

LAW OF GEORGIA
ON DEPOSIT INSURANCE SYSTEM

Chapter I

General Provisions

Article 1. Scope of the Law

1. The present Law defines legal framework for establishment of the Deposit Insurance System, governance and authority of the Deposit Insurance Agency and administration of the Deposit Insurance Fund in Georgia.
2. Requirements of the present Law shall be binding upon Commercial Banks determined hereunder.
3. Main objectives of this Law are compensation of Insured Deposits of individuals in case of occurrence of an Insurance Case in Commercial Banks as provided under this Law, increase of public confidence in Commercial Banks, encouragement of savings and support of stability of the financial system of the country.

Article 2. Definitions of Terms

1. For the purposes of the present Law, the terms used herein shall have the following meaning:
 - a. Deposit Insurance System – relations among Depositors, Commercial Banks, Deposit Insurance Agency, National Bank of Georgia and Government of Georgia, regulated under this Law;
 - b. Depositor – an individual having a Deposit in a Commercial Bank;
 - c. Deposit – funds placed on the account of a Depositor (including fixed deposit, on-demand deposit) that Commercial Bank is required to repay in accordance with the contractual terms of an agreement executed between the former and the latter. Funds received in exchange for electronic money shall not constitute a deposit.
 - d. Excluded Deposit – a Deposit that is not subject to insurance under this Law and which shall not be compensated upon occurrence of an Insurance Case;
 - e. Insured Deposit – Deposit of an individual that shall be compensated by the Deposit Insurance Agency upon occurrence of an Insurance Case within the scope determined hereunder;
 - f. Deposit Insurance Fund (hereinafter – the Fund) – resources envisaged under Paragraph 1 of Article 11 of this Law collected for compensation of Depositors upon occurrence of an Insurance Case and for the purposes envisaged under Paragraph 3 of Article 11 of this Law;
 - g. Insurance Case – commencement of liquidation, insolvency or bankruptcy proceedings of a

Commercial Bank under the Law of Georgia on Activities of Commercial Banks;

- h. Coverage level –maximum reimbursable amount of Insured Deposits compensated to the Depositor as determined under Paragraph 1 of Article 16 and Paragraph 5 of Article 24 of this Law;
 - i. Commercial Bank – commercial bank as defined under the Law of Georgia on Activities of Commercial Banks;
 - j. Supervisory Board (hereinafter - the Board) – supervisory board established at the LEPL Deposit Insurance Agency in accordance with this Law.
2. Other terms in this Law shall have the meaning provided under the legislation of Georgia.

Chapter II

Deposit Insurance Agency

Article 3. Deposit Insurance Agency

- 1. An independent Legal Entity of Public Law, Deposit Insurance Agency (hereinafter - the Agency), is established for the purposes of this Law.
- 2. Transfer of insurance risk, in whole or in part, by the Agency to any other insurer is prohibited;
- 3. The Agency acts independently in its daily operations and activities. Any other body shall be prohibited to interfere in its activities, except for the cases provided under this Law;
- 4. The Agency has its own assets, as well as the account of the Treasury Service of the Ministry of Finance of Georgia in the National Bank of Georgia and the seal with the Georgian national emblem and its own title. The Agency performs accounting and reporting in conformity with the legislation of Georgia and International Financial Reporting Standards (IFRS).
- 5. The Agency conducts its activities in compliance with the Constitution, international treaties, this Law, Charter of the Agency and other legal acts.
- 6. None of the current or former employees of the Agency or an individual acting lawfully on behalf of the Agency shall bear personal liability towards any third person for any action or omission, if such action or omission was executed in the course of performing its rights and obligations in accordance with the legislation of Georgia;
- 7. Structure and the authority of the Agency shall be determined under its Charter approved by the Government of Georgia.
- 8. Staffing schedule and operational budget of the Agency for the respective year shall be approved in accordance with this Law.
- 9. Best international practice shall be considered in the course of approving the staffing schedule of the Agency.

10. The Agency, on its own behalf, acquires rights and assumes obligations, concludes agreements and is able to act as a plaintiff and respondent in the court.
11. Tax benefits applied to performance of functions related to insurance of Deposit by the Agency in accordance with this Law shall be defined under the Tax Code of Georgia. Activities and operations undertaken by the Agency shall be exempt from any state duty and fee in accordance with the legislation of Georgia.
12. The Agency shall be entitled to request compensation from the respective individual/entity through court in case of a reasonable suspicion that total financial liability of the Agency increased due to the unlawful action of the management, auditor or employee of a Commercial Bank.
13. The Agency shall submit, for informative purposes, to the Government of Georgia, the National Bank of Georgia and the Parliament of Georgia an annual report on its activities.

Article 4. Rights and Obligations of the Agency

1. For the purposes of performing the functions related to insurance of Deposits, the Agency, is authorized to:
 - a. Collect initial membership contributions;
 - b. Determine and collect regular insurance premiums;
 - c. Ensure collection of extraordinary insurance premiums, in cases prescribed under this Law;
 - d. Manage the Fund;
 - e. Obtain from Commercial Banks, within the scope of its competence, information envisaged under the instruction in timely and detailed manner;
 - f. Exchange information on Commercial Banks with the National Bank of Georgia in a prompt and regular manner on the basis of a respective agreement for the purposes of this Law;
 - g. Receive material-technical assistance from the National Bank of Georgia on the basis of the respective agreement;
 - h. Obtain timely from the authorized individual determined under the legislation of Georgia accurate information on Deposits in the process of bankruptcy, insolvency or liquidation of a Commercial Bank;
 - i. Request from Commercial Banks provision of information to their current and potential clients on Deposit insurance in accordance with instruction;
 - j. Request from Commercial Banks information on Insured Deposits in a format provided in the instruction;
 - k. Verify information on Insured Deposits received from Commercial Banks on-site, through onsite inspection and/or via National Bank of Georgia's examiners and/or external auditors of Commercial Banks;

- l. Receive grants, technical and other assistance;
 - m. Participate in working groups established for the purposes of ensuring financial stability;
 - n. Exercise other powers provided under this Law.
2. For the purposes of exercising powers envisaged under this Law, the Agency is obliged to:
 - a. Ensure accumulation of contributions provided under this Law in the Fund;
 - b. Identify the need for attracting extraordinary insurance premiums and ensure to attract them when necessary;
 - c. Pay compensation upon occurrence of the Insurance Case in accordance with the legislation of Georgia;
 - d. Establish internal control and risk management functions;
 - e. Adopt crisis management policy, procedures and system that shall ensure effective response to risks emerged in result of occurrence of an Insurance Case;
 - f. Establish management information system and procedures for the purposes of ensuring prompt compensation of Depositors; and perform, at least once a year, a simulation of occurrence of Insurance Case.

Article 5. Governance and Management of the Agency

1. The Agency shall be governed by the Head of the Agency.
2. The Board is established for the purposes of governing the Agency. Composition and activities of the Board are determined under the present Law.

Article 6. Head of the Agency

1. Head of the Agency shall be appointed and discharged based on the decision of the Board, in accordance with the legislation of Georgia.
2. A candidate for the position of the Head of the Agency under Paragraph 1 of this Article shall be selected through a public contest. The procedure and conditions of the contest shall be determined under the Charter of the Agency.
3. The Head of the Agency shall be appointed for the term of 5 years. After expiry of the office term, the Head of the Agency may be reappointed.
4. The Head of the Agency has to meet the following criteria:
 - a. Has to be a citizen of Georgia and have legal capacity;
 - b. Has to hold university degree in economics, law or related field and have at least 5 years of work experience in the fields of finance, banking, insurance or economic law;
 - c. Not to have been convicted;

- d. Not to have been dismissed from employment for undue performance of labor duties;
 - e. Has to be independent, unbiased, honest and *bona fide*.
5. Head of the Agency may be dismissed from the position:
- a. On the basis of his/ her own application;
 - b. On the basis of decision of the Board (reached in consensus);
 - c. Upon termination of citizenship of Georgia;
 - d. Upon entry into force of the final guilty court verdict against him/her on a criminal case;
 - e. In case of violation of the code of ethics of the Agency, on the basis of the decision of the Board;
 - f. In case of his/her recognition by the court as missing, deceased or beneficiary of support, unless provided otherwise under the court decision;
 - g. In the event of occupying incompatible position or pursuing incompatible activity;
 - h. In the event of his/ her death.
6. The Head of the Agency shall:
- a. Manage the Agency and organize its work and operation;
 - b. Represent the Agency in relations with third parties;
 - c. Appoint and discharge employees of the Agency, apply incentive and disciplinary measures against them;
 - d. In case of depletion and/or deficit of amounts of the Fund, identify specific measures for attraction of additional funds based on agreement with the Board;
 - e. Organize the procedure for compensation of the Insured Deposits by the Agency;
 - f. Prepare and submit to the Board for review quarterly and annual reports on the activities of the Agency;
 - g. Submit annual financial statements of the Agency to the Board;
 - h. Determine the amount of annual mandatory insurance premium of Commercial Banks based on agreement with the Board;
 - i. Issue administrative-legal acts;
 - j. Prepare and approve based on the agreement with the Board the drafts of the following legal acts (instructions):
 - j.a. Staff schedule and respective annual budget of the Agency;

- j.b. Investment policy of the Agency and annual investment plan;
 - j.c. Strategic plan of the Agency and annual plan;
 - j.d. Rule for calculation of the base and payment procedures for regular insurance premium;
 - j.e. Methodology for calculation of risk-based annual regular insurance premium;
 - j.f. risk-based regular insurance premium scale and target fund;
 - j.g. Rule for calculation of extraordinary insurance premium, periodicity and procedures;
 - j.h. Amount of extraordinary insurance premium;
 - j.i. Instruction on provision of information on Deposit insurance by Commercial Banks to current and potential clients;
 - j.j. Instruction on requesting information on Insured Deposits from Commercial Banks;
 - j.k. Instruction on payment of compensation upon occurrence of an Insurance Case and selection of the Commercial Bank for this purposes;
 - j.l. Instruction on publishing electronically information on Deposit insurance;
 - j.m. Code of ethics of the Agency;
 - j.n. Other instructions envisaged under this Law;
- k. Perform other activities envisaged under this Law and Charter of the Agency.

Article 7. Composition of the Board

1. The Board shall comprise of 5 members. Members of the Board shall be: the Minister of Finance of Georgia, the President of the National Bank of Georgia, the Minister of Economy and Sustainable Development of Georgia, and 2 independent members.
2. An independent member shall be impartial, *bona fide* individual having university degree in finance, economics or law. An independent member may not be active or former administrator of Commercial Bank for the period of last 6 months and/or have any other conflict of interests.
3. Independent members shall be elected by Commercial Banks by secret ballot with the simple majority of votes. Organization of voting shall be ensured by the National Bank of Georgia.
4. All Commercial Banks are entitled to nominate the candidate for independent membership of the Board. National Bank of Georgia shall inform the Commercial Banks on the time and procedures of the voting at least 10 days prior to the voting date.
5. Voting for each position of an independent member shall be held separately. Only authorized representatives of the Commercial Banks shall participate in the selection of the independent

members. Each Commercial Bank has 1 vote. Voting may be held, provided that 2/3 of Commercial Banks participate in voting.

6. The winner of the procedure for election of an independent member of the Board shall be the candidate that receives the highest number of votes.
7. If the winner is not revealed during the first voting, the second voting shall be held with participation of only those candidates that received most votes in the first voting.
8. Independent member shall be appointed for the period of 5 years. After expiration of the term of office, re-election of an independent member is not restricted.
9. The term of office for the other members of the Board shall correspond to the term of office determined for their respective positions.
10. The Minister of Finance of Georgia, Minister of Economy and Sustainable Development of Georgia and the President of the National Bank of Georgia shall chair the Board for the term of 1 year based on a rotation principle in this order;
11. Independent member may not be the chairman of the Board.
12. Remuneration of the independent members of the Board shall be determined in the respective annual budget of the Agency approved under Paragraph 8 of Article 3 of this Law.

Article 8. Rights and Obligations of the Board

1. The Board shall:
 - a. Appoint and discharge the Head of the Agency, on the basis of the decision, in accordance with this Law and Charter of the Agency, in compliance with legislation of Georgia;
 - b. Review and approve the following documents (instruction) drafted by the Head of the Agency:
 - b.a. Staff schedule and respective annual budget of the Agency;
 - b.b. Investment policy of the Agency and annual investment plan;
 - b.c. Strategic plan of the Agency and annual plan;
 - b.d. Rule for calculation of the base and payment procedures for regular insurance premium;
 - b.e. Methodology for calculation of risk-based annual regular insurance premium;
 - b.f. Risk-based regular insurance premium scale and target fund;
 - b.g. Rule for calculation of extraordinary insurance premium, periodicity and procedures;
 - b.h. Amount of extraordinary insurance premium;

- b.i. Instruction on provision of information on Deposit insurance by Commercial Banks to current and potential clients;
 - b.j. Instruction on requesting information on Insured Deposits from Commercial Banks;
 - b.k. Instruction on payment of compensation upon occurrence of an Insurance Case and selection of the Commercial Bank for this purposes;
 - b.l. Instruction on publishing electronically information on Deposit insurance;
 - b.m. Code of ethics of the Agency;
 - b.n. Other instructions envisaged under this Law;
- c. In case of depletion or/and deficit of amounts in Fund, review and agree upon proposals on determining specific measures for attracting additional funds submitted by the Head of the Agency;
 - d. Review and agree upon quarterly and annual reports on the activities of the Agency submitted by the Head of the Agency;
 - e. Agree upon annual financial statements of the Agency;
 - f. Agree upon reports of the Head of the Agency on activities of the Agency;
 - g. Select external auditor;
 - h. Perform other rights and obligations envisaged under this Law and Charter of the Agency.

Article 9. Board Meeting

1. Meeting of the Board shall be held per necessity, however, at least once a quarter;
2. If necessary, the Board meeting shall be convened by the Chairman of the Board, as well as by at least 2 members of the Board, on the basis of written request;
3. Chairman of the Board shall lead the meeting, whereas in case of his/ her absence, the member of the Board designated by the Chairman in advance shall perform this function;
4. The Board meetings are organized by the Agency;
5. All members of the Board shall be notified about the venue and agenda of the upcoming meeting and be provided with the respective materials, as a rule, at least 2 days before the respective date;
6. Each member of the Board shall have 1 vote. The meeting of the Board is entitled to make a decision, provided that at least more than half of the members of the Board are present;
7. The Board shall render a decision by simple majority of the votes of attending members of the Board. In the event of equal split of votes, the Chairman shall have casting vote.
8. The meeting of the Board may be attended by invited individuals.

9. Board meeting may be held by means of electronic communication.
10. Operation of the meeting of the Board and rendered decision shall be reflected in the respective minutes. The minutes shall be signed by the Chairman of the meeting of the Board.

Article 10. Conflict of Interest

1. Independent board member, Head of the Agency and an employee of the Agency are not entitled to be an employee, direct or indirect shareholder of a Commercial Bank or its affiliate legal entity or a member of their supervisory board or directorate. In addition, family members, as defined under the Organic Law of Georgia on the National Bank of Georgia, of the Board member, Head of the Agency and an employee of the Agency, may not hold direct or indirect shareholding interest of a Commercial Bank, or be members of its supervisory board or directorate;
2. Board member, Head of the Agency and an employee of the Agency shall not be entitled to obtain by means of his/her official status any gain or benefit from a Commercial Bank or its affiliate, on his/her or another individual's behalf, with whom he/she is closely related or has working or financial relation.

Chapter III

Fund

Article 11. Sources for Financing Fund, Use of Resources and Target Fund size

1. The Fund shall comprise of the following sources:
 - a. Initial membership contributions;
 - b. Regular insurance premium;
 - c. Extraordinary insurance premiums;
 - d. Revenues from investment activities of the Agency;
 - e. Amounts collected from the assets of Commercial Banks where Insurance Case has occurred;
 - f. Other income permitted under legislation of Georgia.
2. Commercial Bank is obliged to pay insurance premiums provided under this Law.
3. The resources of the Fund shall be used only for the purposes of this Law. Operational expenses of the Agency, envisaged under the respective annual budget, as well as loan service costs shall be financed from the Fund.
4. The amounts accumulated in the Fund have to reach the targeted amount, which equals to 6% of the total amount of Insured Deposits.

Article 12. Initial Membership Contribution

1. A Commercial Bank is obliged to pay to the Fund one-time initial membership contribution in the amount of GEL 100,000.
2. A newly established Commercial Bank is obliged to pay initial membership contribution within 30 days from the receipt of the license on banking activities.

Article 13. Regular Insurance Premium

1. A Commercial Bank is obliged to pay monthly regular insurance premium in accordance with this Law and instructions.
2. The amount of monthly regular insurance premium shall not exceed:
 - a. 0,067% of the Insured amount of the national currency Deposit in the respective Commercial Bank;
 - b. 0,1% of the Insured amount of the foreign currency Deposit in the respective Commercial Bank.
3. Regular insurance premium has to be paid no later than 15th day of the subsequent month.
4. Commercial Bank shall pay regular insurance premium in national currency at the official exchange rate of the National Bank of Georgia on the day of payment, in accordance with the instructions.
5. The Agency shall approve annually, no later than 30 September, an individual amount of regular insurance premium for the next year for each Commercial Bank, on the basis of risk analysis of Commercial Banks, which shall not exceed the amount specified under Paragraph 2 of this Article. Risk based premium methodology shall be public for all Commercial Banks, whereas evaluation of Commercial Banks shall be confidential.

Article 14. Extraordinary Insurance Premium

1. In the event at the moment of occurrence of an Insurance Case the amounts available in the Fund are insufficient to reimburse Insured Deposits, the Agency is entitled, in accordance with this Law and instructions of the Agency, to request from Commercial Bank one-time payment of extraordinary insurance premium in the amount not exceeding 1% of total amount of Insured Deposits in the Commercial Bank during a calendar year.
2. In the event the amounts in the Fund are insufficient for reimbursement of Insured Deposits, irrespective of the mobilization of funds referred under Paragraph 1 of this Article, the Agency shall be entitled to attract funds, including on the basis of the state guarantee, from the following sources and in the following form:
 - a. Borrow monetary amounts from local and international financial institutions;
 - b. Borrow monetary amounts from the National Bank of Georgia;
 - c. Borrow monetary amounts from the Government of Georgia;
 - d. Place securities;

- e. Search for other alternate sources.
3. The Agency shall be obliged to repay the loan from the Fund;
4. The detailed information on determining extraordinary insurance premium and respective procedures shall be provided in the instruction.

Article 15. Investment of the Resources of the Fund

1. The Agency shall invest the resources of the Fund in accordance with investment policy and annual investment plan of the Agency envisaged under this Law.
2. For the purposes of maintaining security and liquidity of the Fund, the resources of the Fund may be invested only in the following low risk assets:
 - a. Debt securities denominated in GEL issued by the Government of Georgia and/or the National Bank of Georgia and/or International Financial Institution;
 - b. Deposits of the National Bank of Georgia;
 - c. Fixed income securities and debt instruments issued by the Central Bank of Europe, Organization for Economic Cooperation and Development (OECD), EU member states, EU supranational agencies.
3. The Agency shall invest the resources of the Fund in accordance with diversification, safety and liquidity principles, ensuring adequate risk management and internal control safeguards.
4. The Agency is entitled to transfer management of the Fund to the Treasury Service of the Ministry of Finance of Georgia, as well as to the National Bank of Georgia for the purposes of investing the resources of the Fund.

Chapter IV

Rules and Procedures for Reimbursement of Insured Deposits

Article 16. Coverage Level

1. The Board shall regularly review compliance of the Coverage Level with international standards and practice. If necessary, the Agency shall decide to increase the Coverage Level.
2. Decision on increasing of the Coverage Level shall enter into force after 3 months following to its adoption, whereas in case of necessity to ensure financial stability - even earlier.

Article 17. Calculation of Insured Deposit Amount

1. A Depositor is entitled to compensation of his Insured Deposit, irrespective of the number or currency of the Deposits in a Commercial Bank, upon occurrence of and Insurance Case, within the scope of the Coverage Level prescribed under this Law.
2. An Insured Deposit shall be reimbursed to the Depositor in national currency. In case the Depositor has a Deposit in foreign currency, the compensation shall be calculated and compensated in

national currency, based on the official exchange rate of the National Bank of Georgia at the date of the Insurance Case occurrence, amount of which shall not exceed the Coverage Level.

3. Insured Deposit amount for a Depositor shall be determined as a sum of credit balances of all Insured Deposits in the Commercial Bank, including the interest accrued by the date of occurrence of the Insurance Case.
4. Deposits of a Depositor in various Commercial Banks shall be insured within the set Coverage Level separately for each Commercial Bank.
5. In the event of merger of Commercial Banks, within 6 months from such merger, in case of occurrence of an Insurance Case, a Depositor is entitled to claim separately compensation of Deposit insured in each Commercial Bank before merger within the Coverage Level.
6. In the event the agreement between a Depositor and a Commercial Bank provides for set-off of obligations, the amount to be compensated to the Depositor shall be calculated with deduction of the due outstanding obligation.
7. The right of a Depositor to claim compensation from the Agency shall be valid for 3 years from occurrence of the Insurance Case. After expiration of this term, the insurance amount shall be directed to the National Bank of Georgia for the purposes of compensation of the Depositor in accordance with legislation of Georgia.

Article 18. Excluded Deposits

The following Deposits are excluded from insurance and shall not be reimbursed upon occurrence of an Insurance Case:

- a. Deposits opened in the name of administrators of the respective Commercial Bank;
- b. Deposits of shareholders holding 5% or more of the capital of the respective Commercial Bank;
- c. Deposits of family members, as defined under the Organic Law of Georgia on the National Bank of Georgia, of the individuals provided under Subparagraphs “a” and “b” of this Article, or third persons acting on their behalf in the respective Commercial Bank;
- d. Deposits of individuals that directly conducted external audit of the respective Commercial Bank during the past 3 years prior to occurrence of the Insurance Case;
- e. Deposits on nominal ownership accounts and Deposits, holders of which cannot be identified in accordance with legislation of Georgia prior to occurrence of an Insurance Case;
- f. Deposits against which security measures are applied in accordance with legislation of Georgia within the scope of a criminal investigation or use of which is restricted on the other basis provided under legislation of Georgia.

Article 19. Procedures and Timeframe for Payment of Compensation

1. After occurrence of an Insurance Case, the Agency is obliged to notify the Depositors promptly regarding occurrence of an Insurance Case and provide information on payout procedures electronically via its webpage and by means of official print media.
2. The Agency shall organize payment of compensation in accordance with approved instruction.
3. The liquidator of the respective Commercial Bank is obliged to provide to the Agency electronically full information on insured Depositors and their Deposits within 5 calendar days from the date of occurrence of an Insurance Case.
4. The Agency is obliged to ensure calculation and payment of compensation to Depositors within 20 calendar days from occurrence of the Insurance Case.

Article 20. Obligations Developed after Compensation

1. After payment of compensations by the Agency, the claim of the Depositor against the Commercial Bank where the Insurance Case had occurred, shall be reduced by compensated amount.
2. The claim of the Agency against the Commercial Bank where Insurance Case had occurred shall increase by the amount of compensation reimbursed to Depositors of the given Commercial Bank and costs incurred by the Agency during the compensation process.
3. In the event of payment of compensations, the Agency shall become the first rank creditor, after the National Bank of Georgia, of a Commercial Bank where Insurance Case had occurred. The Agency is entitled to claim compensation of amounts provided under Paragraph 2 of this Article.

Chapter V

Transparency

Article 21. Providing Information to Depositors

1. The Agency is obliged to publish electronically: the information on member Commercial Banks of the Deposits Insurance System, information on amounts accumulated in the Fund, quarterly and annual reports on the activities of the Agency, Charter and instructions of the Agency, information on investing Fund resources, annual budget of the Agency and the report of the Auditor.
2. Commercial Banks is obliged to provide to current and potential Depositor, in accordance with this Law and instructions of the Agency, information determined under legislation of Georgia on Insured and Uninsured Deposits, as well as on Coverage Level of Insured Deposit.
3. The Commercial Bank is obliged to publish electronically information on Deposit insurance in accordance with this Law and instructions of the Agency.
4. The Employee of the Agency, as well as the entities provided under Paragraph 4 of Article 15 of this Law and their employees, are prohibited from providing access to anyone to the confidential information, disclosing, disseminating such information or using it for personal purposes.

5. Confidential information on Commercial Banks and their clients kept at the Agency may be disclosed only to the National Bank of Georgia for the purposes of fulfillment of functions provided under the legislation of Georgia. Such information may be provided to any other individual/entity only on the basis of respective court decision.

Article 22. Audit

1. For the purposes of monitoring the operations and activities of the Agency, internal audit is performed in the Agency in accordance with this Law, Charter and instructions of the Agency. Internal audit shall ensure examination of compliance of accounting and financial information of the Agency and respective financial statements with legislation of Georgia and their compliance with the legislation.
2. Annual audit of the statements of the Agency shall be performed by an external auditor selected by the Board.
3. Only that audit firm shall be entitled to render auditing service to the Agency, which passed monitoring of proper quality control system required for auditing of financial statements of public interest entities determined under the Law of Georgia on Accounting, Reporting and Auditing in accordance with the procedure set by the Accounting, Reporting and Auditing Supervision Service.
4. External audit report is public and shall be published on the official webpage of the Agency.

Article 23. Penalties

1. In the event of detecting violation provided under this Article, the Agency shall be entitled to apply the following penalties based on significance of the violation:
 - a. Send a written warning to the Commercial Bank;
 - b. Impose a monetary penalty on a Commercial Bank.
2. Commercial Bank may be imposed with a monetary penalty in the event the Commercial Bank:
 - a. Has failed to provide to Depositors information on Deposit Insurance System in accordance with this Law and instructions of the Agency. The amount of the penalty shall equal to GEL 1,000;
 - b. Has failed to submit to the Agency correct data on the Deposits in the manner and with periodicity determined under the instructions of the Agency. The amount of the penalty shall equal to GEL 10,000;
 - c. Has failed to pay initial contribution, or regular or extraordinary insurance premiums to the Agency in the amount and within the term determined under the Law and instructions of the Agency. The amount of the penalty shall equal to 0.06% of the outstanding amount for each overdue day;
3. The type of the penalty to be imposed on a Commercial Bank shall be agreed with the National Bank of Georgia.

4. The amounts collected in form of monetary penalties provided under this Article shall be transferred to the Fund.
5. Payment of the amount of monetary penalty provided under this Article shall not relieve the Commercial Bank from obligation to perform its duties under this Law.
6. The procedure for imposing and payment of monetary penalty, as well as the form of the administrative offence protocol and an individual authorized for its preparation, shall be determined under the instructions.

Chapter VI

Transitional and Final Provisions

Article 24. Transitional Provisions

1. The Board shall gather within 30 days following to entry into force of this Law. Until election of the independent members, the Board shall be legitimate with composition of 3 members.
2. Within 60 days following to entry into force of this Law, 2 independent Board members shall be elected. For this purpose, the National Bank of Georgia shall ensure organization of voting envisaged under Article 7 of this Law. The term of office for an independent member of the Board elected through first voting shall equal to 5 years. Repetitive voting shall be held among remaining candidates in accordance with the procedures provided under Article 7 and the term of office for the respectively elected candidate shall equal to 2 years.
3. Within 60 days following to entry into force of this Law, the Government of Georgia, based on the submission by the Board, shall approve the Charter of the Agency.
4. Within 60 days following to entry into force of this Law, the Agency shall ensure to appoint the Head of the Agency in accordance with the procedures provided herein.
5. The amount of Coverage Level provided under Sub-Paragraph "h" of Paragraph 1 of Article 2 of this Law shall equal to GEL 5,000. The Head of the Agency, based on agreement with the Board, shall determine new amount of the Coverage Level no later than by 2020, whereas in case of necessity to ensure financial stability - even earlier.
6. The Agency shall ensure adoption of legal acts (instructions) envisaged under this Law until 1 January 2018.
7. Commercial Banks shall ensure payment of the initial membership contribution provided under Paragraph 1 of Article 12 of this Law no later than 1 January 2018.
8. Amounts accumulated in the Fund until 2022 may be less than targeted level.

Article 25. Entry into Force

1. The present Law, except for Sub-Paragraphs “b”-“f” of Paragraph 1 and Paragraph 4 of Article 11 and, Paragraph 2 of Article 12, Articles 13-15 and Chapters IV and V, shall enter into force upon promulgation.
2. Sub-Paragraphs “b”-“f” of Paragraph 1 and Paragraph 4 of Article 11 and, Paragraph 2 of Article 12, Paragraphs 1-4 of Article 13, Articles 14 and 15 and Chapters IV and V of this Law shall enter into force on 1 January 2018.
3. Paragraph 5 of Article 13 of this Law shall enter into force on 1 January 2020.

President of Georgia

Giorgi Margvelashvili

Kutaisi

17 May 2017

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