly or indirectly, 20% or more of the total number of votes. The requirements of this article (except for paragraph 7 of this article) shall not apply to the transaction conducted between a reporting company and its 100% subsidiary or 100% shareholder. (Shall become effective from 4 October 2020)]

2. A member of the governing body of a reporting company or a shareholder holding 20% or more of the total number of votes shall be deemed an interested person if he/she or persons related to him/her, in the case of the

entry into a transaction by this reporting company or its subsidiary (a company in which this reporting company holds more than 50% of shares), meets one of the following conditions:

- a) is the other party to the transaction;
- b) directly or indirectly holds 20% or more of the total number of votes of the other party to the transaction;
- c) is a member of the governing body of the other party to the transaction;
- d) is appointed/elected as a member of the governing body of this reporting company upon the proposal of the other party to the transaction or of the holder (holders) of 20% or more of the total number of votes of the other party to the transaction;
- e) receives monetary or other benefit on the basis of the transaction, which is not related to the ownership of shares in this reporting company or to membership of the governing body.
- f) is considered an interested person under the charter of this reporting company.

3. An interested person defined under paragraph 2 of this article shall promptly notify in writing the supervisory board of the reporting company about his/her interest in the transaction, and about the nature and volume of the transaction, and where the transaction is approved by the general meeting in accordance with paragraphs 5 and 6 of this article, shall also notify the general meeting.

4. If a person was not aware that he/she was an interested person in the intended transaction as defined by paragraph 2 of this article, he/she shall be obliged to fulfil the requirement specified by paragraph 3 of this article immediately after he/she becomes aware that he/she is an interested person.

4¹. A member of the governing body of a reporting company shall, upon becoming aware of a conflict of interest in the intended transaction, notify the supervisory board of the reporting company, and where the transaction is approved by the general meeting in accordance with paragraphs 5 and 6 of this article, shall also notify the general meeting.

5. The interested persons defined by paragraph 2 of this article may not use their voting rights in all the relevant bodies of the corporation with respect to the transactions in which they have an interest. In that case, the remaining votes shall be deemed as the total number of votes, and all decision making procedures shall be conducted in accordance with the Law of Georgia on Entrepreneurs, except as otherwise provided for by the charter of the corporation.

5¹. A transaction to be concluded, in which the interested persons defined under paragraph 2 of this article are involved, or the cost of which equals 10% or more than 10% of the reporting company's assets or a lesser amount provided for by its charter, shall be verified by an external auditor/certified accountant. The external auditor/certified accountant shall verify whether the transaction is concluded under the substantially same conditions as it would be concluded between persons without any interest. The opinion of the external auditor/certified accountant shall be forwarded, before the transaction is approved, to the supervisory board of the reporting company or a general meeting, depending on who will approve the transaction.

6. A transaction conducted by the interested persons specified under paragraph 2 of this article, or the cost of which is equal to 10% or more of the reporting company's assets, or to a lesser amount stipulated under its charter, shall be approved by the supervisory board or the general meeting of the company; and if the cost of the transaction is equal to more than 50% of the reporting company's assets, the transaction shall be approved by the general meeting in accordance with the requirements under paragraph 5 of this article.

6¹. A transaction conducted by the interested persons specified under paragraph 2 of this article and the cost of which is equal to 10% or more of the reporting company's assets, or to a lesser amount stipulated under its charter, shall be approved by the general meeting in accordance with paragraph 5 of this article.

7. A reporting company shall promptly notify the National Bank of Georgia of the approval of a transaction conducted by interested persons. The volume and type of the transaction, and other basic terms and conditions shall be specified in the notification. The reporting company shall ensure the publication of the information specified in this paragraph on its own website or on the website of the stock exchange, or through the mass media defined by the National Bank of Georgia, within five days after the notification is sent to the National Bank of Georgia. The information on such transactions and on transactions entered into between a reporting company and its 100% subsidiary or 100% shareholder, the cost of which is equal to 10% or more of the reporting company's assets, or to a lesser amount stipulated under the charter, shall be entered into the current and annual reports of the reporting company.

8. A person, who knew or should have known, and who has not declared his/her interest in the transaction and/or has used voting rights despite the prohibition specified in this article, shall compensate the damage inflicted on the corporation by the transaction and return the personal benefit received from the transaction if it is proved that the transaction resulted in damage to the corporation due to the conflict of interest and the transaction conditions would have been more advantageous in the absence of the interest.

8¹. Members of the governing body of a reporting company, who knew or should have known, and who have not reported a conflict of interest in the transaction and/or have supported the execution of the transaction in violation of the requirements of this article, which resulted in damage to the corporation, shall, jointly and severally with the interested person, compensate the damage inflicted on the corporation by the transaction and return the personal benefit received from the transaction, if any, if it is proved that the transaction resulted in damage to the corporation due to the conflict of interest and the transaction conditions would have been more advantageous in the absence of the interest.

9. Within 18 months after the conclusion of a transaction in violation of the requirement of this article, a member of the governing body of the reporting company and/or a shareholder or a group of shareholders holding 5% or more shares in the reporting company, if this company is a joint stock company, and in the case of a reporting company of a different legal form, each partner, may apply to a court and request the court to declare such transaction void and/or to have the persons specified under paragraphs 8 and 8¹ of this article compensate the damage and return the personal benefit, if any, received from the transaction.

Law of Georgia No 4536 of 28 March 2007 – LGH I, No 9, 31.3.2007, Art. 93

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4324 of 9 March 2011 – website, 22.3.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 813 of 4 May 2017 – website, 29.5.2017

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 17 – (Deleted)

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Chapter IV – Public Trading in Securities

Article 18 – Stock exchange transactions

1. Secondary transactions with publicly held securities may be made on or off a stock exchange.
2. The following may be traded on a stock exchange:
 - a) securities of Georgian and foreign issuers, the circulation of which is permitted in Georgia under the procedure approved by the National Bank of Georgia;
 - b) government debt securities and/or securities issued by the National Bank of Georgia, including government securities provided for by the legislation of Georgia on state debt, unless the trading of these securities does not contravene the legislation of Georgia on the issuance and circulation of these securities;
 - c) without additional regulation, securities of the issuer that are admitted to trading by the National Bank of Georgia on at least one foreign recognised stock exchange. In that case the issuer shall notify the National Bank of Georgia.

[c) in accordance with the procedure established by the National Bank of Georgia – the securities of an issuer that are admitted to trading on at least one foreign recognised stock exchange. *(Shall become effective from 4 October 2020)*]

3. Public trading in securities on a stock exchange shall be carried out in accordance with this Law and the rules of the relevant stock exchange.

3¹. If, in order to achieve the objectives of a resolution defined by the Organic Law of Georgia on the National Bank of Georgia, it is necessary to withdraw from/to temporarily suspend trading in publicly held securities on a stock exchange, to admit new publicly held securities (shares) for trading on a stock exchange or to re-admit debt securities reduced to zero for trading on a stock exchange, this shall be performed through an expedited/simplified procedure.

3². If, when an alienation of shares, assets and/or liabilities of a commercial bank in the resolution mode or an interim bank tool are used, the acquirer does to meet the criteria for the membership of a stock exchange, he/she may be a member of a stock exchange for no longer than 24 months as an exception, by a decision of the National Bank of Georgia.

4. A transaction in publicly held securities may be made only with the participation of a brokerage company or an appropriate licence holder financial institution. This requirement shall not apply to a transaction made with the participation of sophisticated (experienced) investors defined by this Law.

5. Securities of one class may be admitted to trading on one or more stock exchanges.

6. If a transaction involving publicly held securities is concluded outside a stock exchange and the amount of transaction exceeds GEL 100, in such a case:

a) the brokerage company or an appropriate licence holder financial institution shall register the number and price of the securities in accordance with the stock exchange rules;

b) if a transaction is made with the participation of sophisticated (experienced) investors, without participation of a brokerage company or an appropriate licence holder financial institution, the securities registrar is obliged to register the number and the price of the securities in accordance with the stock exchange rules.

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 5437 of 22 June 2016 – website, 11.7.2016

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 5668 of 20 December 2019 – website, 31.12.2019

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 19 – Transactions with publicly held securities

1. When conducting securities transactions, the origination, modification or termination of ownership rights relating to them shall arise from the moment of the registration of this fact with the securities registrar, and if the securities are held by a nominee holder, from the moment of their registration in the records of the nominee holder.

[1]¹. When conducting transaction with the units of investment funds, the origination, modification or termination of ownership rights relating to them shall be defined by the Law of Georgia on Collective Investment Undertakings. *(Shall become effective from 19 October 2020)*]

2. The National Bank of Georgia may, in accordance with its own rules, determine the requirements and procedures for establishing the accounting date of ownership rights on securities for the realisation of these rights.

3. The National Bank of Georgia may clarify the procedures for the origination, modification or termination of property rights.

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Chapter V – Licensing

Article 20 – Types of licences

1. The National Bank of Georgia under the Law of Georgia on Licences and Permits and this Law, may issue, modify, and revoke the following licences:

- a) a brokerage activity licence;
- b) a stock exchange licence;
- c) a central depository licence;
- d) a securities registrar's licence.

2. An appropriate activity may not be carried out without a licence specified in paragraph 1 of this article and issued by the National Bank of Georgia, except as otherwise provided for by the legislation of Georgia.

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 20¹ – Establishment of a branch office or creation or acquisition of a subsidiary outside Georgia by a securities registrar or a brokerage company

1. A securities registrar or a brokerage company shall, within 14 days after the establishment of a branch office or the creation or acquisition of a subsidiary outside Georgia in order to carry out activities provided for by the legislation of Georgia for accountable persons under the Law of Georgia on Facilitating the Prevention of Money Laundering and Terrorism Financing, submit to the National Bank of Georgia the following documents:

a) a decision of the governing body of the securities registrar or the brokerage company on establishing a branch office or creating or acquiring a subsidiary;

b) a statement of the governing body of the securities registrar or the brokerage company that the branch or the subsidiary has developed a programme to combat money laundering and the financing of terrorism in order to fulfil the recommendations of the Financial Action Task Force ('the FATF') with respect to combating money laundering and the financing of terrorism.

2. If the fulfilment of the FATF recommendations by a branch or a subsidiary is not provided for by the laws and subordinate normative acts of the foreign country where the branch or subsidiary is located, or if this country fails to combat money laundering and the financing of terrorism, and fails to fulfil or improperly fulfils the FATF recommendations, then:

a) the governing body of the securities registrar or of the brokerage company shall undertake in writing to ensure that its branch or subsidiary will implement measures for combating money laundering and the financing of terrorism in accordance with the FATF recommendations and the requirements established in Georgia with respect to securities registrars and brokerage companies;

b) the securities registrar or the brokerage company shall ensure that the National Bank of Georgia is informed of the fact that its branch or subsidiary is not able to carry out measures provided for by the legislation of Georgia to combat money laundering and the financing of terrorism as it is prohibited or restricted by the legislation of the foreign country where the branch or subsidiary is located.

Law of Georgia No 2831 of 23 March 2010 – LGH I, No 19, 13.4.2010, Art. 105

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 5230 of 30 October 2019 – website, 30.10.2019

Article 21 – (Deleted)

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Article 22 – (Deleted)

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Article 23 – Activities of a brokerage company

A brokerage licence authorises a brokerage company to engage in operations and services related to equity share, shares, bonds, certificates, bills of exchange, cheques and other securities, and as such a brokerage company may:

- a) direct consultations to investors on investments, including the price of securities, investment in securities, trading in securities and related foreign exchange transactions;
- b) conduct research related to financial instruments and their issuers and ensure the dissemination of the research results and/or recommendations on investments strategies;
- c) provide consultations to issuers on the issuance of securities and the attractiveness of investments;
- d) prepare and distribute an issuer's securities on a non-guaranteed basis;
- e) receive and transmit clients' orders related to securities, and conduct securities transactions with a clients' funds in their interests;
- f) manage clients' investment portfolios, including pension schemes, and funds allocated for operations in securities;
- [f) manage clients' investment portfolios, including pension schemes, and funds allocated for operations in securities, except for managing collective portfolios; (*Shall become effective from 19 October 2020*)]**
- g) store and record clients' investment funds and/or securities, as well as provide services to a nominee holder of securities, and open cash and securities accounts for clients for this purpose and conduct operations on those accounts;
- h) enter into securities transactions in their own interests with their own funds;
- i) prepare and distribute an issuer's securities on a guaranteed basis;
- j) lend and borrow securities to and from clients, and use their own funds for acquiring securities for clients, and participate in 'short selling' in accordance with the procedure established by the National Bank of Georgia;
- k) buy and sell currency;

k¹) enter into a derivative contact;

l) conduct other operations related to financial instruments, and shares in an entrepreneurial company and exercise other powers provided for by this Law;

m) organise a foreign currency trading platform.

Law of Georgia No 2255 of 20 July 1999 – LGH I, No 34(41), 21.7.1999, Art. 168

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 5680 of 20 December 2019 – website, 31.12.2019

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Article 23¹ – General requirements

1. A person may, at the same time, be a significant shareholder or employee of several brokerage companies. This person shall notify the National Bank of Georgia of this fact and make this information available to the public.

2. An employee of a stock exchange, a securities registrar or central depository (depository), who has access to confidential information, may not, at the same time, be an employee of a brokerage company.

3. This Law permits the participation of commercial banks in the securities markets directly or through subsidiaries (brokerage companies), as provided for in Article 10(2) of the Law of Georgia on the Activities of Commercial Banks.

4. Brokerage companies shall not be engaged in activities that are not stipulated by Article 23 of this Law, except for the above activity related to government securities and supporting activities necessary for conducting the main activity.

5. A company that is not a commercial bank and the activity of which is related only to government securities shall be subject to regulation in accordance with this Law, within the limits of paragraph 23(1) of this Law.

6. The National Bank of Georgia may, in accordance with its own rules, determine the activities listed in Article 23 of this Law during the performance of which a person is not required to be a brokerage company or hold a licence if his/her activities are regulated under the relevant legislation.

7. A brokerage company shall conduct an account opening procedure in accordance with the Law of Georgia on Facilitating the Prevention of Money Laundering and Terrorism Financing and the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA). A brokerage company, during the period of its business relationship with its clients and during the examination of operations conducted by them, shall have information on the client of their services, his/her activities and the risk level of such activities. A brokerage company shall also be obliged to determine the client's tax residence and obtain information on the relevant status of this person in accordance with the requirements set out under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA). A brokerage company may independently determine and require other additional information. A brokerage company may also refuse to open an account without providing any reasons. Moreover, a brokerage company may refuse to open an account for a person or close the existing account if the person refuses to provide information in accordance with the requirements set out under the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA).

8. Persons who do not have a licence for brokerage activities may not conduct or advertise their business under a name including the words 'securities brokerage company', or other words or their combination suggesting such activity.

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 4460 of 28 October 2015 – website, 11.11.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 5230 of 30 October 2019 – website, 30.10.2019

Article 24 – Licence conditions for a brokerage activity

An applicant seeking a licence for a brokerage activity shall submit an application to the National Bank of Georgia, which will be accompanied, along with the documentation specified in Article 9 of the Law of Georgia on Licences and Permits, by the information and documents:

a) confirming that the applicant is registered as a limited liability company or a joint stock company under the Law of Georgia on Entrepreneurs;

b) confirming that none of the members of its governing body or its significant shareholder has been convicted for a serious or particularly serious crime, or for the financing of terrorism and/or the legalisation of illicit income, or other economic crimes; and that none of the members of its governing body has been deprived of the

governing body membership rights or been subject to administrative sanctions for gross violation of the legislation on securities during the past five years;

c) on the beneficial owner of a brokerage company who directly or indirectly holds a significant shareholding;

d) annual or semi-annual financial statement of the previous year (whichever is the most recent), verified by an auditor. A person who applies to the National Bank of Georgia not later than 6 months after its establishment shall submit the current balance sheet;

e) on the possession of the minimum amount of equity capital prescribed by the National Bank of Georgia (where so required);

f) on the fact that the members of its governing body have relevant qualifications and/or experience.

Law of Georgia No 2255 of 20 July 1999 – LGH I, No 34(41), 21.7.1999, Art. 168

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5528 of 1 December 2011 – website, 28.12.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 25 – (Deleted)

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Article 26 – (Deleted)

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Article 27 – Licence conditions for stock exchanges

1. An applicant seeking a stock exchange licence shall submit an application for a licence to the National Bank of Georgia, which will be accompanied, along with the documentation specified in Article 9 of the Law of Georgia on Licences and Permits, by the information and documents:

a) confirming that the applicant is registered as a limited liability company or a joint stock company under the Law of Georgia on Entrepreneurs;

b) confirming that none of the members of its governing body or a significant shareholder has been convicted for a serious or particularly serious crime, or for the financing of terrorism and/or the legalisation of illicit income, or other economic crimes; and that none of the members of its governing body has been deprived of the governing body membership rights or been subject to administrative sanctions for gross violation of the legislation on securities during the previous five years;

c) on the compliance of members of the governing body with the eligibility criteria laid down in accordance with the procedure established by the National Bank of Georgia;

d) the compliance declaration of a beneficial owner of a significant share determined in accordance with the procedure established by the National Bank of Georgia;

e) its charter, internal regulations and rules, which;

e.a) include procedures concerning membership, trade, admission to trade, dispute settlement and other rules required in accordance with this Law;

e.b) require a fair, reasonable and equitable attitude towards all members or membership candidates of a stock exchange;

f) on the possession of the minimum amount of equity capital prescribed by the National Bank of Georgia (where such requirement exists);

g) an annual or semi-annual financial statement of the last year (whichever is the most recent), verified by an auditor and prepared in accordance with the procedure established by the National Bank of Georgia. If an applicant seeking a licence applies for a licence to the National Bank of Georgia no later than half year after its establishment, it shall submit a current financial statement verified by an auditor;

h) a document (documents) on the minimum amount of equity capital deposit on the bank account (accounts) prescribed by the National Bank of Georgia from a bank licensed in Georgia;

i) on the compliance of its organisational structure and technical means with the procedure established by the National Bank of Georgia (where such regulations exist);

j) the names of significant partners (shareholders) and the number of shares held by each;

2. Persons who do not have a stock exchange licence shall have no right to conduct or advertise their business under a name including the words ‘the stock exchange’, or any other word or their combination suggesting such activity.

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 5528 of 1 December 2011 – website, 28.12.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 28 – Licence conditions for a central depository (depository)

1. A central depository (depository) may also hold a securities registrar licence. The licence shall be issued in accordance with Article 9(6) of the Law of Georgia on Licences and Permits in the above-mentioned case.

2. An applicant seeking a central depository licence shall submit an application, accompanied by the documents prescribed by Article 9 of the Law of Georgia on Licences and Permits, for obtaining the licence. The applicant shall also enclose the following information and documents:

a) confirming that the applicant is registered as a limited liability company or a joint stock company under the Law of Georgia on Entrepreneurs;

b) confirming that none of the members of its governing body or its significant shareholder has been convicted for a serious or particularly serious crime, for the financing of terrorism and/or the legalisation of illicit income, or other economic crimes; none of the members of its governing body has been deprived of the governing body membership rights or been subject to administrative sanctions for gross violations of the legislation on securities during the previous five years;

c) on the compliance of members of the governing body with the eligibility criteria laid down in accordance with the procedure established by the National Bank of Georgia;

d) the compliance declaration of a beneficial owner of a significant shareholding determined in accordance with the procedure established by the National Bank of Georgia;

e) on its charter, internal regulations and rules;

f) on the possession of the minimum amount of equity capital prescribed by the National Bank of Georgia (where such requirement exists);

g) an annual or semi-annual financial statement for the previous year (whichever is the most recent), verified by an auditor and prepared in accordance with the procedure established by the National Bank of Georgia. If an applicant seeking a licence applies for a licence to the National Bank of Georgia not later than half year after its establishment, it shall submit a current financial statement verified by an auditor;;

h) a document (documents) on the minimum amount of equity capital deposit on the bank account (accounts) prescribed by the National Bank of Georgia from a bank licensed in Georgia;

i) on the compliance of its organisational structure and technical means with the regulations established by the National Bank of Georgia (where such regulations exist);

- j) the names, addresses and the description of the related professional experience of the head officers;
- k) the names of employees who will be responsible for monitoring compliance with this Law, with the procedure established by the National Bank of Georgia, and with the rules adopted by the central depository (depository);
- l) the names of significant partners (shareholders) and the number of shares held by each of them.

3. Persons who do not have a licence of a central depository may not conduct or advertise their business under a name including the words 'central depository of securities', or other words or their combination suggesting such activity.

4. The National Bank of Georgia may set additional regulatory rules for special depositories that provide services to the Pension Agency. These rules may refer to the capital, experience of the staff, or technical software of a special depository, or any other matter that the National Bank of Georgia will consider necessary.

Law of Georgia No 2255 of 20 July 1999 – LGH I, No 34(41), 21.7.1999, Art. 168

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 5528 of 1 December 2011 – website, 28.12.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 3312 of 21 July 2018 – website, 6.8.2018

Article 29 – Licence conditions for securities registrars

1. An applicant seeking a securities registrar licence shall submit an application for a licence to the National Bank of Georgia, which shall be enclosed, along with the documentation specified in Article 9 of the Law of Georgia on Licences and Permits, with the information and documents:

- a) confirming that the applicant is registered as a limited liability company or a joint stock company under the Law of Georgia on Entrepreneurs;
- b) confirming that none of the members of its governing body or its significant shareholders has been convicted for a serious or particularly serious crime, for the financing of terrorism and/or the legalisation of illicit income, or other economic crimes; and none of the members of its governing body has been deprived of the governing

body membership rights or been subject to administrative sanctions for gross violation of the legislation on securities during the previous five years;

c) on the compliance of its organisational structure and technical means with the regulations established by the National Bank of Georgia (where such regulations exist);

d) on the possession of the minimum amount of equity capital prescribed by the National Bank of Georgia (where such requirement exists);

e) on its charter, internal regulations and rules;

f) the names of partners (shareholders) and the number of shares held by each, and their former occupations for the previous five years, and any security holdings they have in reporting companies;

g) the names, addresses and descriptions of related work experience of senior officials;

h) the names of employees who will be responsible for the supervision of compliance with this Law, related rules and the procedures adopted by the securities registrar;

i) the names of significant partners (shareholders) and the number of shares held by each;

j) on the fact that the members of its governing body have relevant qualifications and/or experience.

2. Persons who do not have a securities registrar licence, shall have no right to conduct or advertise their business under a name including the words ‘registrar or securities registrar’, or any other word or their combination suggesting such activity.

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5528 of 1 December 2011 – website, 28.12.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 30 – (Deleted)

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Article 31 – Revocation of a licence issued to a brokerage company, stock exchange, central depository (depository) and a securities registrar

1. The National Bank of Georgia may revoke a licence issued to a brokerage company, stock exchange, a central depository (depository) or a securities registrar in accordance with the procedure determined by the Law of Georgia on Licences and Permits:

- a) if a licence holder has ceased to comply with the terms and conditions for issuing the licence;
- b) if a licence holder violates requirements set by the legislation of Georgia;
- c) in other cases provided for by the Law of Georgia on Licences and Permits.

2. The National Bank of Georgia may, when necessary, appoint an administrator in an entity under paragraph 1 of this article.

3. No transaction whatsoever may be conducted from making a decision to revoke a stock exchange licence, except as required for the protection of the investors' interests.

4. An administrator appointed under paragraph 2 of this article shall carry out the management and take all necessary actions to protect the investors' interests, within the scope of authority conferred to it by law.

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Chapter VI – Regulated Securities Market Participants

Article 32 – Accounts, statement and their examination

1. The National Bank of Georgia, in order to exercise its powers, may set requirements for a person subject to licensing by the National Bank of Georgia with respect to keeping record of various types of documents, their retention period and submission of accounts.

2. Information on any transaction (including in the case of an attempted transaction), or on any account, the account transaction and account balance may be given to the appropriate account holder and his/her

representative, to the National Bank of Georgia, within the scope of its authority, to the Financial Monitoring Service of Georgia, in cases provided for by the legislation of Georgia, to the State Inspector's Service, when performing verification provided for by the Law of Georgia on the State Inspector's Service, and to a tax authority in the case provided for in paragraph 3 of this article. This information shall be given to other persons only on the basis of an appropriate court decision.

3. The information specified in paragraph 2 of this article may be given to a tax authority within the framework of the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA). A tax authority may communicate this information to a competent authority of the United States of America as defined by the Agreement.

4. The National Bank of Georgia may check the observance of the requirements of normative and methodological documents by a person subject to licensing by the National Bank of Georgia, and check accounting documents, components of the statements and other materials, and for this purpose, it may request and receive from the person any information within the scope of its authority.

5. For the purposes of the legislation of Georgia on the prevention of money laundering and the financing of terrorism, a person subject to licensing by the National Bank of Georgia shall also submit to it appropriate statements. The form and quality of, and the time limit for submitting a statement shall be determined by a legal act of the National Bank of Georgia.

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 5528 of 1 December 2011 – website, 28.12.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 4460 of 28 October 2015 – website, 11.11.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 3298 of 21 July 2018 – website, 9.8.2018

Law of Georgia No 4269 of 27 December 2018 – website, 29.12.2018

Law of Georgia No 4606 of 8 May 2019 – website, 8.5.2019

Law of Georgia No 5230 of 30 October 2019 – website, 30.10.2019

Article 33 – Duties of brokerage companies and of brokers

1. A brokerage company shall maintain separate accounts to separate its own assets from the securities and monetary funds of its clients.
2. All agreements between a brokerage company and its clients shall be made in writing.
3. Brokerage companies and brokers shall ensure the execution of their clients' orders under the best terms and conditions existing on the market in accordance with the procedure laid down by the National Bank of Georgia: they shall not compete against clients' orders, or manipulate prices or costs in connection with the execution of clients' orders or execute clients' orders at such a price and cost as to be less advantageous for the client.
4. A broker shall be prohibited from giving knowingly misleading recommendations and information to clients on behalf of the brokerage company. A brokerage company shall provide information on the suitability of investments, and potential conflicts of interest of a brokerage company or a broker and about the financial condition of the brokerage company.
5. A brokerage company shall notify the National Bank of Georgia in writing within not later than seven days after the occurrence of a relevant event or after making the relevant decision on:
 - a) opening and closing a branch office;
 - b) changing the name of the brokerage company.
6. A brokerage company shall obtain prior consent on reorganisation from the National Bank of Georgia. The National Bank of Georgia may refuse to give its consent on reorganisation to the brokerage company if the reorganisation poses a threat to clients' monetary funds and/or his/her/its securities entrusted to the brokerage company.

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 34 – Stock exchange members

1. Licensed financial institutions may become members of a stock exchange.
2. A licensed financial institution may be a member of more than one stock exchange.

3. A stock exchange shall deny membership of the stock exchange to a person if:

- a) this person does not recognise in writing the stock exchange rules and does not comply with their requirements;
- b) a broker who is to trade on a stock exchange on behalf of the applicant does not comply with the standards of training, experience or competence prescribed by the stock exchange rules;
- c) he/she does not agree in writing to permit the examination of his/her books and records for the verification of the accuracy of submitted information.

4. A member of a stock exchange may appeal to a court any decision of the stock exchange that contravenes the legislation of Georgia and/or the stock exchange rules.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Article 34¹ – Stock exchange rules

1. The rules of a stock exchange shall:

- a) determine methods and procedures for the settlement of disputes relating to securities market transactions;
- b) establish procedures for securities trading on the stock exchange and conditions for the temporary suspension or termination of trading in specified securities;
- c) establish the days and hours of trading sessions on the stock exchange;
- d) determine the rights and obligations of stock exchange participants and penalties for the violation of these requirements;
- e) determine quotation and announcement procedures, and the form and content of quotations and market data related to securities trading. (The rules shall be designed to produce fair and informative quotations, and to prevent misleading and fictitious quotations, and to promote organised procedures for the collection and distribution of quotations);
- f) determine the information facilities of the stock exchange;
- g) establish rules for accounting for stock exchange transactions, which are necessary for recording transactions entered into between its members and for subsequent settlement;
- h) determine the procedure for admitting brokers to trade on the stock exchange, including qualification/testing requirements and conditions for supervising brokers' activities and for suspending or revoking their admission to trade;

i) ensure mechanisms for preventing fraudulent and manipulative practices, and promote the principles of fair and equal trade, as well as the development of cooperation and coordination between persons engaged in regulation, clearance, settlement and information processing, in order to facilitate securities transactions;

j) prohibit discrimination between customers, issuers, brokerage companies and brokers of the same status.

2. On each trading day, a stock exchange shall publicly announce information on the total volume of daily trading, prices and other market information related to the trading of sold securities.

3. Other rules of a stock exchange shall establish:

a) the types of services offered by the stock exchange and the fees for such services;

b) the procedure for resolving the complaints of the clients of its members on issues related to the stock exchange rules;

c) liability for violating this Law or the relevant rules or the stock exchange rules in the form of expulsion of members, suspension and restriction of their activities and functions, or the expression of reprimand, or the imposition of fines or other sanctions;

d) the norms of the Code of Ethics.

4. A stock exchange may not be engaged in any activity other than:

a) stock exchange (main) activity determined under this Law;

b) other (auxiliary) activities necessary for conducting the main activity;

c) an auxiliary activity related to the efficient use of assets necessary for conducting the main activity.

5. Several stock exchanges may simultaneously operate in Georgia.

Article 35 – Governing body of a stock exchange

1. The composition of the stock exchange supervisory board shall be determined by shareholders.

2. The governing body of a stock exchange may:

a) adopt, reject or amend stock exchange rules;

b) ensure compliance with this Law, its internal regulations and the charter, and of the rules of the stock exchange and, in furtherance thereof, examine the activities and financial condition of the members of the exchange;

c) interpret the rules of the stock exchange, which interpretation shall be final;

d) admit certain securities to trading, and suspend or stop trading of certain securities;

e) allow members to conduct activities on the stock exchange in accordance with the stock exchange rules and Article 34 of this Law, and temporarily or permanently prohibit members from trading in accordance with the stock exchange rules;

f) ensure legal and proper business practices, and the publication of quotations, prices, and market information related to them;

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Article 36 – (Deleted)

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Article 37 – Reorganisation and liquidation of a stock exchange

1. A stock exchange may not be reorganised or liquidated without the prior consent of the National Bank of Georgia.

2. A stock exchange shall be reorganised/liquidated in accordance with the procedures laid down in the Law of Georgia on Entrepreneurs, this Law, the procedure established by the National Bank of Georgia and the charter of the stock exchange and its internal regulations and rules.

3. Revocation by the National Bank of Georgia of a stock exchange licence of a stock exchange shall serve as grounds for its reorganisation/liquidation.

4. A stock exchange that decides on the voluntary liquidation or suspension of its stock exchange activities shall promptly notify the National Bank of Georgia in writing of this decision.

5. A liquidator of the stock exchange shall be appointed by the National Bank of Georgia.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 38 – Central depository (depository)

1. A central depository (depository) shall perform the following functions:

- a) open, operate and close the accounts of the central depository members and other participants of a securities market in accordance with its own rules;
- b) prepare and implement measures to ensure the integrity and security of the securities accounting system as set out in the rules of the central depository (depository);
- c) monitor the observance by the participants of the rules and instructions related to securities accounting;
- d) provide other services related to servicing participants' securities accounts;
- e) issue a statement of securities account to participants in accordance with its rules.

2. A central depository (depository) may, in accordance with its rules, immediately suspend or close the account of a member

- a) whose activities are suspended by the stock exchange or central depository (depository);
- b) who has failed to perform their obligation to deliver securities or monetary funds;
- c) who is in such financial or operating difficulties that the central depository (depository) decides to suspend or close its account and notifies the National Bank of Georgia that the suspension and closing of the account is necessary for the protection of the central depository (depository), its participants, creditors or investors.

3. The rules of a central depository (depository), shall ensure:

- a) the determination of the rights and obligations of the participants;
- b) the fair and non-discriminatory treatment of participants and participation candidates;
- c) the liability of the central depository (depository) for the performance of the timely and accurate clearance and settlement of securities transactions;
- d) the power to apply measures for the expulsion of participants, for the suspension and restriction of their activities and functions, for giving reprimands, for imposing fines or other sanctions for the violation of the rules of the central depository (depository);
- e) the observance of the code of ethics by members and employees.

4. The name of the central depository (depository) shall include the words 'central securities depository', except as otherwise provided for in the legislation.

5. A central depository (depository) shall be prohibited from carrying out any other activities except for the activities of a central depository (depository) and/or securities registrar provided for by this Law and activities related thereto in accordance with the procedure established by the National Bank of Georgia.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 39 – (Deleted)

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Article 40 – Obligations of a securities registrar

1. A securities registrar shall ensure the observance of its own rules and the rules laid down by the National Bank of Georgia.

2. A securities registrar may not refuse to perform the imposed duties if the issuer has met the terms of the contractual relationship with the securities registrar, if the submitted documents are in compliance with the issuer's charter and internal regulations, this Law, the procedure established by the National Bank of Georgia, and the regulations of the securities registrar. Such refusal may be appealed to the National Bank of Georgia.

3. A securities registrar shall have a contractual relationship with an issuer, and this relationship shall be based on the terms and conditions of a written agreement prepared in accordance with the procedure established by the National Bank of Georgia. Such an agreement shall, as a minimum, require that, if the issuer meets the terms of the contractual relationship with the securities registrar, the securities registrar shall provide the issuer in a timely manner with the current list of registered owners of securities for each issue, which is intended for annual and extraordinary meetings and activities related to the distribution of dividends, payments of interest and the repayment of the principal amount of a loan, as well as for achieving the objectives set out in Article 15 of this Law, and for other permitted corporate activities. A securities registrar may suspend services to an issuer for violating the terms and conditions of the agreement until the issuer performs its obligations.

4. Upon the written request of a registered owner of securities, a securities registrar shall provide him/her with the following documents:

a) a statement of his/her securities account for the requested date;

b) information on the turnover of securities on the account for the requested period.

5. The statement provided by a securities registrar shall include:

a) a clear indication that the statement is not a security, that it need not be presented to the securities registrar, and represents only a record of the fact that the person mentioned in the statement is the registered owner of these securities (with reference to the owner type) as of the date indicated in the statement;

b) the full name(s) of the account holder(s), the date and time of issuing the statement (and in the case of account turnover statement, the period), the name and legal address of the issuer, the identification number of the securities class, the amount of securities in the account, the relevant obligations or restrictions with respect to the securities, and any other necessary information required under the regulations of the securities registrar and the National Bank of Georgia.

6. A securities registrar may request from the account holders certain fees for providing additional copies of the account statement. The tariffs set by a registrar shall be fair, reasonable and non-discriminatory (for customers of the same status), and they shall reflect the true cost and be disclosed in advance.

7. The rules of a securities registrar shall:

a) specify the type of information to be entered into the securities register on each issuer whose securities have been registered in accordance with the rules prescribed by the National Bank of Georgia;

b) define the procedure for recognising transactions and for entering records into the securities register, and for indicating the time of submission of necessary information related to such records and the time of making the records, in accordance with the procedure established by the National Bank of Georgia;

c) specify the type of information to be indicated in each securities account opened in the name of the holders or nominee holders of securities, considering that account holders are obliged to notify the securities registrar promptly in writing of any amendments made to the previously submitted information, in accordance with the procedure established by the National Bank of Georgia;

d) require that the employees observe the rules of conduct, in accordance with the procedure established by the National Bank of Georgia;

8. Employees and managers of a securities registrar may not release non-public, confidential information to anyone, except for the National Bank of Georgia, which was disclosed to them in the course of their work as a securities registrar, or use this information in securities trading.

9. A securities registrar that does not hold a central depository licence shall be prohibited from conducting any activity other than the activity of a securities registrar and/or the exercise of powers under public law delegated to it on the basis of an administrative agreement.

[9. A securities registrar that does not hold a central depository licence shall be prohibited from conducting any activity other than the activity of a securities registrar, the exercise of powers under public law delegated to it on the basis of an administrative agreement, and the maintenance of a register of holders of the units of investment funds if an investment fund or an asset management company has signed an agreement with it on delegating the maintenance of a register in accordance with the Law of Georgia on Collective Investment Undertakings. (*Shall become effective from 19 October 2020*)]

10. The issuer of publicly held securities shall notify the National Bank of Georgia if it directly or indirectly becomes the owner of more than 10% of the share of a securities registrar.

11. Neither a securities registrar nor the members of its governing body shall have the right to be significant shareholders of the securities of the issuer of publicly held securities, for whom the securities registrar maintains the securities register. Information on the registered ownership of such share of securities that is less than a significant share shall be made public.

12. A securities registrar shall submit to the National Bank of Georgia a copy of the agreement between the issuer and the securities registrar, prepared in accordance with the procedure established by the National Bank of Georgia.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 3066 of 4 May 2010 – LGH I, No 25, 17.5.2010, Art. 169

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 6806 of 14 July 2020 – website, 22.7.2020

Article 41 – Stock exchange and central depository (depository)

1. A stock exchange and a central depository may establish with respect to their members any requirements that do not contravene the legislation of Georgia.
2. A stock exchange may not use the clearing and settlement services of more than one central depository.
3. A stock exchange/a depository shall notify the National Bank of Georgia of the adoption of new rules, amendment of the existing rules or cancellation of the existing rules.
4. Securities may be quoted in any currency on a stock exchange.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Article 42 – (Deleted)

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Article 43 – Additional competencies of the National Bank of Georgia

1. If any rule of a stock exchange/central depository contradicts the legislation of Georgia, the National Bank of Georgia may suspend the operation of this rule or require that the stock exchange/central depository make a change to the aforementioned rule.

2. The National Bank of Georgia may, on the basis of an appropriate substantiation, amend or suspend the operation of any rule of a stock exchange/central depository if it considers that this rule:

a) poses a risk to the functioning of a fair and organised market of publicly-held securities in Georgia;

b) interferes with the rapid, accurate and safe clearing and settlement of securities transactions.

3. In cases specified in paragraph 2 of this article, the National Bank of Georgia may also set requirements or restrictions for a stock exchange/central depository with respect to certain issues or activities that, under this law, fall within the scope of the procedures established by the National Bank of Georgia or the rule of the stock exchange/central depository.

4. A legislative act issued by the National Bank of Georgia on the basis of this article shall be effective for a period defined by the National Bank of Georgia.

5. The National Bank of Georgia shall suspend the operation of a legislative act issued on the basis of this article earlier than the period defined by it if the reasons for issuing of a respective act are eliminated.

6. A stock exchange/central depository shall immediately follow a legal act issued by the National Bank of Georgia under this article.

7. A stock exchange/central depository may appeal the decision made by the National Bank of Georgia under this article to court.

8. If a legal act of the National Bank of Georgia is appealed to court, its validity may be suspended by decision of a judge.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 844 of 24 July 2011 – website, 16.8.2013

Article 43¹ – (Deleted)

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 844 of 24 July 2011 – website, 16.8.2013

Article 43² – (Deleted)

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 844 of 24 July 2011 – website, 16.8.2013

Article 43³ – (Deleted)

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 844 of 24 July 2011 – website, 16.8.2013

Article 43⁴ – (Deleted)

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 844 of 24 July 2011 – website, 16.8.2013

Article 43⁵ – (Deleted)

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 844 of 24 July 2011 – website, 16.8.2013

Chapter VII – Prohibitions against Fraud and Manipulation in Securities Transactions

Article 44 – Fraud and manipulation

For the purpose of creating a false or misleading appearance with respect to trading in publicly held securities or to an organised market, it shall be prohibited to:

- a) enter into such securities transactions on a stock exchange that result in no change in the registered ownership;
- b) issue, directly or indirectly, conflicting orders on the sale or purchase of securities.

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 5009 of 1 July 2011 – website, 15.7.2011

Article 45 – Inside information and its unfair use

1. Inside information means non-public, material information, which is related to one or more reporting companies or their publicly held securities.

2. A person shall be deemed an insider if he/she has access to inside information by virtue of his/her membership of the governing body of a reporting company, his/her participation in the capital of such company (participatory interest), or by virtue of his/her activities, or his/her professional or official duties. Other persons who have received inside information, and where it is evident that the information originated from an insider, shall likewise be deemed insiders.

3. An insider or a person who knowingly receives inside information from an insider, may not:

- a) acquire or sell, for himself/herself or on behalf of a third person, directly or indirectly, the publicly held securities of a reporting company or companies on which he/she has inside information;
- b) disclose inside information to a third person unless such a disclosure is made due to his/her activities or professional or official duties;
- c) give a recommendation to a third person, or find a third person to acquire or dispose of publicly held securities, on the basis of inside information.

Article 44 – Securities and parties to transactions subject to requirements against falsification and market manipulation

1. The procedures established by this chapter shall apply to the following securities and financial instruments:

a) publicly held securities;

b) securities whose public offering or admission to trading on a licensed stock exchange in Georgia is requested through the prospectus/application submitted to the National Bank of Georgia and/or the stock exchange;

c) government securities;

d) other securities or financial instruments the price/value of which depends on the securities provided for by sub-paragraphs (a), (b) or (c) of this paragraph or has an effect on the price/value of such securities.

2. This chapter applies to issuers that have issued publicly held securities, and to issuers that have requested the public offering or the admission of securities to trading on a licensed stock exchange in Georgia through a prospectus/application submitted to the National Bank of Georgia and/or the stock exchange. In the case of depositary receipts, an issuer shall be an issuer of the securities represented by the depositary receipts.

3. This chapter shall apply to any transaction, order and behaviour relating to securities provided for by paragraph 1 of this article, irrespective of whether or not such transaction, order or behaviour takes place on a stock exchange.

4. The requirements in this chapter shall apply to any action/omission relating to securities provided for by paragraph 1 of this article, both in the territory of and outside Georgia.

5. The requirements in Article 45(1)(d) and Article 45¹ of this Law shall also apply to actions relating to benchmarks.

6. The procedures established by this chapter shall not apply to the actions of authorised bodies and persons acting on their behalf, which are related to the implementation of monetary or foreign exchange policy, the establishment of an official exchange rate or public debt management in accordance with the legislation of Georgia, as well as to other cases defined by a legal act of the National Bank of Georgia.

Article 45 – Trading using inside information and market manipulation. Unlawful disclosure of inside information

1. A person shall be prohibited from performing the following action/actions:

a) trade/attempt to trade using inside information;

b) recommend that a third person engage in insider dealing or induce a third person to engage in insider dealing;

c) unlawfully disclose inside information;

d) engage/attempt to engage in market manipulation.

2. To prevent actions provided for by paragraph 1 of this article, the National Bank of Georgia shall be authorised to impose additional requirements and obligations on the regulated participant in the securities market.

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 45¹ – Market manipulation

1. Market manipulation shall comprise the following activity/activities:

a) entering into a transaction, placing an order or any other action which causes, or is likely to cause:

a.a) false or misleading signals as to the demand for, supply of or price of securities;

a.b) taking/securing the price of securities to/at an abnormal or artificial level;

b) entering into a transaction, placing an order to trade or any other action which affects or is likely to affect the price of securities and which employs fictitious or misleading devices/schemes or any other form of deception;

c) disseminating information through the media, including the Internet, or by any other means, which causes, or is likely to cause, false or misleading signals as to the demand for, supply of or price of securities, or taking/securing the price of securities to/at an abnormal or artificial level, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;

d) transmitting false or misleading information and/or providing false or misleading input in relation to a benchmark, where the person who transmitted the information/provided the input knew or ought to have known that the information/input was false or misleading, or any other action aimed at manipulating the calculation of a benchmark.

2. Where the person is a legal person, this article shall also apply to the natural person who participates in the decision to carry out the acquisition or disposal of securities for the account of the legal person concerned, as well as in the decision to carry out other actions provided for by this article.

3. The National Bank of Georgia shall be authorised to clarify by a legal act the criteria established by this article for considering/qualifying an action as market manipulation, as well as to determine those actions (exceptions) that are not considered to be market manipulation.

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 45² – Inside information

1. Inside information is:

a) information of a precise nature which has not been made public, relating, directly or indirectly, to one or more securities or to its/their issuer/issuers, and which, if made public, would be likely to have a significant effect on the price of such security/securities or related financial instruments.

b) for securities market intermediaries or persons charged with the execution of orders, information conveyed to such securities market intermediaries or persons by a client and related to the client's pending orders, provided that this information is of a precise nature, has not been made public and relates, directly or indirectly, to one or more securities and its/their issuer/issuers, and, if it were made public, would be likely to have a significant effect on the price of such security/securities and related financial instruments.

2. Information shall be considered to be information of a precise nature if it relates to the circumstance which exists or is likely to exist in the future, or provides details of the event which occurred or is likely to occur, and at the same time this information is sufficiently defined to conclude that the circumstance or the event can have an effect on the price of the security/securities or related financial instruments. In the case of a protracted process that is intended to bring about, or that results in, a particular circumstance or event, this circumstance or event, as well as the intermediate steps taken for the occurrence of the circumstance or event during this process, may be considered to be information of a precise nature.

3. Information which, if it were made public, would be likely to have a significant effect on the price of a security/securities and related financial instruments shall be information that a reasonable investor would use when making an investment decision.

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 45³ – Insider dealing

1. Insider dealing is where a person possessing inside information, by using this information, acquires or disposes of, for his/her own account or for the account of a third person, directly or indirectly, securities to which the inside information relates. Cancelling or amending an order to trade placed to acquire or dispose of securities on the basis of inside information, provided that the inside information relates to such securities and the order to trade was placed by the person before he/she possessed the inside information, shall also be considered to be insider dealing.

2. An action shall be considered as recommending that a third person engage in insider dealing or inducing a third person to engage in insider dealing if a person possessing the inside information:

a) recommends, on the basis of that information, that a third person acquire or dispose of securities to which that information relates, or induces a third person to make such an acquisition or disposal;

b) recommends, on the basis of that information, that a third person cancel or amend an order to trade placed to acquire or dispose of securities, or induces a third person to make such a cancellation or amendment, provided that the inside information relates to such securities.

3. An action performed by a third person on the basis of recommendations or inducements provided for by paragraph 2 of this article shall be deemed to be insider dealing if the third person knows or ought to know that the recommendation or inducement is based on inside information.

4. This article applies to any person who possesses inside information as a result of:

- a) being a member of the governing body of the issuer;
- b) holding shares or a stake in the capital of the issuer;
- c) having access to the information through the exercise of an employment, profession or other duties;
- d) obtaining the inside information through criminal activities.

5. This article shall also apply to any person who possesses inside information under circumstances other than those provided for by paragraph 4 of this article where that person knows or ought to know that he/she possesses inside information.

6. Where the person is a legal person, this article shall also apply to the natural person who participates in the decision to carry out the acquisition or disposal of securities for the account of the legal person concerned, as well as in the decision to cancel or amend an order to trade placed to acquire or dispose of securities.

7. The National Bank of Georgia shall be authorised to determine by a legal act actions that shall not be deemed to be insider dealing.

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Article 45⁴ – Unlawful disclosure of inside information

1. Unlawful disclosure of inside information is where a person possessing inside information, provided for by Article 45³(4) and (5) of this Law, discloses that information to a third person, except where the person discloses the inside information to a third person in the normal exercise of an employment, a profession or other duties.

2. The onward disclosure of recommendations or inducements provided for by Article 45³(2) of this Law shall be deemed to be unlawful disclosure of inside information, provided that the person disclosing that information knows or ought to know during the disclosure that the recommendation or inducement was based on inside information.

3. The National Bank of Georgia shall be authorised to define by a legal act the requirements of this article and to determine exceptional cases, and to establish additional obligations for persons possessing inside information.

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Article 45⁵ – Requirements relating to the public disclosure of inside information

1. An issuer shall immediately disclose to the public inside information which directly concerns that issuer. The National Bank of Georgia shall be authorised to determine the forms, means and deadlines of the public disclosure of such information in accordance with its own procedures.

2. An issuer shall have the right to delay, on its own responsibility, the public disclosure of inside information if the following 3 conditions are met: an immediate disclosure of this information may prejudice the legitimate interests of the issuer, delaying its public disclosure will not mislead the public, and the issuer will ensure the confidentiality of this information. The National Bank of Georgia may determine additional cases where the issuer has the right to delay the public disclosure of inside information, as well as the conditions that the issuer shall comply with when delaying the public disclosure.

3. An issuer shall ensure that all inside information it is required to disclose under paragraph 1 of this article is publicly available for at least 5 years.

4. An issuer and/or a person acting on its behalf or for its account, who discloses inside information to any third person in the normal course of the exercise of an employment, profession or other duties as provided for by Article 45⁴(1) of this Law, shall make complete public disclosure of that information. In the case of an intentional disclosure, information shall be made public simultaneously, and in the case of a non-intentional disclosure, immediately. This paragraph shall not apply to the disclosure of inside information to the person who owes a duty of confidentiality on the basis of a law, articles of association, or a contract.

5. A person discharging managerial responsibilities within an issuer, as well as a person who is related to him/her/it in accordance with a legal act of the National Bank of Georgia, shall notify the issuer and the National Bank of Georgia of a transaction with the securities of the issuer and/or with other financial instruments related to the securities of the issuer. The National Bank of Georgia shall establish a procedure for discharging obligations specified in this paragraph, as well as respective exceptional cases.

6. For the purposes of this chapter, a person discharging managerial responsibilities shall be:

a) a member of the governing body of the issuer;

b) any other person within the issuer with managerial powers who is not a member of the governing body of the issuer as provided for by sub-paragraph (a) of this paragraph, who has regular access to inside information relating directly or indirectly to the issuer and power to take managerial decisions affecting the development and business prospects of the issuer;

7. The National Bank of Georgia shall be authorised to establish for issuers, and/or persons acting on its behalf/for its account, a procedure for maintaining records of persons possessing inside information.

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Article 45⁶ – Rule for disseminating investment recommendations and statistics

1. Person who produce for or disseminate to the public surveys related to securities or issuers of securities, as well as persons who for the same purpose produce and disseminate information recommending an investment strategy, shall take reasonable measures to ensure that information presented (produced or disseminated) by them is objective, and to disclose their interests or indicate conflicts of interest concerning the securities to which that information relates.

2. An authorised body disseminating statistics or forecasts which are likely to have a significant effect on financial market shall act in accordance with the principles of objectiveness and transparency in disseminating such information.

3. In the cases referred to in this Article, Articles 45⁴ and 45¹(1)(c) of this Law where information is disclosed or disseminated and where investment recommendations are produced or disseminated for the purpose of journalism or other form of expression in the media, the legislation governing the freedom of the press and freedom of expression in the media, and the rules governing the journalist profession, shall be taken into account. The procedure established by this paragraph shall not apply if the persons concerned, or persons related to them as defined in the legal act of the National Bank of Georgia, receive, directly or indirectly, profits from the disclosure or the dissemination of information, or the disclosure or the dissemination of information aims at misleading the market as to the demand for, supply of, or price of securities.

4. The National Bank of Georgia shall be authorised to establish by a legal act a procedure for presenting (producing and disseminating) information in an objective manner by persons referred to in paragraph 1 of this article (except journalists who are subject to a professional self-regulation mechanism), and for disclosing personal interests or conflicts of interest. *(Shall become effective from 4 October 2020)*]

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Chapter VIII – Supervision of Securities Market

Article 46 – (Deleted)

Law of Georgia No 1929 of 30 April 1999 – LGH I, No 14(21), 13.5.1999, Art. 59

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Article 47 – (Deleted)

Law of Georgia No 1929 of 30 April 1999 – LGH I, No 14(21), 13.5.1999, Art. 59

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Article 48 – (Deleted)

Law of Georgia No 1929 of 30 April 1999 – LGH I, No 14(21), 13.5.1999, Art. 59

Law of Georgia No 2255 of 20 July 1999 – LGH I, No 34(41), 21.7.1999, Art. 168

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Article 49 – (Deleted)

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Article 50 – (Deleted)

Law of Georgia No 1929 of 30 April 1999 – LGH I, No 14(21), 13.5.1999, Art. 59

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Article 51 – (Deleted)

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Article 52 – (Deleted)

Law of Georgia No 2255 of 20 July 1999 – LGH I, No 34(41), 21.7.1999, Art. 168

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Article 53 – (Deleted)

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Article 54 – (Deleted)

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Chapter IX – Liability for the Violation of the Legislation on Securities

Article 55 – Administrative and criminal liability for the violation of the legislation of Georgia on securities

1. The types of violations of the legislation of Georgia on the securities shall be defined by this Law, and the amounts of a penalty and the procedure for its imposition shall be defined by the National Bank of Georgia.

2. If a person violates the requirements of this Law, the procedure established by the National Bank of Georgia or the legislation on the securities, or if his/her possible action may pose a threat to investors' interests, the National Bank of Georgia may, by a legal act:

- a) request that the violating person and his/her accomplice take necessary measures to ensure that their activities are in compliance with the requirements of the legislation of Georgia within the time limits set by the National Bank of Georgia;
- b) suspend the sale or transactions of securities;
- c) suspend the violating party from participating in the securities market for a certain period;
- d) impose liability on the violating person under this Law and a normative act of the National Bank of Georgia.

[2. If a person violates the requirements of this Law, the procedures established by the National Bank of Georgia or the legislation on the securities, or if he/she fails to comply with the instructions of the National Bank of Georgia, including if he/she fails to provide any information requested by the National Bank of Georgia necessary for the performance of its duties, and/or if his/her possible action may pose a threat to investors' interests, the National Bank of Georgia may, by a legal act:

- a) request that the violating person and his/her accomplice take necessary measures to ensure that their activities are in compliance with the requirements of the legislation of Georgia within the time limits set by the National Bank of Georgia;
- b) suspend the sale or transactions of securities;
- c) suspend the violating party from participating in the securities market for a certain period;
- d) impose liability on the violating person under a legal act of the National Bank of Georgia.

2¹. In the case provided for by Article 52(e¹) of the Organic Law of Georgia on the National Bank of Georgia, a refusal by a person to give an explanation to the National Bank of Georgia shall be regarded as a refusal by a witness to give evidence in administrative proceedings, and providing incorrect information when giving an explanation to the National Bank of Georgia shall be regarded as giving false evidence by a witnesses in

administrative proceedings, for which the person may be held criminally liable. *(Shall become effective from 4 October 2020)*]

3. For the violation of the regulations of securities markets, committed in aggravated circumstances, the violating party may be held criminally liable.

Law of Georgia No 2255 of 20 July 1999 – LGH I, No 34(41), 21.7.1999, Art. 168

Law of Georgia No 4520 of 27 March 2007 – LGH I, No 9, 31.3.2007, Art. 85

Law of Georgia No 5269 of 11 July 2007 – LGH I, No 30, 30.7.2007, Art. 340

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Article 55¹ – Violations and sanctions

1. The National Bank of Georgia shall have the right to impose sanctions defined in paragraph 2 of this article on a regulated securities market participant and/or a member of its governing body if the regulated securities market participant and/or the member of its governing body:

- a) violated the rules of securities offering;
- b) violated the requirements of the securities legislation;
- c) violated the licence rules;
- d) violated the securities circulation and other rules;
- e) violated the reporting and confidentiality requirements and/or the procedure for designing rules;
- f) violated the requirements of the Law of Georgia on Facilitating the Prevention of Money Laundering and Terrorism Financing (in the case of a securities registrar, brokerage company or a member of its governing body);
- g) has been or is engaged in an unhealthy or hazardous industrial practice.

2. If the violations referred to in paragraph 1 of this article are discovered, the National Bank of Georgia may apply the following sanctions sequentially, or apply them non-sequentially based on a violation and seriousness of a potential risk:

- a) send a written warning;
- b) introduce special measures or issue an instruction (directive) requiring that a regulated securities market participant stop violating and never violate again, and take measures to rectify the violations within the period defined by the National Bank of Georgia;
- c) impose monetary fines according to the procedure and in the amount established by the National Bank of Georgia;
- d) suspend the signatory rights of a member of the governing body of the regulated securities market participant and require the governing body to temporarily or permanently remove him/her from office;
- e) terminate or suspend certain operations, suspend or restrict the distribution of profits, issuance of dividends and material incentives, raising of remuneration of labour, and assumption of new obligations;
- f) demand that a controlling person cancel or restrict control in the case of failure to submit financial or other information to the National Bank of Georgia, or detection of another violation. Such cancellation or restriction shall include the terms and conditions that the National Bank of Georgia will consider necessary based on a current situation;
- g) revoke a licence for a respective activity.

3. The sanctions imposed under this article shall correspond to the seriousness of the violation and the potential risk.

4. The sum of the monetary fine imposed under this article shall be paid to the State Budget of Georgia.

5. The sanction imposed on a regulated securities market participant by an administrative legal act shall be enforced, in accordance with the Law of Georgia on Enforcement Proceedings, on the basis of a writ of execution issued according to an administrative legal act that has entered into force.

Law of Georgia No 1678 of 24 September 2009 – LGH I, No 29, 12.10.2009, Art. 161

Law of Georgia No 2831 of 23 March 2010 – LGH I, No 19, 13.4.2010, Art. 105

Law of Georgia No 4201 of 3 September 2015 – website, 10.9.2015

Law of Georgia No 441 of 10 March 2017 – website, 22.3.2017

Law of Georgia No 1903 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 5230 of 30 October 2019 – website, 30.10.2019

Chapter IX¹ – Removal of the Status of Reporting Company for Certain Categories of Issuers

Article 55² – Securities issued under a privatisation plan and their issuers

1. Securities of a reporting company that have been issued and/or offered on the basis of a privatisation plan shall not be considered to be publicly held securities, and an issuer of such securities (a privatised company) shall not be considered to be a reporting company, if, within 3 months from the removal of such securities from the stock exchange trading system, the issuer does not submit to the National Bank of Georgia a decision made by the supervisory board or the meeting of shareholders requesting the retention of the status of reporting company.

2. The rule established by paragraph 1 of this article shall not apply to a reporting company if:

a) its prospectus has been approved in accordance with this Law;

b) it, according to the data of the previous reporting period of the calendar year when its securities were removed from the stock exchange trading system, meets the criteria established by the Law of Georgia on Accounting, Reporting and Audit for enterprises of the first category or enterprises of the second category.

Law of Georgia No 6673 of 29 June 2020 – website, 7.7.2020

Chapter X – Transitional Provisions

Article 56 – (Deleted)

Law of Georgia No 1929 of 30 April 1999 – LGH I, No 14(21), 13.5.1999, Art. 59

Law of Georgia No 2255 of 20 July 1999 – LGH I, No 34(41), 21.7.1999, Art. 168

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

Chapter XI – Final Provisions

Article 57 – Final provisions

1. This Law shall enter into force shall on the 15th day after its promulgation.

2. Order No 412 of 9 August 1997 of the President of Georgia on certain Organisational Measures for Establishing the Registration System for the Shares of Joint stock Companies shall be deemed invalid upon the entry of this Law into force.

3. Order No 375 of 18 June 1998 of the President of Georgia on Temporary Regulations for Maintaining a Stock Register shall be deemed invalid from 15 July 2008.

4. Any licence issued on the basis of this Law before 15 April 2008 has the same legal force as licences issued after 15 April 2008.

5. All the rules of the Financial Monitoring Service of Georgia that were in force until 15 April 2008 shall retain their legal force until 15 February 2009. New regulations that are in compliance with the legislation of Georgia shall come into force on 15 February 2009.

Law of Georgia No 2503 of 18 July 2003 – LGH I, No 22, 08.8.2003, Art. 156

Law of Georgia No 5910 of 14 March 2008 – LGH I, No 7, 26.3.2008, Art. 30

President of Georgia

Eduard Shevardnadze

Tbilisi

24 December 1998

No 1745-III