

**GOVERNMENT OF GEORGIA**

**RESOLUTION No 357**

**24 July 2017**

**Tbilisi**

**On Approval of the Charter of the Deposit Insurance Agency**

**Article 1.**

Pursuant to Paragraph 3 of Article 24 of the Law of Georgia on Deposit Insurance System, the enclosed Charter of the Deposit Insurance Agency has been approved.

**Article 2.**

The resolution shall come into force upon its promulgation.

**Prime Minister**

**Giorgi Kvirikashvili**

## **Charter of the LEPL Deposit Insurance Agency**

### **Article 1. General Provisions**

1. LEPL Deposit Insurance Agency (hereinafter - the Agency) is an independent Legal Entity of Public Law established pursuant to the Law of Georgia on Deposit Insurance System.
2. The Agency conducts its activities in compliance with the Constitution of Georgia, international treaties, Law of Georgia on Deposit Insurance System, Charter of the Agency and other legislative acts.
3. For the purposes of achieving its goals and performing its functions, the Agency has special powers, acquires rights and assumes duties, concludes agreements on its own behalf and is entitled to act as a plaintiff and respondent in the court.
4. The Agency is independent in its daily operations and activities. Any other entity shall be prohibited from interfering in its activities, except for the cases provided under the Law of Georgia on Deposit Insurance System;
5. The terms used in this Charter shall have the meaning provided under the Law of Georgia on Deposit Insurance System.

### **Article 2. Goals and Functions of the Agency**

1. The goals of the Agency shall be to:
  - a. Ensure proper operation of the Deposit Insurance System;
  - b. Compensate Insured Deposits of individuals upon occurrence of an Insurance Case in a Commercial Bank;
  - c. Prevent mass outflow of Deposits from Commercial Banks upon occurrence of an insurance case.
2. Functions of the Agency shall be to:
  - a. Determine and/or receive the initial contributions, as well as regular and extraordinary insurance premiums and ensure their accumulation in the Deposit Insurance Fund (hereinafter – the Fund);
  - b. Manage the Fund;
  - c. Identify the need for extraordinary insurance premiums and ensure their attraction in the respective case;

- d. Pay compensation upon occurrence of an Insurance Case in accordance with the legislation of Georgia;
- e. Establish internal control and risk management of the Agency;
- f. Adopt crisis management policy, procedures and system that shall ensure effective response to risks emerged in result of occurrence of an Insurance Case;
- g. Establish management information system and procedures for the purposes of ensuring operative compensation of Depositors and perform, at least once a year, a simulation of occurrence of an Insurance Case;
- h. Obtain from Commercial Banks, within the scope of its competence, information envisaged under the respective instruction in a timely and detailed manner;
- i. 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 insuring Deposits;
- j. Receive material and technical assistance from the National Bank of Georgia on the basis of a respective agreement;
- k. 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;
- l. Request from Commercial Banks provision of information to their current and potential clients on Deposit insurance in accordance with the instruction;
- m. Request from Commercial Banks information on Insured Deposits in a format provided in the instruction;
- n. Verify information on Insured Deposits received from Commercial Banks on-site, via offsite inspection and/or the National Bank of Georgia examiners and/or external auditors of Commercial Banks;
- o. Participate in working groups established for the purposes of ensuring financial stability;
- p. 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;
- q. For the purposes of adequate exercise/performance of its rights and obligations, cooperate with respective individuals/entities in accordance with the Law of Georgia on Deposit Insurance System, this Charter and respective agreements;
- r. Exercise other rights and perform other duties provided under the legislation of Georgia and this Charter.

### **Article 3. Structure and Governance of the Agency**

1. The Agency executes its powers via:
  - a. The Supervisory Board (hereinafter - the Board);
  - b. Head of the Agency;
  - c. Office of the Agency (hereinafter – the Office).
2. Pursuant to the Law of Georgia on Deposit Insurance System and this Charter:
  - a. The Board is established for the purpose of governing the Agency;
  - b. The Agency is managed by the Head of the Agency.
3. Schedule of the staff and budget for the respective year shall be approved in accordance with the Law of Georgia on Deposit Insurance System and this Charter.
4. Daily activities of the Agency shall be performed by the Office.

### **Article 4. 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.

#### **Article 5. Functions of the Board**

1. The Board shall:
  - a. Appoint and discharge the Head of the Agency in accordance with the Law of Georgia on Deposits Insurance System and this Charter;
  - b. Review and approve the following documents (instructions) 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 premium;
    - b.e. Methodology for calculation of risk-based annual regular premium;
    - b.f. Risk-based regular premium scale and target fund;
    - b.g. Rule for calculation of extraordinary 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 the Law of Georgia on Deposit Insurance System;
- c. In case of depletion and/or 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 on the issue of granting rights to and imposing obligations on, within the scope of competence of the Agency, the Office by the Head of the Agency;
- g. Agree upon reports of the Head of the Agency on activities of the Agency;
- h. Select external auditor;
- i. Perform other rights and obligations envisaged under the legislation of Georgia and this Charter.

#### **Article 6. Procedures for Holding Board Meetings**

1. Meetings 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 7. Procedure for Selection and Appointment of Head of the Agency**

1. A candidate for the position of the Head of the Agency shall be selected on the basis of a public contest. The contest commission shall consist of the Minister of Finance of Georgia, Minister of Economy and Sustainable Development of Georgia and the President of the National Bank of Georgia. Decision on the appointment of a candidate shall be made by simple majority of votes.
2. The contest commission shall determine, on the basis of the respective resolution, additional qualification requirements for the Head of the Agency, the form and date of a contest, as well as respective institution responsible for organization of the contest.
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. The contest for the position of the Head of the Agency shall be officially announced on the webpage administered by the LEPL Public Services Bureau ([www.hr.gov.ge](http://www.hr.gov.ge)).
6. Notification on the contest shall include the following data:
  - a. Title of the respective institution and vacant position to be filled through contest;
  - b. Requirements set for a candidate;
  - c. Work to be performed;
  - d. Amount of remuneration;
  - e. Deadline for submitting an application and other necessary documents;
  - f. Address of the respective commission;
  - g. Contest stages;
  - h. Deadline for making final decision by the commission.

## **Article 8. Dismissal of the Head of the Agency**

Head of the Agency shall be dismissed from the position:

- a. On the basis of his/her own application, which shall be submitted to the Board at least 2 months prior to the date of dismissal from the position;
- b. On the basis of decision of the Board (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.

#### **Article 9. Functions and Duties of the Head of the Agency**

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 mandatory annual premium of Commercial Banks based on agreement with the Board;
- i. Adopt subordinate normative act – an order, whereas in case of individual administrative act – also an order, within the scope of its competence, for the purposes of complying with the requirements established under the Law of Georgia on Deposits Insurance System;
- j. Draft and approve based on the agreement with the Board the following legal acts/instructions:
  - j.a. Staff schedule and budget of the Agency for the subsequent year;



- 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 premium;
- j.e. Methodology for calculation of risk-based annual regular premium;
- j.f. Risk-based regular premium and target fund size;
- j.g. Rule for calculation of extraordinary 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 acts/instructions envisaged under the legislation of Georgia;
- k. Based on agreement with the Board, assigns to the Office the rights and obligations in the competence of the Agency;
- l. Performs instructions of the Board and exercises/performs other rights and obligations provided under the legislation of Georgia.

#### **Article 10. Internal Audit**

1. For the purposes of monitoring the operations and activities of the Agency, internal audit is performed in the Agency.
2. 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 reliability.
3. Internal audit shall be performed on the basis of an Agreement executed between the Agency and respective individual.
4. Based on the request of the Board, the individual performing internal audit shall also be accountable to the Board.
5. Periodicity of auditing the Agency and respective procedures shall be determined under the instruction of the Agency and respective agreement.

### **Article 11. External Audit**

1. Annual audit of the statements of the Agency shall be performed by an external auditor selected by the Board.
2. 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.
3. External audit report is public and shall be published on the official webpage of the Agency.

### **Article 12. Reporting**

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 external auditor.
2. The Head of the Agency prepares and submits to the Board quarterly and annual reports on the activities of the Agency, as well as annual financial statements.
3. The Agency shall submit annual report on its activities to the Government of Georgia, the Parliament of Georgia and the National Bank of Georgia.

### **Article 13. Confidentiality and Legal Guarantees**

1. 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.
1. The Employee of the Agency, the Treasury of the Ministry of Finance, as well as the National Bank and their employees, are prohibited from providing access to anyone to the confidential information, disclosing, disseminating such information or using it for personal purposes.
2. 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 14. Funding of the Agency**

The following are the sources of funding the Agency:

- a. Respective funds allocated from the state budget of Georgia;

- b. Grants;
- c. Donations;
- d. Technical and other types of assistance;
- e. Income received in result of rendering services by the Agency;
- f. Amounts provided in the respective yearly budget of the Agency received from the Fund in relation to operation of the Agency;
- g. Other income permitted under the legislation of Georgia.

#### **Article 15. Property of the Agency**

1. The property of the Agency comprises of the property transferred by the state, individuals and legal entities of private law, as well as the property acquired by its own resources in accordance with legislation of Georgia.
2. The property of the Agency comprises of basic working assets, as well as other material valuables and financial resources.
3. The Agency holds integrated account of the Treasury Service of the Ministry of Finance of Georgia in the National Bank of Georgia and owns the seal with the Georgian national emblem and its own title.

#### **Article 16. Accounting and Reporting of the Agency**

The Agency performs accounting and reporting in conformity with the legislation of Georgia and International Financial Reporting Standards (IFRS).

#### **Article 17. Reorganization and Liquidation of the Agency**

1. Reorganization and liquidation of the Agency shall be performed in accordance with the procedure established under the legislation of Georgia.
2. Revocation or modification of the Charter of the Agency shall be performed in accordance with the procedure established under the legislation of Georgia.

#### **Article 18. Transitional Provisions**

Within 60 days following to entry into force of the Law of Georgia on Deposits Insurance System, 2 independent Board members shall be elected. For this purpose, the National Bank of Georgia shall ensure organization of voting. 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 and the term of office for the respectively elected candidate shall equal to 2 years.