

ON THE PROVISION OF NON-STATE PENSIONS AND NON-STATE PENSIONS INSURANCE

Chapter I - General Provisions

Article 1 - Scope of the Law

1. This Law defines the procedure for the provision of non-state pensions and non-state pensions insurance and the bases of their state regulation systems, and regulates relations in this sphere.
2. The relations in the sphere of non-state pension schemes and insurance shall be regulated according to the Constitution of Georgia, this Law and the legislation of Georgia.
3. Non-state pension schemes and insurance of natural persons shall be implemented independently from the state pension scheme.

Article 2 - Definition of terms used in the Law

The terms used in herein have the following meaning:

- a) provision of non-state pension to natural persons - regular issuance of monetary funds (pensions) to natural persons at the expense of pension contributions of natural and legal persons and investment returns;
- b) activities performed for the provision of natural persons with non-state pensions and non-state pensions insurance – the establishment of pension schemes, the accumulation and record-keeping of pension contributions, the formation of pension savings and the regular issuance of pensions to natural persons;
- c) non-state pension scheme ('pension scheme') - a system of relationship of natural and legal persons in the sphere of non-state pensions provision and insurance;
- d) founder of a non-state pension scheme ('founder') - a legal person that establishes a pension scheme and provides non-state pensions to natural persons according to the procedure established by the pension scheme;
- e) contributor - a natural or legal person who pays pension contributions for the benefit of the participant of a pension scheme in accordance with the procedure established by the pension scheme;
- f) participant of the pension scheme ('participant') - a natural person in whose favour pension contributions are paid and pensions are issued in accordance with the procedure laid down by the pension scheme;
- g) pension savings - funds registered on the individual pension account of the participant or participants;
- h) individual pension account - a form of registration of pension funds movement;
- i) pension contribution - a contribution set by the pension scheme and paid by contributors for the provision of non-state pensions to natural persons;
- il) assets corresponding to pension savings - assets that are permitted to be used to cover (invest) pension savings as defined by the procedures of the National Bank of Georgia;
- j) assets management company - a commercial organisation that manages and invests pension savings on the basis of a relevant license;
- k) specialized depository - a commercial organisation that accepts and stores documented securities and keeps records of non-documented securities that constitute assets corresponding to pension savings;
- l) supervisory board of a pension scheme founder - a founder's body which supervises the provision of non-state pensions to citizens and protects the interests of the participants in cases provided for by this Law;
- m) subsidiary (subsidiary organisation) - a legal person in which the founder holds 50% or more than 50% of the interest (voting shares, equity), and in the case of an organisation without legal status, controls it;
- n) branch - a structural unit of the founder where all or part of the activities defined by the charter of the founder are carried out.

Law of Georgia No 1691 of 24 September 2009 - LHG I, No 29, 12.10.2009, Art. 174

Law of Georgia No 2833 of 23 March 2010- LHG I, No 19, 13.4.2010, Art. 107

Article 3 - Right of natural persons to non-state pensions provision and insurance

Natural persons shall have a right to receive a non-state pension. This right may not be pledged or transferred. Founders, assets management companies



and specialized depositaries shall act only in the interests of the participants.

Article 4 - Agreements on non-state pensions provision and insurance

1. An agreement on the provision of non-state pensions and insurance ('agreement') shall be signed between the founder and the contributor in accordance with the legislation of Georgia. Under the agreement, the founder undertakes to provide the participant with a non-state pension in accordance with the procedure established by the pension scheme, and the contributor undertakes to pay pension contributions.
2. The agreement may be signed:
 - a) between the founder and a contributor for the benefit of another natural person;
 - b) between the founder and a participant if the participant is at the same time a contributor in his/her own favour;
 - c) between the founder and workers of the pension scheme if the founder is at the same time a contributor for the benefit of its workers.
3. An agreement concluded for the benefit of a participant shall contain a record of the areas of investment of the pension savings and conditions regarding how the financial results of the pension scheme affect the amount of such savings.
4. The minimum requirements for an agreement entered into for the benefit of a participant shall be defined by the National Bank of Georgia.

Law of Georgia No 2833 of 23 March 2010 - LHG I, No 19, 13 .4 .20 10, Art. 107

Chapter II - Types of a Non-State Pensions and the Procedure for Issuing such Pensions

Article 5 - Types of a non-state pensions

1. The following shall be the types of a non-state pensions:
 - a) a lifetime pension - issued to a natural person from the beginning of the issuance of the pension until his/her death;
 - b) a fixed-term pension - issued to a natural person for at least five years.
2. A lifetime pension is either individual or joint. An individual pension shall accrue and be issued to a participant until his/her death. The accrual and issuance of a pension shall cease upon the death of the participant. A joint pension shall be issued to spouses who are members of the pension scheme from the start of the issuance of the pension until death. In the case of the death of one of the spouses, half of this pension shall be issued to the other spouse. In the case of divorce, each former spouse shall have the right to receive half of the joint pension.
3. Any disputes arising with respect to a joint pension between spouses shall be reviewed by a court.
4. In the case of the death of a participant before the expiration of the term of a fixed-term pension, his/her heirs shall receive the fixed-term pension until the end of the expiry of the term of the pension.

Article 6 - Pension payouts

1. A pension shall be issued to a participant after he/she reaches the pension age determined by the legislation of Georgia and within one month after the submission of a relevant application and/or before the attainment of pension age if the person partly or completely loses the ability to work.
2. A participant may defer the time of receipt of the pension.

Chapter III - Pension Savings Fund

Article 7 - Formation, spending and evaluation of pension savings funds

1. A pension savings fund represents funds formed by the founder for the benefit of the participant; the fund is created from the pension contributions of the contributors and takes into account the profit or loss arising as a result of the management of assets corresponding to pension savings (investment activities).
2. In order to issue lifetime pensions, the founder shall, on the basis of actuarial calculations, create a lifetime pension savings payout fund which is credited with the calculated amounts of the pension savings fund of the participant before the start of the issuance of the pension, according to the data of the latest quarter.

Law of Georgia No 1691 of 24 September 2009 - LHG I, No 29, 12.10 .2009, Art. 174

Law of Georgia № 2833 of 23 March 2010- LHG I, No 19, 13 .4 .20 10, Art. 107



Article 8 - Ownership right to pension savings

1. A participant of a pension scheme shall be considered to be the owner of the calculated amount of the individual pension savings, except for the funds transferred to the lifetime pension savings payout fund.
2. The savings intended for the issuance of a lifetime pension shall be deemed the joint property of the participants who have obtained the right to receive lifetime pensions.

Article 9 - Pension contributions

1. Pension contributions shall be paid in monetary form as a cash or cashless payment by:
 - a) contributor natural persons;
 - b) contributor legal persons, unless they are indebted to central and local budget or state non-budgetary funds.
2. It shall be impermissible to pay pension contributions at the expense of central and/or local budget funds.
3. A contributor, if he/she is not a participant of a pension scheme in his/her own favour, shall, in the case of violation of the procedure for the payment of pension contributions, compensate the material damage in the amount equal to the contributions payable during the period of non-payment and to the possible return on investment.
4. Violation by a contributor of the terms stipulated by the agreement shall not constitute grounds for restricting the rights of the participant to the pension savings.

Article 10 - (Deleted)

Law of Georgia No 1691 of 24 September 2009 - LHG I, No 29, 12. 10 .20 09, Art. 174

Law of Georgia No 2833 of 23 March 2010 - LHG I, No 19 , 13 . 4 .20 10, Art. 107

Article 11 - Pension savings investment

1. (Deleted).
2. Assets corresponding to pension savings shall be defined by the National Bank of Georgia.
3. The following shall not be deemed assets corresponding to pension savings:
 - a) securities issued by the founders or contributors, as well as by their affiliated persons, and assets management companies and specialized depositaries with whom an agreement has been concluded on the management of the assets corresponding to pension savings and their affiliated persons;
 - b) derivative securities;
 - c) immovable property the alienation of which is prohibited.
4. Pension savings shall be invested in accordance with the agreement entered into with the participant of the pension scheme.

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Article 12 - Assets management companies

1. Only assets management companies may invest pension savings on the basis of an agreement on the management of the assets corresponding to pension savings.
2. For the performance of its activities, an assets management company shall obtain a license in accordance with legislation.
3. An assets management company may not be an affiliated person of the pension scheme founder, of the contributor or of the specialized depositary or their founder or specialized depositary, except in cases provided for by this Law.
4. The founder may choose one or several companies for managing assets corresponding to the pension savings, and may enter into an agreement for assets management with several companies simultaneously.
5. For the non-fulfilment of its obligations, an assets management company shall be liable to the founder and the participant in accordance with the



legislation of Georgia. An assets management company shall not be liable to the participants for the obligations of the founder, or for the indebtedness or bankruptcy of the founder, contributor or specialized depositary.

6. An assets management company shall perform its activities on behalf of the founder of the pension scheme.

7. Pension savings shall be transferred to an assets management company in monetary form, according to each pension scheme separately.

8. In the process of assets management, an assets management company shall invest pension savings only through a specialized depositary.

Law of Georgia No 1691 of 24 September 2009 - LHG I, No 29, 12. 10 .20 09, Art. 174

Law of Georgia № 2833 of 23 March 2010 - LHG I, No 19 , 13 . 4 .20 10, article 107

Article 13 - Specialized depositary

1. Except as provided for by the legislation of Georgia, a legal person shall require a relevant license for the performance of the functions of a specialized depositary. A specialized depositary may have an organisational and legal form of a limited liability company or a joint-stock company.

2. An assets management company shall, in agreement with the pension scheme founder, enter into a deposit agreement with a specialized depositary. A specialized depositary, except for a bank, may not be an affiliated person of:

a) the founder of the pension scheme;

b) the contributor;

c) the assets management company with which the founder has entered into an agreement.

3. A specialized depositary shall receive and store the assets corresponding to pension savings in accordance with the procedure laid down by the legislation of Georgia.

4. An assets management company shall, in agreement with the pension scheme founder, select a specialized depositary and enter into an agreement with it. An agreement may be signed only with one specialized depositary.

5. Securities and other property that represent the assets corresponding to the pension savings, and that have been transferred to the specialized depositary on the basis of a deposit agreement, shall not be transferred to its ownership.

6. A specialized depositary shall:

a) perform the functions of a nominee of the owner of the securities;

b) keep records of the pension savings separately from the property of the depositary and of other persons who have an agreement with it.

Law of Georgia No 1691 of 24 September 2009 - LHG I, No 29, 12. 10 .20 09, Art. 174

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Chapter IV - Pension Schemes

Article 14 - Types of pension schemes

According to the contributions and the amount of funds to be issued, pension schemes are divided into the following types:

a) defined-contribution pension schemes, which obligate the founder to create individual pension savings of participants and regularly issue pensions at its expense in accordance with the agreement envisaged by this Law;

b) defined-benefit pension schemes, which envisage the payment of pensions by the founder, and where the amount of the pension does not depend on the amount of the individual pension savings.

Article 14¹ - Establishment of branches by a founder outside Georgia or the formation or acquisition of a subsidiary enterprise

1. A founder shall submit the following documentation to the National Bank of Georgia within 14 days after the establishment of a branch or the formation or acquisition of a subsidiary enterprise outside Georgia for the performance of the activities provided for by the legislation of Georgia for persons conducting the monitoring envisaged by the Law of Georgia On Facilitating the Prevention of Illicit Income Legalisation:

a) a decision of the supervisory board of the founder regarding the establishment of a branch or the formation or acquisition of a subsidiary enterprise;

b) the statement of the supervisory board of the founder stating that, in order to fulfil the recommendations of the Financial Action Task Force on Money Laundering and Terrorism Financing (FATF), the branch or the subsidiary enterprise has, upon the commencement of its operations, developed a programme for combating money laundering and terrorism financing.



2. If the fulfilment of FATF recommendations by the branch or the subsidiary enterprise is not envisaged by the laws and subordinate normative acts of the foreign country or the country concerned does not fight money laundering and terrorism financing and FATF recommendations are not fulfilled at all or are fulfilled inadequately:

a) the supervisory board of the founder shall provide a written undertaking that the founder will ensure the implementation of measures against money laundering and terrorism financing in accordance with FATF recommendations and compliance with the founder's requirements in Georgia;

b) the founder shall inform the National Bank of Georgia about the fact that its branch or subsidiary enterprise is unable to perform the activities defined by the legislation of Georgia with respect to combating money laundering and terrorism financing because it is prohibited or restricted by the legislation of the foreign country where the branch or subsidiary enterprise is located.

Law of Georgia No 2833 of 23 March 2010 - LHG I, No19 , 13 . 4 .20 10, Art. 107

Article 15 - Occupational pension scheme

1. An occupational pension scheme is a pension scheme founded by an employer, an association of employers or any other legal person and to which contributions are made by the employer.

2. An employer or an association of employers may be the founder of one or several occupational pension schemes. An association of employers which has founded an occupational pension scheme, as well as the members of this association, may not be the contributors of other pension schemes.

3. An employer who is not a founder of an occupational pension scheme or a member of the association of founders, may be the contributor of one or several pension schemes of another founder.

4. A participant of an occupational pension scheme may be a person who has reached the age of 18 and who has been in a labour relationship with the contributor employer for at least 24 calendar months. A participant may participate in only one occupational pension scheme.

5. The participants of an occupational pension scheme may be individual categories of workers of the founder (contributor) or occupational groups. The list of persons who may become the participants of an occupational pension scheme shall be defined by the labour agreement.

6. The terms of a labour agreement with respect to the provision of a non-state pension and insurance of the employee shall not contravene the terms of the non-state pension provision and insurance agreement that are in favour of the employee and shall not include more or less benefits compared to those defined by such agreement.

7. The pension contributions of an occupational pension scheme shall be paid by the employer or jointly by the employer and the participant according to the terms of the agreement. If the contributions are paid only by the employer, all employees who have the right to be participants of the occupational scheme shall be enrolled in this scheme.

Article 16 - Pension scheme of an association of employers

1. An association of employers (association, union) is a non-entrepreneurial legal person, which has the right to provide non-state pensions and non-state pensions insurance, provided that the rules defined by the pension scheme have been agreed with trade unions.

2. The procedure for an association of employers to provide non-state pensions and non-state pensions insurance shall be defined by the National Bank of Georgia.

3. A supervisory board shall be established to monitor the operation of the pension schemes of associations of employers; the members of the supervisory board shall perform their duties without any compensation. Half of the members of the supervisory board shall be representatives of the participants.

4. In order to protect the interests of the participants, the supervisory board may have one or several authorized persons from among its members.

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 17 - Pension scheme of an employer

1. The pension scheme of an employer shall be established by the management body of the employer in agreement with trade unions.

2. An agreement on non-state pension provision and insurance shall be entered into between the employer (the founder and the contributor) and the employee who has the right to participate in the occupational pension scheme, or between the employer and trade unions in the form of a collective agreement.

3. A supervisory board shall be established to protect the interests of the participants. Half of the members of the supervisory board shall be composed of representatives of trade unions and in the case of their absence, of the participants. The members of the supervisory board shall perform their duties without any compensation.



Article 18 - Pension schemes of other legal persons to which the employer is deemed a contributor

1. An employer, who is not a member of an association of employers that has founded a pension fund, may, as a contributor of a pension scheme, enter into an agreement with the founder for the benefit of its employees. A decision on the conclusion of the agreement shall be made by the management body of the employer.
2. An agreement on non-state pension provision and insurance may be attached to the collective agreement, if any.
3. The requirements of this Chapter apply to pension schemes established by other legal persons where the contributor is the employer.

Chapter V -Pension Schemes Offered by Banks, Insurance Companies and other Legal Persons

Article 19 - Pension schemes offered by banks

1. Banks may provide non-state pensions and non-state pensions insurance on the basis of pension schemes registered by the National Bank of Georgia, only through an enterprise established or acquired exclusively for the purpose of conducting such activities ('bank subsidiary'), in which the bank owns an interest (voting shares, equity) of 50% or more.
2. A bank subsidiary may be the founder of one or more pension schemes, as well as a contributor for the benefit of its employees under a pension scheme registered in accordance with this Law.
3. A bank subsidiary may provide non-state pensions and non-state pensions insurance using a defined-contribution pension scheme.
4. The parent enterprise (parent organisation) and persons affiliated with it shall have the right to be the contributors of a bank subsidiary.
5. The management of pension savings may be performed by a founder, a bank subsidiary or an assets management company.
6. A bank subsidiary may, in accordance with the procedure established by the legislation of Georgia, independently carry out the management of assets corresponding to pension savings; furthermore, it shall use the services of a specialized depository.
7. It is prohibited to invest pension savings in the assets of a bank subsidiary, the assets of the founder of the pension scheme, a parent enterprise (parent organisation), the founders of the parent enterprise or persons affiliated with them, or in the assets of the employers that are considered to be the contributors of pension schemes founded by such bank subsidiary.
8. When investing pension savings, bank subsidiaries shall observe the restrictions established by this Law and other legislative acts and by-laws of Georgia with respect to the investment of pension savings.

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Law of Georgia No 2833 of 23 March 2010 - LGH I, No 19, 13.4.2010, Art. 107

Article 20 - Pension schemes offered by insurance companies

1. Insurance companies may provide non-state pensions and non-state pensions insurance on the basis of an insurance license issued by the National Bank of Georgia and registered pension schemes.
2. An insurance company may be the founder of one or several pension schemes. An insurance company may provide non-state pensions and non-state pensions insurance to its employees as an employer-founder.
3. An insurance company that is the founder of a pension scheme may directly manage assets corresponding to pension savings, and, at the same time, it shall use the services of a specialized depository.

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 21 - Pension schemes offered by other legal persons

1. Legal persons not covered by Article 20 of this Law may provide non-state pensions and non-state pensions insurance on the basis of their registration with the National Bank of Georgia. The registration procedure and the mandatory minimum capital shall be defined by the National Bank of Georgia.
2. A founder of a pension scheme, which is not an insurance organisation shall:
 - a) perform its activities according to this Law;
 - b) invest pension savings through an assets management company and transfer the pension savings for storage to a specialized depository;
 - c) establish a supervisory board envisaged by Article 2(l) of this Law.

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174



Article 22 - Registration of pension schemes

1. The procedure for registering pension schemes shall be defined by the National Bank of Georgia.
2. The registration of pension schemes and the maintenance of the pension scheme register shall be performed by the National Bank of Georgia.

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 23 - Pension scheme rules

1. Pension scheme rules shall be defined by the authorised body of the founder of the pension scheme, the supervisory board, in accordance with the legislation of Georgia.
2. Any changes and additions made to a pension scheme shall be registered with the National Bank of Georgia in accordance with the procedure established by the legislation of Georgia.
3. A founder of a pension scheme shall:
 - a) agree with the supervisory board any changes and additions made to a pension scheme;
 - b) inform each participant about any changes and additions made to the pension scheme not later than 30 days after the registration of such changes and additions;
 - c) make the registered rules of a pension scheme, as well as any changes and additions made to the pension scheme, available for review to any interested person.
4. Non-payment by the contributors of the insurance contributions intended for the additional pension benefits envisaged by the agreement, or incomplete payment, may not serve as grounds for the direct or indirect restriction of the rights granted by the previously paid insurance contributions.

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 24 - Withdrawal of a participant from a pension scheme

1. The withdrawal of a participant from a pension scheme shall be construed as early termination of the agreement, as a result of which the obligations defined by the pension scheme shall cease to apply to the withdrawing participant and the individual pension account of the withdrawing participant shall be closed.
2. The agreement (except for an agreement entered into according to an occupational pension scheme) shall envisage the right of voluntary withdrawal of the participant from the pension scheme, and, at the same time, the participant shall have the right to receive the individual pension savings without reduction.

Article 25 - Transfer of a pension to another pension scheme by the participant

1. A participant shall be considered to have made a transfer to another pension scheme if he/she has transferred his/her pension to the pension scheme of another founder or to another pension scheme of the same founder.
2. If a participant transfers a pension to another pension scheme, the individual pension account of the participant shall be closed in accordance with the rules of the pension scheme and the obligations of the founder shall be transferred to the founder of the pension scheme to which the participant has transferred his/her pension.
3. An agreement entered into with the founder shall envisage the right and terms of transferring the pension to another pension scheme.
4. An occupational pension scheme shall envisage the conditions for a participant to transfer the pension to another pension scheme in the following cases:
 - a) the dismissal of the participant or the termination of his/her labour relations with an employer, or the attainment of pension age, or the establishment of disability;
 - b) the bankruptcy of the employer.



5. In the case of termination of a pension scheme, the transfer of the participant's pension to another pension scheme shall be performed at the initiative (with the consent) of the participant and in agreement with the founder of the other pension scheme. The founder of the scheme from which the participant is transferring his/her pension shall transfer the following documentation to the founder to whose scheme the participant is moving:

- a) copies of the rules of the pension scheme and the agreement entered into with the participant, as well as copies of all changes and additions made to these documents;
- b) a report on the accrued and issued pensions and the formation of the pension savings;
- c) a document certifying the individual pension savings of the participant in monetary form at the date of transfer, whose calculated value shall be defined by this Law.

6. The transfer to another pension scheme of the same founder shall be performed according to the procedure envisaged by the agreement entered into for the benefit of the participant.

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 26 - Termination of a pension scheme

1. The following shall be grounds for terminating a pension scheme:

- a) the fulfilment by the founder of the obligation to issue pensions to all participants;
- b) the movement of the participants to other pension schemes;
- c) the withdrawal of the participant from the pension scheme;
- d) the non-fulfilment of obligations by the contributor;
- e) the decision of the founder;
- f) the non-fulfilment by the founder of the obligations relating to the provision of non-state pensions and non-state pensions insurance, as confirmed by a court decision;
- g) the non-sustainable financial position of the founder;
- h) the revocation of the registration of the pension scheme by the National Bank of Georgia.

2. In cases specified in sub-paragraphs (e), (f) and (g) of paragraph 1 of this article, a claim for the termination of the pension scheme may be filed with a court by the National Bank of Georgia.

3. In the case of the termination of the pension scheme by the founder, the founder shall notify this decision to all participants and to the National Bank of Georgia at least six months prior to the termination of the pension scheme.

4. A pension scheme shall be deemed terminated from the moment when the National Bank of Georgia enters a record in the pension scheme registry about the termination of the pension scheme.

5. A founder may not be liquidated before the termination of all pension schemes founded by it.

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Chapter VI - Record-keeping and reporting by Pension Scheme Founders, Assets Management Companies and Specialized Depositories

Article 27 - Pension accounts of participants

1. A founder shall open a pension account for all participants of its pension scheme to account for the calculated and paid amounts of the pension savings.

2. The annual pension shall accrue to a participant of a defined-contribution scheme according to the length of his/her pensionable service or other conditions defining the amount of the pension, in accordance with the rules of the pension scheme.

3. In the case of the formation of a fund of lifetime pension savings, the pension savings shall be recorded in the individual pension account of the participant.



Article 28 - Provision of information to the participants

1. The founder shall, once a year, provide to all participants of the pension scheme written information on their individual accounts, on changes in the tax system and/or in assets management companies and/or specialized depositaries, and on the result of the audit inspection of the founder.

2. The procedure and calculation documents of the pension scheme shall not be confidential, except for the information about the participant's account. The information about the participant's account may be provided only to a tax authority on the basis 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').

2¹. The information specified in paragraph 2 of this article within the framework of FATCA may be transferred to a tax authority. A tax authority shall have the right to provide this information to the competent authority of the United States of America as defined by this Agreement.

3. The founder shall be liable to the participant for the non-delivery or late delivery of information to the participant in the amount of 0.01 percent of the pension savings amount for each day of delay, at the expense of its property, and for the non-submission or late submission of the relevant report to the National Bank of Georgia it shall be held liable in accordance with the legislation of Georgia.

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Law of Georgia No 4464 of 28 October 2015 - website, 11.11.2015

Article 29 - Record-keeping and reporting

1. A founder shall:

- a) keep a record of all pension schemes founded by it separately and separate pension assets savings from its own property;
- b) open a separate bank account for the provision of non-state pension and non-state pension insurance;
- c) keep a record of paid pension contributions, pension savings and issued pensions.

2. A founder shall submit a report to the National Bank of Georgia once a quarter and at the end of the year in accordance with the procedure established by the legislation of Georgia. The annual report shall contain the conclusion of an independent auditor on the correctness of the accounts and of the reporting on the relative value of assets in which the pension savings, including lifetime pension savings, are invested.

3. An assets management company shall:

- a) separately keep a record of assets corresponding to pension savings;
- b) keep a record of the pension savings transferred to it according to each pension scheme and of the profits received as a result of investment;
- c) present to the founder the necessary documents, the list of which is drawn up by the National Bank of Georgia;
- d) publish the annual report, which shall be submitted to the National Bank of Georgia.

4. A specialized depositary shall:

- a) keep a record of the pension savings of each pension scheme separately;
- b) separate from each other the pension savings maintained according to pension schemes and those maintained on the basis of an agreement;
- c) separate pension savings from its own property and from the property entrusted to it for management;
- d) open a separate bank account in the name of the assets management company for the maintenance of the accounts related to assets management and investments.

5. The amount of a pension and lifetime pension savings shall be defined by actuarial calculations.

6. The assets management company and specialized depositary shall submit reports to the National Bank of Georgia in accordance with the procedure defined by the National Bank of Georgia.

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174



Article 30 - State authority regulating relations in the sphere of non-state pension provision and insurance

The relations in the sphere of non-state pension provision and insurance shall be regulated by the National Bank of Georgia

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 31 - Functions of the National Bank of Georgia in the sphere of non-state pension provision and insurance

1. The National Bank of Georgia shall:

- a) register founders, as participants of pension insurance, in accordance with the procedure established by the National Bank of Georgia, except for persons licensed by the National Bank of Georgia;
- b) define the procedure for determining the minimum capital requirements of founders;
- c) supervise the activities of founders in accordance with the procedure established by the legislation of Georgia;
- d) approve economic limits;
- e) inspect the activities of assets management companies and specialized depositaries;
- f) perform expert examination of pension schemes;
- g) establish requirements for pension schemes and the rules for registering these schemes;
- h) register pension schemes and revoke registrations;
- i) maintain records on changes in pension schemes and on the termination of pension schemes;
- j) evaluate the financial sustainability founders;
- k) monitor the performance by founders of their obligations as defined by agreements;
- l) supervise and monitor the performance of activities intended to strengthen the financial position of founders;
- m) for the payment of the indebtedness to the participants, file a lawsuit with a court on the bankruptcy of the founder;
- n) set requirements for the activities of assets management companies and specialized depositaries;
- o) approve the rules for investing pension savings and for any restrictions thereon, as well as the requirements for investment declarations, and the structure and composition of the assets corresponding to pension savings;
- p) monitor/inspect the activities of founders, assets management companies and specialized depositaries;
- q) performs other functions envisaged by the legislation of Georgia, including by this Law.

2. The National Bank of Georgia may:

- a) send binding instructions to assets management companies, specialized depositaries and founders;
- b) inspect the activities of founders, assets management companies and specialized depositaries;
- c) impose sanctions, including fines, for the violations specified in Article 31¹ of this Law, on the founders of non-state pension schemes, assets management companies and specialized depositaries, and revoke the registration of a founder or the registration of a pension scheme. The amount of sanctions and the procedure for their imposition shall be defined by a normative act of the National Bank of Georgia.

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 31¹ - Violations and sanctions

1. The National Bank of Georgia may apply sanctions as determined by paragraph 2 of this article to founders, assets management companies and specialized depositaries if:



a) they have violated one of the provisions of this Law or any standard, instruction or written instruction of the National Bank of Georgia;

b) they have violated the time limits for submitting the reports or submitted incorrect reports or other inaccurate information;

c) a founder has violated the requirements of the Law of Georgia On the Prevention of the Facilitation of Illicit Income Legalisation.

2. Where a violation as defined by paragraph 1 of this article is identified, the National Bank of Georgia may apply the following sanctions by order of priority, or because of the seriousness of the violation and possible risks, without observing the order of priority:

a) send a written warning;

b) introduce special measures or issue an instruction (order) requiring a founder, assets management company or specialized depositary to cease and desist from certain violations and to take measures, within the time limit defined by the National Bank of Georgia, to remedy such violations;

c) impose a fine in the manner and in the amount defined by the National Bank of Georgia;

d) suspend the right of signature to a member of the management body of the founder, assets management company or specialized depositary, and require the management body to temporarily release him/her from office or to dismiss him/her;

e) suspend or restrict the distribution of profit, issuance of dividends or monetary incentives and the assumption of new obligations;

f) revoke a license for the relevant activities or registration.

3. The sanctions imposed under this article shall be proportionate to the severity of the violation and possible risk.

4. The proceeds of a fine imposed under this article shall be transferred to the state budget of Georgia.

5. A sanction imposed on a founder, assets management company or specialized depositary under an administrative-legal act shall be enforced on the basis of a writ issued in accordance with the administrative-legal act in force, and in accordance with the procedure defined by the Law of Georgia on Enforcement Proceedings.

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Law of Georgia No 2833 of 23 March 2010 - LGH I, No 19, 13.4.2010, Art. 107

Article 31² - Eligibility criteria for members of the founder's management body

Under Article 21 of this Law, a founder shall, at the time of registration with the National Bank of Georgia, submit to the National Bank of Georgia its documents and the documents of all members of its management body confirming that such persons:

a) (deleted - 20.3.2015, No 3384);

b) have not been convicted for money laundering and/or terrorism financing;

c) have not been convicted for economic crimes and/or other crimes directed against entrepreneurial or economic activities;

d) are not, at the same time, members of the management body of the founder of another pension scheme.

Law of Georgia No 2833 of 23 March 2010 - LGH I, No 19, 13.4.2010, Art. 107

Law of Georgia No 3384 of 20 March, 2015 - website, 31.3.2015

Article 32 - (Deleted)

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Article 33- (Deleted)

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 34 - State promotion of non-state pension provision and insurance

The state promotion of non-state pension provision and insurance shall be performed in accordance with the legislation of Georgia.



Article 35 - Amount of the capital of a founder

The amount of the capital of a founder shall be defined according to the procedure established by the National Bank of Georgia. If the legal form of a person does not envisage the existence of capital, it shall have a guarantee fund the amount of which shall be defined by the National Bank of Georgia.

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 36 - (Deleted)

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 37- (Deleted)

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Law of Georgia No 2833 of 23 March 2010 - LGH I, No 19, 13.4.2010, Art. 107

Article 38 - Protection of the rights and property interests of participants

1. In the case of the non-fulfilment of the obligation by the founder to make regular pension payouts or in the event of the lack of sufficient assets for issuing pensions, the participants shall be deemed to be the creditors of the founder and shall be authorized to file personally, either through a supervisory board member or other representative, a lawsuit for the recognition of the founder as insolvent (bankrupt).

2. In the case of the liquidation of an employer-contributor of an occupational pension scheme, the lawsuit of the participant for the payment of the pension contributions for his/her benefit, as a claim for remuneration for labour, shall be satisfied according to the procedure established by legislation.

3. A participant of an occupational pension scheme may file a lawsuit against the employer-contributor of the occupational pension scheme for the violation of procedures stipulated by the agreement.

4. By a decision of the supervisory board, any of its members, or a representative of an authorised body of workers, may protect the interests of the participants against the employer in the case of the restriction of their rights during the provision of a non-state pension or non-state pension insurance.

5. A participant may file a lawsuit against a founder, an assets management company, a specialized depositary or any other person on the basis of the restriction of his/her rights during the provision of a non-state pension or non-state pension insurance.

6. With a view to performing obligations with respect to participants during the provision of a non-state pension or non-state pension insurance, a founder shall form its own reserve according to the standards established by the National Bank of Georgia.

7. In order to protect the interests of participants, a founder shall participate in guarantee, compensation, insurance and other funds in accordance with the procedures established by the legislation of Georgia.

Law of Georgia No 1813 of 3 December 2002 – LHG I, No 32, 20.12.2002, Article 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Article 39 - Voluntary associations of assets management companies and specialized depositaries

1. The procedure for establishing voluntary associations of assets management companies and specialized depositaries and their rules of operation shall be defined by the legislation of Georgia.

2. The activities of voluntary associations of assets management companies and specialized depositaries shall be subject to licensing in accordance with the procedures established by the legislation of Georgia.



3. Voluntary associations of assets management companies and specialized depositaries shall, in accordance with the legislation of Georgia, establish compensation and other funds in accordance with the requirements of the National Bank of Georgia.

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31.12.2006, Art.440

Law of Georgia No 1691 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 174

Chapter IX - Transitional Provisions

Article 40 - Transitional provisions

In connection with the entry of this Law into force, the National Bank of Georgia shall prepare and issue the following normative acts:

- a) on the procedure for determining basic requirements for the nominal capital of a founder of a pension scheme;
- b) on the procedure for evaluating the financial sustainability of a founder of a non-state pension scheme;
- c) on the procedure for registering pension schemes;
- d) on pension scheme rules;
- e) on the procedure for establishing a non-state pension insurance reserve, pension obligations;
- f) on the procedure for registering with the National Bank of Georgia a founder of a non-state pension scheme which is not an insurance organisation;
- g) on the minimum requirements of a non-state pension provision and insurance agreement;
- h) on the procedure for informing pension-scheme participants and supervisory boards;
- i) on the procedure for electing members of the supervisory boards of founders of pension schemes;
- j) on the procedure for founders, employer associations and trade unions, to make a decisions regarding a pension scheme;
- k) on the procedure for the provision of information to the members of the supervisory boards of founders of pension schemes;
- l) on the procedure for keeping accounting records of pension schemes;
- m) on the procedure for reporting on pension schemes, and for maintaining a register of participants and contributors of non-state pension schemes;
- n) on the procedure for establishing a lifetime pension savings fund;
- o) on the procedure for licensing assets management companies;
- p) on the procedure for setting requirements for the nominal capital of assets management companies;
- q) on the procedure for entering into agreements with assets management companies;
- r) on the conflict of interests of assets management companies and specialized depositaries;
- s) on the qualification standards of the personnel of assets management companies;
- t) on the procedure for licensing specialized depositaries;
- u) on the procedure for determining minimum requirements for the nominal capital of specialized depositaries of non-state pension schemes;
- v) on the procedure for entering into an agreement with a specialized depositary;
- w) on the procedure for determining the obligations of specialized depositaries with respect to storing pension assets;
- x) on the guidelines for restricting the investment of pension assets in the nominal capital of founders;
- y) on the procedure for establishing voluntary associations of pension scheme founders, assets management companies and specialized depositaries;
- z) on assets permitted to be used for covering non-state pension reserves and on the procedure for determining their structure.

Law of Georgia No 1813 of 3 December 2002 - LHG I, No 32 , 20 . 12 .200 2, Art. 155

Law of Georgia No 4325 of 29 December 2006 - LHG I, No 51, 31. 12 .2006, article 440

Law of Georgia No 2833 of 23 March 2010 - LHG I, No 19 , 13 . 4 .20 10 , Art. 107



Article 41 - Entry into force of the Law

This Law shall enter into force upon the entry into force of the Law of Georgia on the Securities Market.

President of Georgia

Eduard Shevardnadze

Tbilisi

30 October 1998

No 1679_ II

