

BGI Law Brief

March 2023

Parliament Adopts the Law on Microbanks

On 22 February 2023, the Parliament adopted the Law on Microbanks (“**Law**”), which is a new concept for the Georgian legislation. According to the Law, a microbank is a legal entity established as a joint-stock company, licensed by the National Bank (“**NBG**”) and the business model of which is based on lending to persons receiving income from entrepreneurial activities (including agricultural activities). In particular, according to the Law, at least 70 percent of the microbank’s credit portfolio shall consist of loans issued for entrepreneurial purposes and/or loans, the source of repayment of which is an income from entrepreneurial activities. The banking activities of microbanks are limited to the following:

- a) Issuance of loans, guarantees, letters of credit and leasing, implementation of factoring operations within the limits established by the Law;
- b) Offering of interest-bearing and interest-free demand and term deposits, servicing of current accounts in compliance with the liquidity requirements established by the NBG, attraction of other repayable funds;
- c) Opening and service of correspondent accounts;
- d) Implementation of cash and non-cash payment operations and provision of cash and cash-collection services;
- e) Issuance of payment cards and organization of their circulation;
- f) Provision of payment services, operation of the payment system, performance of the functions of a settlement agent;
- g) Provision of interest-free banking services;
- h) Entering into derivative contracts, purchase and sale of securities with own funds, except for the case where the implementation of the said activity requires a license for brokerage activity;
- i) Purchase and sale of foreign currency with own and clients’ funds;
- j) Storage of valuables;
- k) Provision of virtual asset services;
- l) Lease of property solely for the purposes of implementation of the above activities; and

- m) Provision of other services related to each of the above activities.

The Law covers various topics, such as: licensing, operational requirements, supervision, reporting, auditing, inspection, *etc.* The Law shall fully enter into force on 1 July 2023.

Amendment to the Environmental Assessment Code

On 22 February 2023, the Parliament introduced amendments to the Environmental Assessment Code (“**Code**”). Under the amendment, a new legal entity under the Ministry of Environmental Protection and Agriculture – LEPL Environmental Information and Education Center (“**Center**”) – has been created. The purpose of the Center is to ensure the participation of the public and other stakeholders in the decision-making process provided for in this Code and the availability of relevant information for this purpose, as well as the holding of public hearings. The Center shall assist the National Environmental Agency in the process of publishing respective documents / information to the environmental information portal and the notice boards of the relevant municipalities. This amendment shall enter into force on 1 July 2023.

The Rule Regulating Mortgage Covered Bonds

On 15 March 2023, the President of the NBG issued the Order N56/04 on the Approval of the Rule Regulating the Mortgage Covered Bonds (“**Rule**”). The Rule, *inter alia*, regulates:

- a) The requirements to be met by a commercial bank in order to obtain authorization to issue mortgage covered bonds (“**MCB**”) and to obtain approval for the implementation of the MCB program;
- b) The procedure of reporting by the issuing commercial bank and its periodicity;
- c) Issues related to securing the obligations under a MCB program with the relevant assets of the issuing commercial bank and

compliance with liquidity requirements (liquidity buffer).

For the purposes of obtaining the authorization and/or approval for the issuance of MCBs, the commercial banks shall apply to the NBG electronically at CB@nbg.gov.ge. The NBG is authorized to request the submission of such information/documents materially.

The Rule defines the criteria for the eligibility of collateral assets, as well as the liquidity requirements. According to the Rule, in case real estate is to be included in the pool of collateral assets, the time from its last evaluation/revaluation/inspection shall not exceed 12 months.

The Rule is in force from 15 March 2023.

New Rule on Granting the Georgian (Tax) Residency to High-Net-Worth Individuals

On 1 March 2023, the Minister of Finance issued the Order N60 on the Approval of the Rule on Granting the Georgian Residency to High-Net-Worth Individuals ("**New Rule**"), which shall enter into force on 15 April 2023. The criteria of recognition of an individual as a high-net-worth individual ("**HNWI**") remains the same – an individual shall be considered an HNWI, if: (a) his/her proven property value exceeds GEL 3 million, or (b) his/her annual income for the past 3 years exceeds GEL 200,000. For the purposes of granting the Georgian tax residence, HNWIs must either: (a) have a Georgian residence permit/residence card/ID card; or (b) prove that he/she received income of at least GEL 25,000 from the Georgian source throughout the year preceding the submission of an application. Under the New Rule, HNWIs are additionally required to submit the proof, that they own property in Georgia with a value of no less than USD 500,000 equivalent in GEL.

State Concept on Economic Empowerment of Women Adopted by Parliament

On 23 March 2023, the Parliament approved the "State Concept on Economic Empowerment of Women" ("**Resolution**"). According to the Resolution, economic empowerment of women implies the realization by women of their rights in such a way that they have the opportunity to manage and benefit from the resources, assets,

income and the use of their time, to be competitive in the market, to make independent economic decisions, to plan their own economic activities, including managing risks and to be involved in the development of economic policies at the central and local levels. For the purposes of the above, the Resolution envisages various activities, including, *inter alia*:

- a) Encouragement of equality-based inheritance practices;
- b) Ensuring of women's active involvement in economic support programs;
- c) Better reflection of the principles of gender equality and sustainable development in infrastructure policy planning and implementation processes;
- d) Further harmonization of labor legislation with international standards;
- e) Encouragement of active participation and promotion of women in public service;
- f) Prevention of and effective response to sexual harassment in public service;
- g) Establishment of a definition of a woman-owned business, certification of such business and maintenance of the relevant business register;
- h) Ensuring implementation of the principle of equal pay and monitoring of its implementation.

The Resolution is based on the UN recommendations and is in force from 28 March 2023.

This Law Brief is for general information purposes only. It does not constitute and is not intended to be relied upon as legal advice. BGI shall not be responsible for any loss in the event this update is relied upon without seeking our professional advice first.

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