

Order N [●]
Of the Head of the Legal Entity of Public Law - Deposit Insurance Agency
28 December 2017, Tbilisi

**On Approving the Instruction on the Rules, Periodicity and Procedures for
Calculation of Extraordinary Premium**

In accordance with sub-paragraph “j.g” of Article 6.6 of the Law of Georgia on Deposit Insurance System, it is hereby ordered:

Article 1. To approve the Instruction on the Rules, Periodicity and Procedures for Calculation of Extraordinary Premium, as annexed hereto.

Article 2. This Order shall become effective upon its publication.

Head of the Agency

Otar Dzidzikashvili

Instruction on the Rules, Periodicity and Procedures for Calculation of Extraordinary Premium

Article 1. Scope of the Instruction

The Instruction on the Rules, Periodicity and Procedures for Calculation of Extraordinary Premium (hereinafter – the “Instruction”) sets the terms for introducing the extraordinary premium by the legal entity of public law – Deposit Insurance Agency (hereinafter – the “Agency”), as well as the premium amount and payment terms in case of occurrence of an insured event, when the deposit insurance fund (hereinafter – the “Fund”) is not sufficient.

Article 2. Definitions

1. For the purposes of this Instruction, the terms used herein below shall have the following meaning:
 - a) **Extraordinary Insurance Premium** - means a special insurance premium due by individual bank, which is calculated by applying extraordinary insurance premium rate onto total insured deposits in a bank, regardless of its currency structure.
 - b) **Extraordinary Insurance Premium Rate** - means a percentage calculated on the basis of the relation between the shortfall of total financial assets of the deposit insurance fund needed for the pay-out of insured deposits upon occurrence of insurance event, and the total insured deposits in the banking sector, but not higher than 1 per cent of total insured deposits at the commercial bank.
2. Other terms used in this Instruction shall have the meaning given under the Law of Georgia on Deposit Insurance System (the “Law”), Law of Georgia on the Activities of Commercial Banks and the Organic Law of Georgia on the National Bank, unless otherwise defined herein below.

Article 3. Terms for Collection of Premium

1. The principal objective of collection of extraordinary insurance premium is to ensure uninterrupted and timely payout of insured deposits, which preserves depositors’ confidence in the banking system.
2. In case of occurrence of an insured event, after determining that the total financial assets of the deposit insurance fund are lower than the total liability of insured deposits, the Agency shall calculate the total insufficient amount in relation to total insured deposits to determine the percentage of the total shortfall.
3. If total insufficient amount, as determined in paragraph 2 hereof, is lower than or equal to 1 per cent and under the condition that imposing the Extraordinary Insurance Premium will not

- jeopardize liquidity and financial stability of banks, for which the Agency will receive prior written opinion from the National bank of Georgia, the Agency shall, without delay calculate due amount of extraordinary insurance premium to be paid by individual banks and send to banks order to pay the extraordinary insurance premium.
4. If total insufficient amount, as determined in paragraph 2 hereof, is lower than or equal to 1 per cent, but if imposing the Extraordinary Insurance Premium may jeopardize liquidity and financial stability of banks, based on the written opinion of the National bank of Georgia, the Head of the Agency shall propose to the Board to impose lower Extraordinary Insurance Premium Rate than needed or not to impose Extraordinary Insurance Premium Rate at all.
 5. In the scenario determined under paragraph 4 of this Article, the Head of the Agency shall propose to the Board other measures and mechanisms for attraction of additional funds.
 6. If total insufficient amount, as determined under paragraph 2 hereof, is higher than 1 per cent of total insured deposits at a commercial bank, the Head of the Agency shall propose to the Board full set of measures for attraction of additional funds with specific proposal related to the Extraordinary Insurance Premium Rate (not exceeding 1 per cent) and other sources as prescribed in Article 14.2 of the Law, provided that payment of the Extraordinary Insurance Premium shall not jeopardize liquidity and financial stability of the commercial banks (which shall pay the premium) and the Agency shall obtain a prior written opinion of the National Bank of Georgia on this.
 7. In the scenario determined under paragraph 6 of this Article, the Board shall decide on the Extraordinary Insurance Premium Rate and other measures for attraction of additional funds.
 8. In order to determine the rate prescribed in paragraphs 3, 4 and 6 of this Article, the total amount of insured deposits of a bank as per the last date of a previous month shall be treated as the basis for calculation of insured deposits at a commercial bank.
 9. The Agency shall send the order for payment of Extraordinary Insurance Premium, calculated according to the rules and procedures included in this Article, to individual banks to be paid, without delay, but not later than 5 (five) calendar days from the date of the order.
 10. The amount of Extraordinary Premium to be paid by the commercial bank over the course of 1 (one) calendar year shall not exceed 1 (one) per cent of total insured deposits at this commercial bank. The amount of total insured deposits shall be calculated as of the last date of a previous month.

Article 4. Sanctions

The rules and procedures for imposing sanctions on commercial banks for breaching this Instruction is determined under the Law of Georgia on Deposit Insurance System and the relevant normative act of the Head of the Agency.