

LAW OF GEORGIA

ON VOLUNTARY PRIVATE PENSION

Chapter I – General Provisions

Article 1 – Purpose and scope of the Law

1. The purpose of this Law is to develop a voluntary private pension market in Georgia, to ensure free competition in this market, to provide financial stability in voluntary private pension schemes, to encourage long-term investments, and to protect the interests of participants and beneficiaries.

2. This Law shall apply to:

- a) pension companies established in Georgia;
- b) asset management companies and insurers established in Georgia carrying out voluntary private pension activities;
- c) voluntary pension schemes ('a pension scheme') registered in Georgia;
- d) other natural and legal persons engaged in voluntary private pension activities.

3. Voluntary private pension activities as provided for by this Law may not be carried out without a licence and registration provided for by this Law and/or the preliminary consent of the Service both in or outside Georgia. Voluntary private pension activities imply the registration/establishment of a pension scheme, the administration of a pension scheme, the accumulation and accounting of pension contributions, the formation of pension savings, the investment of voluntary private pension assets, and the regular payment of voluntary private pensions.

4. A legal person registered outside Georgia shall carry out voluntary private pension activities in accordance with this Law.

5. This Law shall not apply to:

- a) state bodies, bodies of autonomous republics and municipalities, and national, regional and local bodies and institutions of foreign countries, which manage funds for social security or mandatory pension systems;
- b) pension schemes provided for by the Law of Georgia on Funded Pensions;
- c) pension schemes established outside Georgia and offered to their employees by international financial and diplomatic institutions.

6. The pension schemes regulated by this Law are only pension schemes for defined pension contributions. Within this Law, none of the pension schemes registered in Georgia may be offered as a pension scheme with defined benefits where the payment of voluntary private pensions depends on the earnings record, work experience and age of a participant and is not directly related to pension contributions and relevant returns made in his/her favour.

7. Relationships in the area of voluntary private pension activities shall be regulated by this Law, the Law of Georgia on Insurance, and other legislative and subordinate normative acts of Georgia.

Article 2 – Definition of terms

1. For the purposes of this Law, the terms used herein shall have the following meanings:



- a) participant – a natural person in favour of whom pension contributions are made and voluntary private pensions are paid under a pension scheme registered in accordance with this Law;
- b) voluntary private pension ('a pension') – monetary payment made in favour of a participant or a beneficiary as a result of participation in a pension scheme in accordance with this Law, in the amount and through a procedure provided for by the respective rules of the pension scheme;
- c) pension application – a document to be submitted by a participant to receive a pension in accordance with this Law;
- d) pension assets (pension savings) – all pension contributions made on behalf of a participant, as well as the results of pension asset management (profit or loss from an investment), taking into account pensions withdrawn in accordance with this Law and the respective rules of the pension scheme, and the related and deductible expenses which should be reflected in a personal retirement account;
- e) pension contributions – funds paid to ensure a pension in accordance with this Law and the rules of the pension scheme;
- f) pension company – a legal person established as an independent company by an employer, an association of employers, an association of employees or a professional organisation and which has a licence for voluntary private pension activities;
- g) rules of a pension scheme – a document covering the terms and conditions required by this Law, including detailed information on making pension contributions, granting vested rights to pension assets, paying pensions, and the investment approach of a pension scheme;
- h) pension scheme – a set of rules and parameters of a pension scheme registered by the Service in accordance with this Law ensuring the provision of the participants with a pension;
- i) private pension agreement – an agreement concluded in accordance with this Law between a participant on the one hand and an asset management company, an insurer, or a pension company on the other hand;
- j) employer – a legal person determined in accordance with the Organic Law of Georgia the Labour Code of Georgia and the Law of Georgia on Public Service;
- k) pension fund – an asset portfolio within a pension scheme which has a defined investment risk profile and is managed in accordance with a specific investment strategy;
- l) employee – a natural person who:
- l.a) performs obligations within the scope of the relations regulated by the Law of Georgia on Public Service, the civil legislation of Georgia and the labour legislation of Georgia and/or labour legislation of a foreign country;
- l.b) is a head (director) or an acting head (director) of an enterprise or an organisation;
- m) self-employed – an individual entrepreneur, as well as a natural person who carries out activities as provided for by Article 3(1) or (2) of the Law of Georgia on Entrepreneurs, with regard to activities that are not subject to withholding at a source of taxation;
- n) personal retirement account – a form of accounting created for participants by an asset management company, an insurer or a pension company, which reflects pension contributions made in favour of participants, the results of pension asset management, the pensions withdrawn in accordance with this Law, and all related predetermined expenses and charges;
- o) supervisory board – a management body operating within the management structure of a legal person, which is responsible for the control of a governing body/persons of the organisation in accordance with the Law of Georgia



on Entrepreneurs;

p) governing body – the governing body of a legal entity, which carries out managerial activities in accordance with the Law of Georgia on Entrepreneurs;

q) fiduciary – a person responsible to participants or beneficiaries for protecting, investing, storing, or recording pension assets to the extent that such a legal or natural person:

q.a) exercises discretionary powers or control in the process of pension asset management, except in the cases provided for by the Law for the purpose of regulation by the National Bank of Georgia;

q.b) provides investment advice regarding pension assets on the basis of a respective agreement;

q.c) develops investment policy for a pension scheme;

q.d) records transactions and processes information related to such transactions, and maintains and/or keeps records about participants;

r) retirement age – the age determined by the Law of Georgia on State Pensions;

s) early retirement – retirement 5 (five) years before reaching the retirement age determined by the legislation of Georgia;

t) lump-sum payment – payment to a participant or a beneficiary of the total amount of pension available in a personal retirement account;

u) programmed withdrawal – the periodic withdrawal of a pension from a personal retirement account in accordance with this Law;

v) annuity – a type of life insurance which provides a regular life-long payment to a participant or a beneficiary (life-annuities) in accordance with the respective rules of the pension scheme;

w) disability – a condition determined by the Law of Georgia on Medical and Social Examination which is confirmed by an extract from the Medical and Social Examination Act issued by a medical institution authorised to determine the status of disability and which specifies a moderate, persistent or severe disability status;

x) beneficiary – a person determined by a participant in accordance with Article 42 of this Law;

y) branch – a representation of an asset management company, an insurance organisation, or an organisation carrying out pension activities (foreign pension organisation) registered in a foreign country and permitted by respective bodies, which does not have the status of a legal person and which carries out its activities within the powers granted by the relevant legislation of Georgia;

z) control – a relationship between a parent undertaking and a subsidiary undertaking in accordance with the International Financial Reporting Standards which are put in place on the basis of the Law of Georgia on Accounting, Reporting and Audit, or a similar relationship between any person and an undertaking. For the purposes of this sub-paragraph, a subsidiary undertaking of a subsidiary undertaking shall also be deemed a subsidiary undertaking of a superior parent undertaking;

z₁) close links – a situation in which two or more natural or legal persons are linked by:

z₁.a) an equity holding which means the holding, direct or by way of control, of 20% or more of the capital or the voting rights of an undertaking;

z₁.b) control;



z_{1.c}) a permanent link to the same person by a control relationship;

z_{1.d}) a qualifying holding, which means a direct or indirect holding in an undertaking of 10% or more of the capital or voting rights, or a holding which makes it possible to exercise a significant influence over the management of that undertaking, irrespective of the amount of equity in the capital of the undertaking or the voting rights;

z_{1.e}) close family links, including between spouses, siblings, a parent and a child, grandparents and a grandchild;

z₂) the Service – a Legal Entity under Public Law called the Insurance State Supervision Service of Georgia;

z₃) foreign supervisory authority – the body issuing a permit for the activities of foreign pension organisations, foreign asset management companies and foreign insurance organisations in accordance with the legislation of a foreign country, and/or supervising the activities related to the pension asset management;

z₄) asset management company – an asset management company established and licensed in Georgia in accordance with the Law of Georgia on Investment Funds;

z₅) foreign asset management company – a foreign asset management company recognised by the National Bank of Georgia in accordance with the Law of Georgia on Investment Funds;

z₆) insurer – a legal person determined in accordance with the Law of Georgia on Insurance who, on the basis of a life insurance licence, is authorised to carry out voluntary private pension activities;

z₇) foreign insurance organisation – a branch (representation) established by an insurance organisation registered in the member states of the Organisation for Economic Cooperation and Development (OECD) and licensed by the relevant bodies, which is registered in accordance with the procedure for registration of branches (representations) established by the legislation of Georgia and is authorised to carry out pension activities in the territory of Georgia;

z₈) specialised depository – a financial institution performing the functions of a specialised depository for pension schemes in accordance with this Law;

z₉) merger:

z_{9a}) the transfer, by one or more pension company (companies) terminating pension activities, of all assets and liabilities to another existing pension company in exchange for opening personal retirement accounts and placing relevant pension assets in these accounts by the recipient pension company in favour of participants of the transferring pension company;

z_{9b}) the transfer, by one or more pension companies (transferring pension company) terminating pension activities, of all assets and liabilities to a newly established pension company (receiving pension company) in exchange for opening personal retirement accounts and placing appropriate pension assets on these accounts by the receiving pension company in favour of the participants of the transferring pension company;

z_{9c}) the transfer, by one or more pension companies (transferring pension company) continuing operation until the fulfilment of obligations, of net assets to a pension company established therefrom (recipient pension company) or to another existing pension scheme;

z₁₀) termination of pension scheme – the termination of a pension scheme in compliance with the requirements of



this Law and the transfer of pension assets;

z₁₁) vested rights to pension assets – in accordance with Article 9 of this Law, the rights of a participant of a pension scheme to the part of pension assets which results from pension contributions made by employers and are not subject to deprivation, and the measures for securing an obligation whose purpose is to secure the fulfilment of an obligation as provided for by the legislation of Georgia and/or an agreement by a person, and which covers any procedural compulsory enforcement measure (including measures to secure the execution of a claim and decision) and a security for a claim (including measures to secure the payment of tax liabilities, pledges and seizures) provided for by the Tax Code of Georgia and the Civil Code of Georgia;

z₁₂) durable medium – any instrument (including in electronic form) which enables a participant to store information addressed to and intended for that participant personally in a way that allows the availability of that information and the unchanged reproduction thereof;

z₁₃) registration authority – a Legal Entity under Public Law called the National Agency of Public Registry operating under the governance of the Ministry of Justice of Georgia;

z₁₄) employers' association – a legal person as determined by the Organic Law of Georgia the Labour Code of Georgia and established in accordance with the legislation of Georgia;

z₁₅) employees' association – a legal person as determined by the Organic Law of Georgia on Trade Unions and established in accordance with the legislation of Georgia;

z₁₆) professional organisation – a membership-based non-entrepreneurial (non-commercial) legal person established in accordance with the Civil Code of Georgia uniting natural persons (including self-employed persons) on a professional basis.

2. Other terms used in this Law shall have meanings determined by the Law of Georgia on Securities Market, Investment Funds, and Insurance.

Chapter II – Pension Schemes, Participation in Pension Schemes

Article 3 – Pension scheme forms and participation in a pension scheme

1. A pension scheme is a mechanism designed for an indefinite period whose purpose is to organise pension savings and investments and the receipt of a pension by a participant and a beneficiary.

2. In accordance with this Law, the pension received as a result of participation in a pension scheme shall be determined only by pension assets accumulated in a personal retirement account of a participant and according to a pension payment schedule selected by the participant and shall not depend on other factors.

3. In accordance with this Law, two pension scheme forms may be developed:

a) an individual pension scheme;

b) a group pension scheme.

4. When a person desires to receive a pension in addition to a pension scheme provided for by the Law of Georgia on Funded Pensions or a state pension, he/she may participate in an individual pension scheme developed and registered by an asset management company or an insurer. Both the employed natural person and any other natural person (including those self-employed) may participate in an individual pension scheme. A participant of an individual pension scheme may participate in one or more individual pension schemes. A participant of individual pension schemes may transfer his/her pension savings from one individual pension scheme to another in accordance with this Law.



5. An employee may participate in a group pension scheme established by his/her employer or the employers' association to which his/her employer is a member, or the employees' association to which the employee himself/herself is a member. Employees, if they wish, may also participate in one or more individual pension schemes.
6. A member of an employees' association may participate in a group pension scheme of the employees' association.
7. A member of an employers' association may participate in a group pension scheme of the employers' association.
8. A member of a professional organisation may participate in a group pension scheme of a professional organisation.
9. A participant of a pension scheme may participate in one or more group and individual pension schemes.
10. In accordance with this Law, pension schemes may be developed and registered by the following legal persons:
 - a) an asset management company;
 - b) an insurer;
 - c) a pension company.
11. Only an assets management company and an insurer may register/offer an individual pension scheme.
12. Voluntary private pension activities may not be carried out without a licence issued by the Service in accordance with this Law and/or the registration of a pension scheme.
13. A person may not use the following words in a name without a licence issued by the Service in accordance with this Law and/or the registration of the pension scheme: 'pension company', 'pension fund', 'pension scheme' or other word orders with these words (except when such use is determined or recognised by the Law of Georgia or international treaties of Georgia, or when despite using these words/word orders, the context shows that the person does not carry out the activities provided for by this Law).

Article 4 – Private pension agreement

1. A person shall become a participant in an individual pension scheme after concluding a pension scheme agreement with an asset management company, a foreign asset management company, an insurer, a foreign pension organisation or a foreign insurance organisation.
2. An employee shall become a participant in a group pension scheme established by an employer for his/her/its employees:
 - a) after concluding a private pension agreement with the asset management company or the insurer which, on the basis of an appropriate agreement with an employer, establishes a group pension scheme for that employer;
 - b) after concluding a private pension agreement with a pension company established by an employer to provide a group pension scheme for his/her/its employees.
3. An employee shall become a participant of a group pension scheme established by an employees' association under a joint agreement concluded between that employee and the respective association:
 - a) after concluding a private pension agreement with the asset management company or the insurer which, based on an appropriate agreement with the employees' association, establishes a group pension scheme of that association;



b) after concluding a private pension agreement with a pension company established by the employees' association to provide a group pension scheme for its members.

4. An employee shall become a participant of a group pension scheme established by an employers' association under a joint agreement concluded between the employers' association and the employer of an employee:

a) after concluding a private pension agreement with an asset management company or an insurer which, based on an appropriate agreement with the employers' association, establishes a group pension scheme of that association;

b) after concluding a private pension agreement with a pension company established by the employers' association to provide a group pension scheme for its members.

5. A member of a professional organisation shall become a participant of a group pension scheme established by that organisation:

a) after concluding a private pension agreement with an asset management company or an insurer which, on the basis of a relevant agreement with the professional organisation, establishes a group pension scheme for that professional organisation;

b) after concluding a private pension agreement with a pension company established by the professional organisation to provide a group pension scheme for its members.

Article 5 – Basic terms and conditions of a private pension agreement

1. A private pension agreement is a written agreement concluded between a participant on the one hand and an asset management company, an insurer, or a pension company on the other hand.

2. A private pension agreement shall include the duties and responsibilities of a fiduciary in accordance with this Law.

3. A private pension agreement shall be concluded for an indefinite period and the changes thereto may be made solely on the basis of the consent of each party to the pension scheme agreement.

4. A private pension agreement shall determine an agreed pension scheme, an investment approach, an investment option (if any), as well as the amount and the frequency of pension contributions, the conditions for the reflection of the financial results of the pension scheme on the amount of pension savings, and the form and procedure for the pension withdrawal. Additional terms and conditions of the private pension agreement shall be determined by the Service.

5. A private pension agreement shall be accompanied by the appropriate rules of the pension scheme.

Article 6 – Personal retirement account

1. An asset management company, an insurer, or a pension company which registers a pension scheme in accordance with this Law, shall create a personal retirement account for each participant upon his/her joining the respective pension scheme, where all pension contributions, relevant charges/commissions, and the profit and loss resulting from pension asset management/investment shall be separately reflected in favour of the participant.

2. An asset management company, an insurer, or a pension company shall provide remote electronic access to personal retirement accounts for each participant and ensure the availability of information on each transaction made in the personal retirement account.

3. All charges and commissions within the pension scheme shall be distributed individually and recorded in a personal retirement account. All charges and commissions within the pension scheme shall be reasonable and transparent. The Service shall be authorised to request from an asset management company, an insurer, and a



pension company, to substantiate that the charges and commissions provided for by this paragraph are reasonable.

4. When a group pension scheme includes the pension contributions of both an employer and an employee, the pension contributions of an employer, the pension contributions of an employee, and appropriate charges and commissions shall be separately recorded in the personal retirement accounts of such group pension schemes.

Article 7 – Right to pension assets

1. The right to administer pension assets in order to receive a pension shall only arise when a participant reaches retirement age, retires early, experiences disability, or dies. Also, a participant shall have the right to administer pension assets where a pension scheme is terminated or pension assets are withdrawn from a pension scheme in accordance with this Law.

2. Pension assets that are placed in a personal retirement account shall be the property of the participant with due consideration of the terms of vested rights provided for by this Law. A participant shall, in addition to the cases provided for by paragraph 1 of this article, have the right to administer his/her pension assets at any time, taking into account relevant tax liabilities.

3. In the case of a group pension scheme which provides for the pension contributions of an employer, the part of the pension assets built up by the pension contributions of employers and placed in each personal retirement account shall be transferred to the possession of a participant from the moment the vested rights of the participant to pension assets arise.

4. Pension assets shall not be subject to deprivation or measures for securing an obligation, or procedural enforcement measures or securities for a claim provided for by the Tax Code of Georgia and the Civil Code of Georgia, or any other restriction or liquidation, insolvency or bankruptcy procedures, to comply with any claim of a participant, an employer, an asset management company, an insurer, a pension company, or a specialised depository. Any such attempt shall be void.

Article 8 – Pension contributions of an employer to a group pension scheme

1. An employer shall make pension contributions to a group pension scheme for its employees. The amounts of and the procedure for making pension contributions shall be determined by the agreement(s) concluded between an employer and a pension company, an insurer, an asset management company, an employees' association, a professional organisation, or an employers' association.

2. An employer shall make pension contributions to group pension schemes on behalf and in favour of an employee, except for the pension schemes of an employees' association or professional organisation. A pension scheme may provide that pension contributions will not be made by an employer.

3. An employer who makes pension contributions is obliged to make those contributions individually in the personal retirement account of each participant.

4. The amount of pension contributions of an employer and an employee which may be expressed in the percentage of a salary or as a nominal amount, as well as the periodicity of pension contributions, shall be determined by a private pension agreement concluded in accordance with this Law.

5. The terms and conditions determined by paragraph 4 of this article may also be included in an employment agreement concluded between an employer and an employee.

6. An employer who provides its employees with a group pension scheme shall meet the following requirements:

a) to offer and ensure the equal participation of all current employees in a pension scheme in a transparent manner and without discrimination;

b) to offer all new employees to join a pension scheme and ensure their right to make decisions on their participation in the pension scheme;



c) to offer an employee to sign up to a relevant pension scheme agreement when concluding an employment agreement;

d) to notify all employees of all the terms and conditions of the pension scheme and ensure their right to refuse participation in the pension scheme, and in the case of their participation in the pension scheme, to determine a reasonable period for joining the pension scheme;

e) regularly, but not less than once per calendar year, and each time changes are made to a pension scheme, to ensure the right of an employee to join the pension scheme the participation in which he/she had refused before.

7. Where pension contributions are made as a part of remuneration only by an employer, the employer is obliged to include all its employees in such pension scheme. If, in the terms and conditions of such a pension scheme, the employer applies to the ownership of pension assets a schedule of creating vested rights, that schedule shall comply with the requirements of this Law and it shall be included in a relevant private pension agreement.

8. An employee who has concluded a private pension agreement with an employer within a group pension scheme shall participate in the group pension scheme during the period of employment relations with the respective employer until the termination of employment relations, reaching retirement age, early retirement, assigning a relevant disability status determined by this Law, or death.

9. When terminating employment relations with a respective employer, an employee shall have the right to transfer pension assets to another pension scheme or leave them in the current group pension scheme of the employer. In this case, the terms and conditions for further payment of pension contributions, further formation of pension savings, and pension payment shall be included in a relevant private pension agreement.

10. Obligations undertaken under a private pension agreement by a pension company, an asset management company, or an insurer, shall remain in force until the complete fulfilment of these obligations to a participant, and in the case of the death of the participant, until the complete payment of his/her pension to his/her heir/beneficiary.

Article 9 – Vested rights of employees who participate in group pension schemes established by employers, employers’ associations and employees’ associations, to pension contributions made by employers

1. Within a group pension scheme, an employee may be granted an unconditional property right to the part of pension assets built up by pension contributions made by an employer, after not more than five years of employment relations. When employment relations terminate before that date, an employee shall be granted vested rights to pension contributions made by an employer within a group pension scheme in phases, in not less than the following frequency and amount:

a) 20% – after the end of the first employment year;

b) 40% – after the end of the second employment year;

c) 60% – after the end of the third employment year;

d) 80% – after the end of the fourth employment year;

e) 100% – after the end of the fifth employment year.

2. The period of suspension of employment relations determined in accordance with Article 46 of the Organic Law of Georgia the Labour Code of Georgia shall be included in the period of granting vested rights, irrespective of remuneration.

3. A group pension scheme may provide for a different, however not less favourable, schedule for granting a participant an unconditional right to pension contributions made by an employer, as determined by paragraph 1 of this article.



4. When the rules of the pension scheme do not provide for the procedure for granting vested rights to pension assets, a participant shall be granted the unconditional right to pension contributions made by an employer from the moment of making the first pension contribution in a personal retirement account.
5. In the case of the termination of employment relations, an employee shall retain vested rights to pension assets that he/she possessed or was granted at the time of the termination of employment relations in accordance with this Law.
6. An employer shall be prohibited from threatening an employee or performing an action which violates the unconditional right of the employee to pension assets or restricting the possibility of exercising such a right.
7. An employer shall be prohibited from terminating employment relations with an employee aiming at preventing the employee from acquiring an unconditional right to pension assets. If a court establishes that employment relations were unlawfully terminated, the period between the termination of the employment relations and the decision of the court shall be deemed the period of granting vested rights to pension contributions made by the employer.
8. In the case of changing the founding structure of an employer, meaning any kind of reorganisation provided for by the Law of Georgia on Entrepreneurs, as well as the liquidation of an employer, the initiation of insolvency proceedings, bankruptcy or rehabilitation, an employee shall retain vested rights to pension assets granted to him/her within a group pension scheme in accordance with this Law.
9. Pension contributions made by an employer within a group pension scheme, to which an employee is granted vested rights, may not be returned to the employer.

Article 10 – Group pension schemes of a professional organisation, employers’ association and employees’ association

Group pension schemes of a professional organisation, employers’ association and employees’ association, shall be subject to the requirements and terms and conditions determined by Article 8 of this Law.

Chapter III – Establishment and Licensing of Pension Companies

Article 11 – Establishment of a pension company

1. A pension company may be established in the form of a joint stock company or a limited liability company in accordance with the Law of Georgia on Entrepreneurs. A pension company shall carry out pension activities only after it is licensed by the Service in accordance with this Law. The participants of a group pension scheme of a pension company may only be the members/employees of the founder(s) of that pension company.
2. A decision on obtaining a licence for voluntary private pension activities by an undertaking established in accordance with the Law of Georgia on Entrepreneurs shall be made by all shareholders/partners of that undertaking having the right to vote.
3. In order for an employer, employers’ association, employees’ association, and a professional organisation to establish a pension company, a decision of the relevant management body shall be required.

Article 12 – Statute of a pension company

1. The statute of a pension company drawn up in accordance with this article shall be a mandatory document for licensing the pension company.
2. The statute of a pension company established in Georgia may not contain a provision that:
 - a) contravenes this Law or the requirements established by the legislation of Georgia;



b) is unfair to the interests of participants in pension schemes.

3. The founding documents of a pension company established in Georgia shall contain, at least, the following data and/or information:

a) the name of the pension company;

b) the purpose of the pension company and the target group;

c) the rules and the procedure for making amendments to the statute of the pension company;

d) an indefinite period for providing pension services;

e) a description of the functions, rights and obligations of the management bodies of the pension company;

f) the terms and conditions for replacing an asset management company and an insurer hired to manage pension assets and, in the case of their replacement, guarantees and mechanisms for the protection of participants;

g) the terms and conditions for replacing a specialised depository and, in the case of its replacement, guarantees and mechanisms for the protection of participants.

Article 13 – Management and governance of a pension company

1. The management bodies of a pension company are a general meeting, a supervisory board and a governing body.

2. For the purposes of this Law, the members of a supervisory board and a governing body of a pension company shall be fiduciaries in relation to the participants of the pension schemes and shall be obliged to protect and meet all requirements and obligations determined by this Law.

3. All members of a supervisory board and a governing body of a pension company shall meet the eligibility criteria determined by the Service.

4. In addition to the functions and duties provided for by the Law of Georgia on Entrepreneurs, the statute of a pension company shall determine the distribution of functions and duties between the management bodies (a supervisory board and a governing body) of a pension company. This statute shall cover, at least, the following functions and duties:

a) opening a bank account in a commercial bank, including for making pension contributions;

b) selecting a specialised depository (depositories), an asset management company (companies), and/or an insurer (insurers);

c) arranging and concluding agreements with an asset management company (companies) and an insurer (insurers), a specialised depository and persons providing any service and/or goods necessary for carrying out investment or administrative activities;

d) arranging and concluding agreements with persons providing accountancy, audit, legal, and actuarial services and other services necessary for the pension company;

e) requesting, obtaining and reviewing any information on any transaction carried out on behalf of a pension company by an asset management company (companies) and/or an insurer (insurers), a specialised depository (depositories) and other persons providing services, including information on voting rights exercised in accordance with shares/stakes owned by a pension company;

f) obtaining and approving documents of investment policy and risk management policy for each pension scheme registered by a pension company;



- g) terminating respective agreements with an asset management company, an insurer, a specialised depository, and other persons providing pension services and ensuring their replacement;
- h) developing and introducing mechanisms for ensuring the development and functioning of personal retirement accounts;
- i) arranging and concluding insurance agreements and agreements on acquisition and administration of movable or immovable property (including equipment or software), including lease and tenancy agreements, necessary for the activities of the pension company;
- j) creating a structure of the governing body of the pension company, determining persons authorised to represent the pension company, hiring employees for the pension company, and establishing a competitive compensation structure;
- k) determining reasonable payments of asset management related to investments in pension assets, including pension assets transfer charges, pension asset management charges, and pension asset management results;
- l) determining and approving the rules of the pension scheme;
- m) performing other obligations provided for by this Law.

Article 14 – Licensing a pension company

1. A pension company may not carry out pension activities in or outside Georgia without a licence for voluntary private pension activities issued by the Service.
2. In accordance with this Law, in Georgia a pension company may be established by:
 - a) an employer;
 - b) an employers' association;
 - c) an employees' association;
 - d) a professional organisation.
3. An asset management company and an insurer shall have the right to register pension schemes without establishing a pension company to provide their employees with a pension, provided that any activity related to the management of a pension scheme and pension assets will be carried out independently from other activities and all requirements of this Law will be met.

Article 15 – Foreign pension organisation

1. A foreign pension organisation shall be authorised to register a pension scheme in Georgia in accordance with this Law only when it has a relevant permit from a respective foreign supervisory body and its activities are subject to prudential regulations, taking into account standards for reliability, safety and transparency.
2. A foreign pension organisation shall be authorised to register a pension scheme and carry out voluntary private pension activities in Georgia without additional licensing, on the basis of recognition by the Service and through a branch established in accordance with the Law of Georgia on Entrepreneurs. The Service shall determine the procedure and the rules for recognising a foreign pension organisation and releasing it from the obligation to meet separate requirements.

Article 16 – Terms and conditions for licensing a pension company

To obtain a licence for voluntary private pension activities, a licence applicant shall, in addition to the documents



provided for by Article 9 of the Law of Georgia on Licences and Permits, submit to the Service the following documents and information:

- a) the founding documents of the licence applicant, including the statute, in accordance with the requirements of this Law;
- b) identification documents and information on shareholders/partners with a qualifying holding of shares of a licence applicant;
- c) the identification documents of the members of the management bodies of the licence applicant, as well as information and documents confirming that they comply with the eligibility criteria determined by the Service, taking into account the requirements of the robust and reasonable management of a pension company;
- d) information on the members of the management body of the licence applicant and documents confirming their good reputation and sufficient experience;
- e) a list of closely related legal and natural persons who control or are controlled by the founder (founders) of a licence applicant, the members of the supervisory board of the licence applicant, and/or the members of the governing body of the licence applicant;
- f) a sample of the agreement/draft agreement to be concluded between the licence applicant and an asset management company, as well as a document confirming the right of the asset management company to carry out the relevant activities;
- g) an audited financial statement for the last financial year or an audited half-year financial statement of a legal person - a shareholder/partner with a qualifying holding of shares of a licence applicant if more than 6 months have passed from the date of the last audited financial statement until the date of submitting a licence application. If 6 months have not passed from the establishment of that legal entity, it shall submit to the Service only a non-audited current balance sheet;
- h) documents confirming that the licence applicant company has a sufficient amount of capital to finance operational, administrative and other expenses required for carrying out its activities for the following two years. The minimum requirements and procedures for determining the amount of capital shall be established by the Service;
- i) a relevant document issued by a banking institution (institutions) licensed in Georgia on the fully paid up minimum capital in cash by the founders and the placement of the money in a bank account (accounts), the minimum amount of which shall be determined by the Service on the basis of a normative act;
- j) an operational plan for the following two years from the initiation of activities, in accordance with the main data and in the form determined by the Service;
- k) a document certifying the payment of the licence fee in accordance with the Law of Georgia on Licence and Permit Fees.

Article 17 – Grounds for refusal to issue a licence for voluntary private pension activities or to recognise a pension company

1. The grounds for refusal to issue a licence for voluntary private pension activities or to recognise a pension company by the Service shall be, if:

- a) the documents submitted to obtain a licence do not comply with the requirements and terms and conditions determined by this Law or normative acts issued on the basis thereof;
- b) the members of the supervisory board or governing body of a pension company do not meet the eligibility criteria or do not have sufficient experience to develop and determine the investment strategy of the pension schemes which will be implemented by the asset management companies and insurers;



- c) an asset management company or an insurer selected by a pension company, including a foreign asset management company or a foreign insurance company, does not meet the criteria required for pension assets management activities in accordance with the procedure and requirements provided for by the relevant legislation;
- d) in the case of a foreign pension organisation, the foreign country where the foreign pension organisation is established is listed as a Non-cooperative Country and Territory by the Financial Action Task Force (FATF);
- e) in the case of a foreign pension organisation, the foreign pension organisation is not authorised or its powers to carry out pension activities in the country where it is registered/established have been suspended;
- f) close relations prevent the Service from effectively exercising its supervisory functions;
- g) there are other grounds for refusal to issue a licence for voluntary private pension activities or to recognise a pension company, which are provided for by the Law.

2. The Service shall be obliged to make a decision on the issuance/recognition of a licence or the refusal to issue/recognise a licence within 30 working days after receiving a respective application. In the case of refusal to grant the application, the Service shall immediately notify the applicant in writing about the reasoned refusal.

Article 18 – Calculating time limits and the procedure for submitting documents to the Service

1. The period within which an applicant has to submit additional documents and/or information necessary for the review of an application, as instructed by the Service, shall not be taken into account in calculating the time limits determined by this Law. In such a case, the running of a time limit for reviewing an application shall resume upon the submission of an appropriate document or information.

2. The original copy of the document and its duly certified copy provided for by this Law shall be submitted to the Service.

Article 19 – Changes related to pension companies

1. A pension company shall notify the Service in advance of any changes made with regard to the pension company if those changes are related to conditions for licensing the pension company.

2. The changes as referred to in paragraph 1 of this article may be made unless the Service notifies the applicant of the rejection of the proposed changes within 15 working days of receiving the respective notification. Where necessary, such period may be prolonged by no longer than 15 working days and the Service shall notify the applicant to that effect.

Article 20 – Register of entities carrying out voluntary private pension activities

1. The Service shall be obliged to create and maintain a register of entities carrying out voluntary private pension activities and shall, by means of its official website, make public the information thereon.

2. Each entity carrying out voluntary private pension activities shall be assigned a respective code in the register.

3. The register as referred to in this article shall include the identification data of each entity carrying out voluntary private pension activities, the names of an asset management company, an insurer and a specialised depository hired by that entity, information on changes (if any), as well as information on any form of liquidation or termination of activities of a respective entity in progress, and other information as provided for by the legislation of Georgia.

4. In accordance with the Law of Georgia on the Public Registry, the registration authority may, in effecting registrations, refer to the register provided for by this article and maintained by the Service.



Article 21 – Conditions for the recognition of foreign pension organisations

1. The Service shall have the power to recognise a foreign pension company as eligible to implement pension schemes in Georgia, provided that:
 - a) a respective foreign supervisory body issued a licence/permit for the relevant activities and its activities are regulated appropriately by the legislation of the respective country;
 - b) the foreign country where a pension organisation is established is not listed as a Non-cooperative Country and Territory by the Financial Action Task Force (FATF);
 - c) the foreign pension organisation has established a branch in Georgia in accordance with the Law of Georgia on Entrepreneurs.
2. The Service shall have the power to establish, by a normative act, rules for the recognition of foreign pension organisations and additional conditions on the basis of which a recognised pension organisation will be exempted from complying with individual requirements provided for by this Law if the legislation of the foreign country to which they are subject establishes requirements equivalent to the regulatory framework in force in Georgia.

Chapter IV – Registration of Pension Schemes

Article 22 – Registration of pension schemes

1. An asset management company, an insurer, and a pension company shall have the right to establish more than one pension scheme. Each pension scheme shall be registered in the Service.
2. An asset management company and an insurer shall submit the following documents and information to the Service to register an individual pension scheme:
 - a) a licence for the relevant activities of the asset management company or the insurer;
 - b) the rules of the pension scheme;
 - c) agreements concluded with an asset management company (if any) and a specialised depository;
 - d) samples of standard agreements to be concluded with the participants of an individual pension scheme and other documents;
 - e) a document certifying the payment of the pension scheme registration fee in accordance with the Law of Georgia on Registration Fees.
3. An asset management company, an insurer, and a pension company shall submit the following documents and information to the Service to register a group pension scheme:
 - a) a description of a group for the provision of which the pension scheme is registered;
 - b) the founding documents of a pension company when a group pension scheme is registered by a pension company;
 - c) a relevant licence of an asset management company, an insurer, or a pension company;
 - d) a list of all persons closely connected to a pension company implementing the group pension scheme, the respective asset manager and an insurer, and the nature of their connections;
 - e) the rules of the pension scheme, including in the case of such group pension scheme within which an employer makes pension contributions, the rules regulating the payment of pension contributions by an employer and an



employee (including the form of pension contributions expressed in percentage of salary or as a nominal amount, the periodicity of payments, procedures for granting vested rights to pension assets, rules related to personal retirement accounts, applications of participants/beneficiaries and the payment of pensions, etc.);

f) joint agreements, where appropriate;

g) agreements concluded with an asset management company, an insurer, and a specialised depository;

h) samples of standard agreements to be concluded with the participants of a group pension scheme and other documents;

i) a document certifying the payment of the pension scheme registration fee in accordance with the Law of Georgia on Registration Fees.

4. The Service shall make a decision on granting or refusing the registration within 30 working days of receiving a respective application. In the case of the refusal of registration, the Service shall immediately notify the applicant in writing about the reasoned refusal.

5. The Service shall have the right to request from the applicant the submission of additional information or documentation. In this case, the rule for calculating the time limits determined by Article 18 of this Law shall apply.

6. The Service shall have the right to investigate any issue related to registration, as needed.

Chapter V – Specialised depository Services for Pension Schemes

Article 23 – Requesting an independent specialised depository

1. All registered pension schemes shall use the services of a duly authorised specialised depository. A specialised depository shall act in good faith, fairly, professionally, independently and solely in the interests of participants.

2. To ensure the protection of the pension assets of participants and to avoid a conflict of interests, the asset management services and the specialised depository services shall not be provided by the same or closely related persons for the same pension scheme.

3. An insurer may provide asset management services for pension schemes established by the insurer.

4. A pension company shall use the services of an asset management company and a specialised depository which are legally independent from each other and are not owned or governed by the same or closely related entities.

Article 24 – Legal persons authorised to perform functions of a specialised depository

1. A supervisory board and/or a governing body of an asset management company, an insurer or a pension company establishing a pension scheme shall ensure that one or more specialised depositories are appointed within each pension scheme in accordance with this Law and other legislative and subordinate normative acts of Georgia.

2. The appointment of a specialised depository shall be evidenced by a written contract. This contract shall, inter alia, govern issues of exchanging information required for a specialised depository to perform its functions in accordance with this Law.

3. A specialised depository shall be a commercial bank licensed in Georgia or another legal entity licensed in accordance with the legislation of Georgia which has the right to provide safekeeping services in relation to financial instruments.

Article 25 – Functions and duties of a specialised depository



1. A specialised depository providing services to a pension scheme shall act in accordance with the legislation of Georgia and shall perform the duties assigned to it by a contract on specialised depository services.

2. A specialised depository shall:

a) store and keep transparent, safe and available records of the financial instruments which constitute the pension assets of a pension scheme, as well as records of other assets which may not be stored with a specialised depository in accordance with the regulatory rules and legislation of Georgia;

b) consolidate all reports, provide a separate account of pension assets for each pension scheme and ensure the division of the accounting records of such pension assets;

c) ensure that the cash flows of a pension scheme are properly monitored, and in particular ensure that all payments made by or on behalf of participants have been received and that all other received amounts constituting pension assets have been placed in the relevant bank accounts of a commercial bank selected by an asset management company, an insurer, or a pension company;

d) carry out the instructions of an asset management company, an insurer or a pension company under an agreement on specialised depository services unless they conflict with the regulatory legislation, the founding document or the investment policy;

e) ensure that the payments related to pension assets are made in a timely manner;

f) notify the Service upon receipt without delay of available information on a substantial violation of this Law or a normative act issued on the basis thereof or investment requirements by an asset management company, an insurer or a pension company;

g) perform other functions provided for by a normative act of the National Bank of Georgia and an agreement on specialised depository services.

3. A specialised depository is a fiduciary and is therefore accountable to an asset management company, an insurer or a pension company, as well as a participant and a beneficiary.

4. In the case of a loss of a deposited financial instrument, a specialised depository shall return a financial instrument of an identical type or a corresponding amount to the asset management company, the insurer or the pension company which established the pension scheme in question without undue delay. The specialised depository shall not be liable if it can prove that the loss of the deposited financial instrument had arisen as a result of an external event beyond its control, the consequence of which would have been unavoidable despite all reasonable efforts to the contrary.

5. In addition to the cases provided for by paragraph 4 of this article, a specialised depository shall be accountable to an asset management company, an insurer or a pension company which established a pension scheme, as well as a participant and a beneficiary, for any other loss suffered due to its negligence or intentional improper performance of obligations as provided for by this Law or any subordinate normative acts issued on the basis of this Law.

6. The transfer of functions of a specialised depository to a third person shall not have an effect on the liability of a specialised depository as referred to in paragraphs 4 and 5 of this article.

7. The liability referred to in paragraphs 4 and 5 of this article shall not be excluded or limited by agreement.

8. The National Bank of Georgia shall have the right to specify, by a normative act, conditions for a specialised depository to perform the functions provided for by paragraph 2 of this article.

Article 26 – Duty of care and conflict of interests

1. A specialised depository providing service to a pension scheme shall act in good faith, fairly, professionally,



independently and solely in the interests of a participant or a beneficiary.

2. No person shall act as both an asset management company and a specialised depository in relation to the same pension scheme.

3. A specialised depository of a pension scheme shall be prohibited from carrying out activities in relation to the pension scheme which may cause a conflict of interests between the specialised depository on the one hand and a pension scheme, its founders, participants, an asset management company of the pension scheme and/or an insurer, on the other hand. This shall not apply where the specialised depository has functionally and hierarchically separated the performance of its depository tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly managed, monitored and disclosed to the founders and participants of a pension scheme.

4. The National Bank of Georgia shall establish conditions through a normative act under which a specialised depository shall be deemed to be in compliance with the requirements established by this article.

Article 27 – Separation of pension scheme assets from specialised depository assets

1. A specialised depository shall store pension scheme assets separately from its assets and the assets of other clients, or assets of other pension schemes. Pension assets in the custody of a specialised depository or a third party granted the functions of a specialised depository shall not become subject to enforcement for the satisfaction of claims against the specialised depository or the third party, nor shall they be included in the liquidation or insolvency estate thereof if insolvency, liquidation or other similar proceedings are initiated against them.

2. The pension assets stored with a specialised depository may not be reused as their own assets by the specialised depository or a third party granted the functions of a specialised depository, except for the cases determined by a regulatory act of the National Bank of Georgia. The reuse of pension assets comprises any transaction of stored pension assets, including transferring, pledging, selling and lending.

Article 28 – Safekeeping and maintaining a record of the financial instruments by a specialised depository

1. A specialised depository shall maintain a record of all financial instruments constituting pension assets, which may be maintained in the form of an appropriate record in the account of a financial instrument opened by the specialised depository, and all financial instruments which may be physically transferred to the specialised depository for storage.

2. A specialised depository shall ensure that all financial instruments subject to recording in the account of financial instruments opened by the specialised depository are placed in separate accounts opened in the name of an asset management company, an insurer or a pension company, as a result of which financial instruments are attributed to a specific pension scheme.

3. A specialised depository shall ensure the safekeeping and recording of the pension assets of each pension scheme separately from all other assets of a specific pension scheme which shall not be equated with any personal retirement account to enable their identification and distinct division.

4. Regarding those assets not provided for by paragraphs 1 to 3 of this article, a specialised depository shall check the identity of an asset holder on the basis of information or documents provided by an asset management company, an insurer or a pension company, and when possible, based on external evidence as well.

5. A specialised depository shall keep and constantly update records on assets possessed by an asset management company, an insurer or a pension company.

6. A specialised depository shall submit to an asset management company, an insurer or a pension company a complete inventory of all pension assets with the frequency determined by a respective written agreement.

Article 29 – Transfer of functions of a specialised depository to a third party



1. A specialised depository shall have the right to delegate the functions provided for by Article 28(1) to (5) of this Law.
2. A specialised depository may delegate to a third party (parties) the functions under paragraph 1 of this article only where all the following conditions are met:
 - a) the specialised depository does not delegate functions with the intention of avoiding the requirements of this Law or legal acts issued on the basis thereof;
 - b) the specialised depository can demonstrate that there is an objective reason for the delegation;
 - c) the specialised depository has exercised all due skill, care and diligence in the selection and appointment of a third party to whom it intends to delegate its functions. The specialised depository shall also exercise all due skill, care and diligence in the periodic review and ongoing monitoring of a third party to whom it has delegated its functions;
 - d) the specialised depository shall ensure that the third party meets the following conditions at all times:
 - d.a) the third party has structures and expertise that are adequate and proportionate to the nature and complexity of the pension assets which have been entrusted to it;
 - d.b) the third party is subject to prudential regulation, including minimum capital requirements, supervision, and an external periodic audit to ensure that the financial instruments are held in its custody;
 - d.c) the third party segregates the assets of the clients of a specialised depository from its assets and the assets of the specialised depository in such a way that they can, at any time, be clearly identified as belonging to clients of a particular specialised depository;
 - d.d) in the event of insolvency or liquidation proceedings or similar proceedings against the third party, the pension assets held by the third party in custody are unavailable for distribution among, or realisation for the benefit of, creditors of the third party;
 - e) the third party complies with the obligations and prohibitions provided for by this Law.

Article 30 – Grounds for terminating the authority of a specialised depository

1. The authority of a specialised depository to provide services to a pension scheme shall be terminated:
 - a) immediately upon the termination of the agreement on specialised depository services, in accordance with the agreement or regulatory legislation;
 - b) immediately after the termination of the authority of an asset management company or an insurer to manage pension assets in accordance with this Law, except when, within the scope of the termination, an agreement has been concluded with the same specialised depository on the provision of services when there is a new asset management company or a new insurer; in such case, it shall be reappointed as a specialised depository;
 - c) immediately after the revocation of the respective licence of a party providing the specialised depository services;
 - d) immediately after the initiation of liquidation or insolvency proceedings against the party providing the specialised depository services;
 - e) immediately after a decision is made by the National Bank of Georgia in accordance with paragraph 2 of this article.

2. The National Bank of Georgia shall terminate the authority of a specialised depository to provide services to one or more pension schemes if the specialised depository violates the provisions or instructions of this Law, other



laws regulating the financial sector, normative acts issued on the basis of these laws, or if it poses an obvious threat to the interests of a participant and a beneficiary.

3. When the authority of a specialised depository is terminated on the basis of paragraphs 1 (a) or (b) of this article, the specialised depository shall continue activities until the appointment of a new specialised depository. The depository services provided by the specialised depository before the appointment of a new specialised depository shall be remunerated in accordance with the terms and conditions of the agreement on specialised depository services in force before the termination of authority.

4. If a new specialised depository is not appointed within 30 calendar days after the event provided for by paragraph 1 of this article, the Service shall have the right to cancel the registration of the pension scheme.

Chapter VI – Key Functions of a Management System

Article 31 – General requirements

1. A pension company, an insurer and an asset management company shall have the following key functions in the management system: a risk management function and an internal audit function. Persons performing key functions shall ensure the performance of these functions effectively under an objective, fair and independent procedure.

2. The key functions determined by this article shall be performed independently from each other.

3. Persons responsible for key functions shall, within the scope of their authority, provide any substantial information and recommendations to the respective supervisory board of a pension company, an insurer and an asset management company, determining the necessity of taking appropriate measures. If the supervisory board fails to take appropriate and timely measures while a person performing key functions detects substantial risks threatening the interests of participants of the pension schemes, or a significant and substantial violation of the legislation of Georgia occurs, a person responsible for key functions shall, within the scope of its competence, be authorised to notify the Service/the National Bank of Georgia. In this case, the person performing key functions shall use the legal protection mechanisms provided for by the legislation of Georgia.

Article 32 – Risk management

1. A pension company, an insurer and an asset management company shall be obliged to have an effective risk management function in proportion to the size, nature, scale and complexity of the pension schemes in effect within the scope of their activities. This function shall be organised so as to promote the functioning of a risk management system. To that end, these entities shall approve relevant strategies, processes and reporting procedures necessary to identify, assess, monitor, manage and regularly report risks at individual and aggregate levels.

2. A risk management system shall be effective and properly integrated into the organisational structures and decision-making process of a pension company, an insurer and an asset management company.

3. A risk management system shall cover, at least, the following risks in proportion to the size, nature, scale and complexity of a pension company, an insurer and an asset management company:

a) underwriting and reserving;

b) managing assets and liabilities;

c) investments;

d) managing liquidity and concentration risks;

e) managing operational risks;



f) risk reduction methods.

Article 33 – Internal audit function

A pension company, an insurer and an asset management company shall be obliged to ensure an internal audit function in proportion to the size, nature, scale and complexity of the pension schemes in effect within the scope of their activities. The internal audit function shall cover the assessment of the reliability and effectiveness of an internal control system and other elements of the management system, including in the case of outsourced activities. The internal audit function shall be impartial and independent from operational activities.

Article 34 – Outsourced services

1. Any activity, including the key functions of a pension company, an insurer and an asset management company, may be fully or partially transferred to respective service providers which shall act on their behalf when carrying out these activities/performing these functions.

2. In the case provided for by paragraph 1 of this article, full responsibility for the fulfilment of any obligation provided for by this Law and any subordinate normative acts issued on the basis thereof shall be imposed on the pension company, the insurer and the asset management company.

3. The outsourcing of key functions or any other activity shall not result in:

a) a significant deterioration of the quality of the management system of a pension company, an insurer or an asset management company;

b) an unjustified increase in operational risks;

c) the hindering of the procedure of supervision over the fulfilment of the obligations provided for by the legislation of Georgia by a pension company, an insurer and an asset management company, implemented by the Service/the National Bank of Georgia;

d) the deterioration of services provided to the participants and beneficiaries of a pension scheme.

4. In the case of outsourcing as provided for by this article, a pension company, an insurer and an asset management company shall ensure the proper performance of outsourced activities/functions through the appropriate monitoring of the outsourcing service providers, both in the selection process and during the entire period of their functioning.

5. Activities and key functions shall be outsourced based on a written agreement concluded between a pension company, an insurer, an asset management company and an outsourcing service provider, in which the distribution of rights and duties between the parties shall be clearly determined.

6. A pension company, an insurer and an asset management company shall notify the Service of the outsourcing of any activity in a timely manner; in the case of outsourcing key functions, the Service/the National Bank of Georgia shall be notified thereof before concluding an agreement. The Service/the National Bank of Georgia shall be also notified of any further significant change related to outsourcing.

7. The Service/the National Bank of Georgia may, at any time, request from a pension company, an insurer, an asset management company and an outsourcing service provider information on outsourced key functions or any other activities.

Article 35 – Remuneration policy

1. A pension company, an insurer and an asset management company shall determine a remuneration policy in proportion to the size, nature, scale and complexity of their activities for all persons who manage pension schemes efficiently, perform key functions, and whose activities have a significant impact on the risk profile of the pension scheme. Information on the remuneration policy shall be made public on an annual basis.



2. When determining the remuneration policy provided for by paragraph 1 of this article, the following shall be taken into account:

a) the remuneration policy shall be developed so as to protect the risk profile and objectives of a pension scheme and the long-term interests and financial stability of the participants and beneficiaries of a pension scheme, and also to promote the rational/reasonable and effective management of a pension company, an insurer and an asset management company;

b) the remuneration policy shall comply with the long-term best interests of the participants and beneficiaries of a pension scheme;

c) the remuneration policy shall cover measures aiming at avoiding any conflict of interests;

d) a pension company, an insurer and an asset management company shall determine the main principles of the remuneration policy and update them once in three years at least, and take responsibility for their fulfilment;

e) the remuneration policy shall be managed and controlled clearly, transparently and efficiently.

Chapter VII – Pension Fund and Pension Asset Management

Article 36 – Pension fund

1. Each pension scheme may have one or more pension funds.

2. Each pension fund shall have an investment policy document which determines an investment policy/investment strategy of the pension fund, including assets (classes of assets) where investments will be made, and the policy and approaches of risk control and management of the pension fund.

3. The investment of pension assets within a pension fund may be made only by an asset management company or an insurer.

Article 37 – Activities of an asset management company and an insurer as an asset manager

1. When managing assets of a pension fund of a pension scheme registered in accordance with this Law, an asset management company and an insurer shall perform the following functions:

a) manage a portfolio;

b) manage risks.

2. In addition to managing a pension fund of a pension scheme registered in accordance with this Law, an asset management company and an insurer may perform the following administrative functions:

a) legal services and accounting services;

b) communication with participants and beneficiaries;

c) asset valuation, including the valuation of net asset value, and tax returns;

d) the monitoring of compliance with regulatory legislation;

e) the keeping of a register of personal retirement accounts;

f) the opening and closing of personal retirement accounts;



g) the payment of pensions;

h) record keeping.

3. The requirements provided for by this Law, taking into account respective particularities, shall apply to an asset management company, a pension company and an insurer, as well as a foreign asset management company, a pension organisation and an insurance organisation recognised and permitted in Georgia.

Article 38 – Investing pension assets

1. Pension assets may be invested only in compliance with the requirements of this Law and in accordance with good investment principles relating to the long-term best interests of participants and beneficiaries.

2. The goals of good investment are:

a) the security of pension assets;

b) the investment of pension assets mainly in regulated financial markets. Investment in assets not admitted to trading on regulated financial markets shall, in any event, be undertaken in compliance with relevant limits;

c) the diversification of investments so as to avoid the dependence/concentration on any specific asset, issuer or group of enterprises, and hence accumulation in a respective risk portfolio;

d) the maximisation of actual returns over a long-term period, as a result of investment in pension assets with an adequate correlation with an investment risk;

e) the maintenance of adequate liquidity.

3. An asset management company, an insurer or a pension company shall approve an investment policy document which shall comply with the principles provided for by paragraph 2 of this article and the relevant legislation. The investment policy document shall determine:

a) ways to meet the requirements of this Law;

b) the types of assets in which the pension assets may be invested, including a maximum position/volume of each class of assets, and each issuer or a group of interconnected issuers within the limits determined by the Service;

c) procedures for making a decision on investment;

d) procedures for assessing, managing and controlling investment risks within a risk management policy document;

e) the methods and procedures for revising an investment policy.

4. An asset management company, an insurer and a pension company shall, when joining the pension scheme, inform the participants of the investment policy and the risk management policy of the pension scheme. Participants shall also be notified of any change made to the investment policy and the risk management policy.

5. An asset management company or an insurer that makes investments in pension assets within a pension scheme shall:

a) act in good faith, independently, professionally and solely in the best interests of the participants of the pension scheme;

b) develop the risk management policy and procedures and comply with them at all times;

c) develop internal control mechanisms to ensure investments in accordance with the legislation governing the



pension assets and with the rules of the pension scheme;

d) ensure both the functional and hierarchical independence of risk management functions from operational/administrative functions, including portfolio management;

e) have a business continuity plan;

f) take all reasonable steps to avoid a conflict of interests, and where such conflict cannot be avoided, to identify, manage, control and, where applicable, disclose such conflicts to participants in order to prevent their adverse effects;

g) treat all participants and beneficiaries of a pension scheme fairly;

h) develop procedures to ensure that the assets and liabilities of a pension scheme are properly and correctly evaluated;

i) have sufficient information on assets it intends to purchase or has purchased on behalf of the pension scheme.

6. Pension assets may be invested in the following classes of assets:

a) financial resources and deposits (including deposit certificates of a bank) of the commercial banks which are licensed by the National Bank of Georgia or a bank regulator of a foreign country, against which insolvency proceedings are not pending and the licence or authorisation of which is not revoked/suspended and against which a resolution regime has not been applied in accordance with the relevant legislation;

b) securities issued by Georgia or a foreign state or a municipality (local government) guaranteed by the state or a financial institution (institutions) (as needed);

c) securities issued by enterprises (including equity and debt securities) which are issued through a public offer and placed at a security exchange licensed in Georgia or a recognised foreign stock exchange determined by the legislation of Georgia;

d) corporation securities registered/authorised by a regulatory body of a capital market of the government of a foreign country (including in equity and debt securities) which are issued through public offers and placed on a security exchange licensed in Georgia or a recognised foreign stock exchange as determined by the legislation of Georgia;

e) options, other agreements and financial assets related to futures and forward transactions and securities and financial assets which are derivatives to be used for a hedging strategy, serve the reduction of risks, and at the same time do not increase open positions;

f) other instruments permitted by the Service.

7. Pension assets may not be invested in:

a) intellectual property, physical assets not registered on an organised market and having unknown value, including antiques, works of art, coins, and cars;

b) any other instrument or asset prohibited by the Service.

8. The Service shall determine an additional list of permitted and prohibited assets/financial instruments, and maximum allowable limits of assets/financial instruments, including for each issuer of securities, including in the case of closely related or controlling enterprises which may belong to an asset management company, an insurer or a pension company (such restriction does not apply to investments made in state securities). When determining investment limits in investment funds, the Service may adopt different approaches, including taking into account the assets in a portfolio of an investment fund. The Service shall also determine a minimum allowable rating in relation to debt securities/instruments. In addition, the Service shall determine a list of foreign countries where



investments in pension assets are permitted, as well as allowable limits and procedures for the investment in assets denominated in foreign currency other than that of pension assets.

9. The Service shall determine a list of countries where pension activities are not properly regulated.

Chapter VIII – Obligations Related to the Provision of Information to Participants

Article 39 – Provision, publication and disclosure of information

1. An asset management company, an insurer or a pension company shall draw up and publish the following documents:

- a) the rules of the pension scheme for each pension scheme;
- b) an investment policy document, a risk management policy document, and information on pension asset management;
- c) an annual report for each financial year;
- d) a half-yearly financial report for 180 calendar days.

2. The persons referred to in paragraph 1 of this article shall provide participants, on request and free of charge, with the rules of the pension scheme and annual/half-yearly reports. These materials may be provided to participants and, on request, to beneficiaries in a durable medium or by means of a website.

3. The persons referred to in paragraph 1 of this article shall keep a personal retirement account for each participant and, at least once a quarter, make a report on the assets in this account available to each participant. This account shows pension contributions, profit and loss from an investment. Information on the status of personal retirement accounts shall be available to participants on a daily basis. The information referred to in this paragraph shall be provided to participants and, on request, to beneficiaries in a durable medium or by means of a website.

4. A pension company, an insurer and an asset management company shall draw up a report on pension benefits and deliver it to each participant; the report shall be accurate, up-to-date and available to all participants free of charge through electronic means, including in a durable medium or by means of a website, or in a material form, at least annually. A printed copy shall, upon request, be delivered to participants through electronic means along with any information. In addition, a report on pension benefits shall contain at least the following information:

- a) the personal data of a participant, including a clear reference to the retirement age determined by this Law;
- b) the name and contact details of a founder and accurate data regarding the pension scheme;
- c) future forecasts of pension benefits indicating that these forecasts may differ from the final benefits. The forecasts shall be based on economic scenarios, in particular, the best assessment scenario and an unfavourable scenario, considering a pension scheme and its investment specifics;
- d) information on granting vested rights (if any) and on accumulated pension contributions;
- e) information on pension contributions into a pension scheme made by an employer and a participant during the previous 12 months at least, considering the pension scheme and its investment specifics;
- f) detailed information on any expenses deducted from pension assets placed in personal retirement accounts;
- g) additional information on pension benefits to be received in the case of annual reporting, investment policy, annuities and the termination of employment relations, at the request of a participant.

5. The Service shall determine, by a normative act, a procedure for drawing up and delivering the



documents/information referred to in paragraphs 1 and 3 of this article.

6. The documents/information referred to in this article shall be drawn up in the Georgian language and shall be clear and understandable for each participant.

Chapter IX – Payment of Pension

Article 40 – Forms of payment of pension and the right to receive a pension

1. In the case of reaching the retirement age or the early retirement of a participant, or when a participant experiences disability as referred to in Article 41 of this Law, the participant shall be entitled to a pension credited to his/her personal retirement account with full consideration of tax benefits as determined by the legislation of Georgia.

2. A participant entitled to a pension within a pension scheme may receive a pension in the following forms:

a) by means of lump-sum payment;

b) by means of programmed withdrawal;

c) in the form of annuities.

3. A lump-sum payment as referred to in paragraph 2(a) of this article shall involve the full payment of pension savings placed in a personal retirement account. The rules of the pension scheme may provide for a limited amount of lump-sum payment both in the form of a nominal amount or a percentage of pension savings.

4. The programmed withdrawal referred to in paragraph 2(b) of this article shall involve the withdrawal of a pension from a personal retirement account on a periodic basis. The rules of the pension scheme shall provide for a methodology for the appropriate distribution of the programmed withdrawal of pension savings placed in a personal retirement account.

5. A participant may receive annuities as determined by paragraph 2(c) of this article on the basis of an annuity agreement concluded with an insurer.

6. The rules of the pension scheme shall determine the minimum amount of pension savings placed in a personal retirement account of a participant required to receive annuities.

7. An insurer that registers a pension scheme in accordance with this Law shall be authorised to offer annuities to the participants of a pension scheme within the same pension scheme.

8. An asset management company and a pension company that offers annuities to participants shall do so only on the basis of a relevant agreement concluded with an insurer.

9. When a participant reaches retirement age, an asset management company, an insurer and a pension company shall be obliged to ensure that the participant is properly informed in this regard and provide him/her with clear information on the procedures necessary to receive a pension and all possible forms of payment of pension.

Article 41 – Payment of pension in the case of disability of a participant

1. In the case of disability as provided for by this Law, a participant shall be entitled to a pension before reaching the retirement age in one of the forms determined by Article 40(2) of this Law.

2. A person with a disability status may enjoy the right provided for by paragraph 1 of this article solely in relation to the pension schemes in which he/she participated at the time of receiving the respective status.

Article 42 – Payment of pension to beneficiaries



1. A participant shall have the right to determine a third party as a beneficiary who shall receive rights to the pension assets (pension savings) of the participant in the case of his/her death. In this case, the participant shall ensure the identification of the third party in all forms necessary. The participant shall be entitled to change the beneficiary determined thereof when joining a pension scheme at any time during participation in the pension scheme.
2. A third party shall be determined as a beneficiary by a notarised written document.
3. In the case of the death of a participant, a beneficiary determined by that participant shall be notified of his/her rights to the pension assets placed in a personal retirement account which he/she may exercise in one of the following ways:
 - a) transfer pension savings placed in the said personal retirement account to his/her personal retirement account;
 - b) where they do not have a personal retirement account, open such an account within the said pension scheme;
 - c) withdraw the pension.
4. If a participant has not determined a beneficiary, or a beneficiary determined by the participant dies, in the case of the death of the participant, the rights to the pension assets placed in the personal retirement account of the participant shall be transferred to his/her heir (heirs) in accordance with the procedure established by the legislation of Georgia. In such a case, the heir (heirs) shall be notified of his/her/their rights to the pension assets placed in the personal retirement account which he/she/they may exercise in one of the following ways:
 - a) transfer the pension savings placed in the said personal retirement account to his/her/their personal retirement account;
 - b) where they do not have a personal retirement account, open such an account within the said pension scheme;
 - c) withdraw the pension.
5. When the payment of a pension is started in the form of programmed withdrawal in accordance with this Law and the participant dies, the remaining amount shall be paid to the heir/beneficiary in accordance with the procedure determined by this article.
6. When the payment of a pension is started on the basis of an annuity agreement and the participant dies, the rights to the respective pension savings shall be determined by the annuity agreement.
7. When a pension is paid to the heir/beneficiary, he/she shall be fully granted the privileges determined for the participant in accordance with the tax legislation of Georgia.

Article 43 – Pension application

A pension application, the form of which is developed by a pension company, an insurer and an asset management company, shall contain at least the following information:

- a) the personal data of a participant or heir/beneficiary, including a reference to the retirement age or the grounds for obtaining the right to a pension as determined by this Law;
- b) the name of the commercial bank and details of a bank account which will be used by a participant for receiving a pension;
- c) information on the document issued in accordance with the legislation of Georgia which confirms the opening of the inheritance, a will and/or another document and/or a court decision which determines the identity of heirs, if the participant has not determined a beneficiary when joining a pension scheme;
- d) a document issued in accordance with the legislation of Georgia which certifies a respective category of



disability of a participant, where appropriate;

e) the form of receiving a pension selected by a participant.

Article 44 – Payment of pension

1. An asset management company, an insurer or a pension company shall make a decision on the payment of a pension within 15 working days after receiving the information/documentation referred to in Article 43 of this Law. Pensions shall be paid to an indicated bank account.

2. The time limit provided for by paragraph 1 of this article may be extended for not more than 15 working days if a participant chooses to receive a pension in the form of annuities, or if the information/documents delivered by the participant require additional examination. If the time limit is extended, an asset management company, an insurer and a pension company shall notify a participant or the heir/beneficiary in advance.

3. When a decision on the payment of a pension is not made within the time limit determined by this article, the participant or the beneficiary shall be entitled to submit a claim to the asset management company, the insurer or the pension company in accordance with their procedure for reviewing internal claims, and in the case of a denial of this claim, apply to the Service.

Chapter X – Transfer of Pension Assets and Termination of Pension Schemes

Article 45 – Transfer of pension assets

1. All pension schemes shall provide for the possibility and procedures for the transfer of pension assets in accordance with this article.

2. A participant in a group pension scheme shall have the right to transfer pension assets if his/her employment relations with the employer, his/her membership in the association of employees or the professional organisation or the association of employers terminates.

3. Except for the cases provided for by paragraph 2 of this article, a participant of a group pension scheme may transfer pension assets to another pension scheme in the following cases:

a) upon the liquidation, insolvency or bankruptcy of the insurer, the asset management company or the pension company which had established and registered the group pension scheme;

b) upon the termination of a group pension scheme;

c) upon the merger of the pension company with another pension company.

4. A participant of an individual pension scheme may transfer pension assets to another individual pension scheme in the following cases:

a) upon the liquidation, insolvency or bankruptcy of the insurer or the asset management company which had established and registered the individual pension scheme;

b) upon the termination of the individual pension scheme.

5. A participant of a pension scheme may transfer pension assets to another pension scheme in other cases determined in accordance with the rules of the pension scheme.

6. If a participant wants to transfer the pension assets to which he/she is entitled to another pension scheme, he/she shall notify an asset management company, an insurer or a pension company in writing, and submit a document certifying the consent of the founder of that pension scheme on the transfer of the pension assets to an alternative pension scheme.



7. The participation of a participant in a pension scheme shall be terminated within 10 calendar days after providing a notification in accordance with this article. On the said day, the pension assets shall be transferred from the transferring pension scheme (the scheme which the participant leaves) to the receiving pension scheme (the scheme which the participant joins).

8. The amount to be transferred shall make up the value of the pension assets placed in a personal retirement account on the date of the last evaluation, excluding relevant expenses payable.

9. The Service shall, under a normative act, determine the rule of withdrawal of pension assets.

Article 46 – Revocation of registration of a pension scheme, termination of a pension scheme

1. The Service shall be authorised to revoke the registration of a pension scheme if it is sure that wrong, incorrect or false information was submitted as regards the registration or an insurer, an asset management company, or that a pension company repeatedly or grossly violated the requirement(s) determined by this Law, other relevant legislative acts and normative act(s) or instruction(s) issued on the basis thereof, or if the revocation of the registration of a pension scheme is required due to the outcomes of the investment activities of the pension scheme and the interests of participants and beneficiaries.

2. When identifying the grounds provided for by paragraph 1 of this article, the Service shall notify in writing a supervisory board and a governing body of a pension company, an insurer or an asset management company with an indication of the reasons, and set a deadline of no less than 30 calendar days to eliminate the grounds for the revocation of the registration of the pension scheme, except when the Service considers such notification damaging to the interests of participants and beneficiaries. A supervisory board and a governing body of a pension company, an insurer or an asset management company shall be authorised to respond in writing to the Service within 30 calendar days after receiving the notification and, where possible, offer a plan for the elimination and correction of the grounds for the revocation of the registration of the pension scheme.

3. When sending a notification as provided for by paragraph 2 of this article, the Service shall be authorised to suspend the registration of a pension scheme and freeze assets under the control and management of a respective pension scheme and notify a specialised depository thereof.

4. If a supervisory board and a governing body of a pension company, an insurer or an asset management company do not respond in writing to the Service within the specified period or their plan for elimination and correction of the reasons for the revocation of the registration of the pension scheme given in their written application is not satisfactory, the Service shall make a decision on the revocation of the registration of the pension scheme. A supervisory board and a governing body of a pension company, an insurer or an asset management company may appeal a decision on the suspension or revocation of the registration of the pension scheme.

5. If the Service makes a decision on the suspension of the registration of a pension scheme, the following procedure shall apply:

a) no pension contributions may be made or received from the moment of the suspension of the registration of the pension scheme;

b) if within 30 calendar days after the suspension the pension company, the insurer or the asset management company does not eliminate the reasons for the suspension of the registration of the pension scheme, the registration of the pension scheme shall be revoked.

6. If the Service makes a decision on the revocation of the registration of a pension scheme, the following procedures shall apply:

a) no pension contributions may be made or received from the moment of the revocation of the registration of the pension scheme;

b) the Service shall notify a specialised depository of the revocation of the registration of the pension scheme and



apply to freeze the pension assets placed within a relevant pension scheme;

c) the Service shall appoint a liquidator of appropriate qualification with no close relations with the pension company, the insurer, the asset management company, the founder(s) of a pension company, or members or employees of the supervisory board or the governing body of these entities. The Service shall, under a normative act, determine the necessary requirements for a liquidator, the procedure for selecting and paying compensation to a liquidator, and the activities to be carried out by a liquidator. A liquidator shall be a fiduciary.

7. One of the grounds for the revocation of the registration of a pension scheme shall be a decision of a supervisory board of an employer, employers' association, employees' association, a professional organisation, a general meeting/partners' meeting of a pension company, an insurer, or an asset management company on the termination of the pension scheme. These entities shall be authorised to initiate the procedure for terminating a pension scheme and each participant of the pension scheme and the Service shall be notified thereof in writing 90 calendar days in advance. Upon sending such notification, the above entities shall prepare the evaluation of the pension assets and take all necessary measures to protect the interests of the participants and beneficiaries.

8. A pension scheme shall be terminated by applying the following procedures:

a) a supervisory board and a governing body of a pension company, an insurer or an asset management company shall, within the time limit determined by paragraph 7 of this article, prepare a pension scheme report covering all assets and liabilities. The report shall be submitted to the Service and delivered to all the participants of the pension scheme;

b) when, according to the pension scheme report, the liquid pension assets within the pension scheme are sufficient to fully meet the rights of the participants of the pension scheme, the participants of the pension scheme shall be enabled to immediately transfer the pension assets to another registered pension scheme. When the liquid assets within a pension scheme are not sufficient to fully meet the rights to the pension assets, a liquidation plan in line with a pension scheme report shall be submitted for approval to the Service. The liquidation plan shall be available for all the participants of the pension scheme;

c) the liquidation plan shall contain information on all measures taken to receive the pension contributions (if any) of employers in accordance with this Law;

d) the supervisory board or the governing body of the pension company, the insurer or the asset management company shall continue managing the pension scheme with the consent of the Service in accordance with the procedure determined by the Service. Such management shall continue until the completion of liquidation or the transfer of assets and liabilities to another pension scheme;

e) the Service may refuse to carry out the liquidation process under a proposal submitted on the condition provided for by point (d) of this paragraph and to determine the necessity of appointing a liquidator in accordance with this Law.

9. A liquidator, or a supervisory board and a governing body may, with the preliminary consent of the Service, transfer the assets and liabilities of a pension scheme to another individual pension scheme registered in accordance with this Law. The participants of the pension scheme shall be notified thereof in writing 30 calendar days in advance.

10. The pension contributions made by an employer on which participants are granted vested rights may not be returned to the employer within any pension scheme.

11. None of the requirements and/or procedures provided for by this Law shall exclude the right of a participant to claim compensation for regress and/or damage from a liquidator, a pension company, an asset management company, an insurer, a fiduciary or any person(s) closely related to such persons.

Chapter XI – Merger of Pension Companies

Article 47 – Merger of pension companies



1. A pension company shall be authorised to determine that a merger with another pension company registered in accordance with this Law complies with the best interests of its members.
2. To merge pension companies, two or more pension companies shall develop the terms of the merger of the pension companies and submit it for approval to the Service. Upon submission to the Service of the terms of the merger of the pension companies, the supervisory boards of each company shall prepare an evaluation of the pension assets within their pension schemes and take all necessary measures to protect the interests of the participants and beneficiaries.
3. Each pension company shall notify the participants of the pension scheme of the merger and provide them with the terms of the merger of the pension companies. The terms for the merger of the pension companies shall include the maintenance/keeping of personal retirement accounts of the participants of each pension scheme and the protection of the rights to the pension assets for all the participants in entities created by way of the merger.
4. The Service shall, within 30 calendar days after submitting the terms for the merger of the pension companies, make a decision on the approval or the refusal thereof in accordance with this article. If the Service does not make a relevant decision within the said period, the terms for the merger of the pension companies shall be deemed approved.
5. Before the merger of the pension companies, all participants of the pension scheme(s) registered by each pension company may transfer the pension assets to another pension scheme.

Chapter XII – Repealing a Licence for Voluntary Private Pension Activities and Liquidation of a Pension Company

Article 48 – Terms for repealing a licence for voluntary private pension activities and liquidation of a pension company

1. When a licence for voluntary private pension activities is repealed, the pension company shall be liquidated. The Service shall be authorised to repeal a licence for voluntary private pension activities if it is sure that wrong, incorrect or false information was submitted as regards the licence application, or that a pension company repeatedly or grossly violated the requirements of this Law, other relevant laws and normative acts issued on the basis thereof, or if the relevant violation has not been eliminated, or if that violation has a negative effect on the investment activities of the pension scheme, or if the repealing of a licence is in the interests of the participants. The Service shall also be authorised to repeal a licence for voluntary private pension activities due to the significant deterioration of the financial conditions of a pension company and/or when there is a risk of the failure of a pension company to fulfil its obligations.
2. When the grounds under paragraph 1 of this article are identified, the Service shall, not less than 30 calendar days before the licence is repealed, notify a supervisory board and a governing body of a pension company thereof with an indication of the reasons, except when the Service considers such a notification damaging to the interests of the participants and beneficiaries.
3. A pension company may appeal a decision on repealing a licence for voluntary private pension activities.
4. A general meeting/partners' meeting of a pension company shall be authorised to make a decision on the liquidation of a pension company, initiate the liquidation procedure of the pension company, and notify in writing each participant of the pension scheme(s) of the pension company and the Service thereof 90 calendar days in advance. Upon sending such notification, the above entities shall prepare an evaluation of the pension assets within the pension scheme(s) of the pension company and take all necessary measures to protect the interests of the participants and beneficiaries, including ensuring the option for the participants to transfer their pension assets to a new pension company, an asset management company or an insurer. The participants may refuse to transfer pension assets to a new pension company, an asset management company or an insurer and may withdraw the pension assets in accordance with the procedure determined by this Law.
5. If the Service decides to repeal a licence for the voluntary private pension activities of a pension company, the following procedures shall be applied:



a) no pension contributions may be made within the pension scheme(s) registered by a pension company after a licence for the voluntary private pension activities of the pension company is repealed;

b) the Service shall notify a specialised depository (depositories) of a pension company of the repealing of the licence for the voluntary private pension activities of the pension company and request that the pension assets managed by the pension scheme(s) within the pension company be frozen;

c) the Service shall appoint a liquidator of appropriate qualification with no close relations with the pension company, the insurer hired by the pension company, the asset management company, the founder(s) of a pension company, the employer(s) who make pension contributions to pension schemes, or the members of the supervisory board or the governing body of these entities. The Service shall determine the eligibility criteria for a liquidator, a compensation procedure, and the rules for carrying out activities by a liquidator. A liquidator appointed in accordance with this article shall be a fiduciary.

6. If a general meeting/partners' meeting of a pension company decides to liquidate the pension company, the following procedures shall be applied:

a) the general meeting/partners' meeting of the pension company shall prepare, within the terms referred to in paragraph 4 of this article, a liquidation plan of a pension scheme(s) and a report which, inter alia, includes all the pension assets within the pension company and all the liabilities and information on the liquidator selected. A liquidation plan and a report determined by this sub-paragraph shall be submitted to the Service and the information on the decision on liquidation shall be sent to each participant of the pension scheme(s).

b) when, according to the pension scheme report drawn up in accordance with sub-paragraph (a) of this paragraph, the liquid pension assets within the pension scheme are sufficient to fully meet the rights of the participants of the pension scheme(s), the participants of the pension scheme shall be entitled to immediately transfer the pension assets to another registered pension scheme. If the liquid pension assets within a pension company are not sufficient to fully meet the rights of the participants to the pension assets, a supervisory board shall submit to the Service a proposal on the continuation of the liquidation process along with a report and a liquidation plan provided for by sub-paragraph (a) of this paragraph which shall be approved by the Service along with the liquidation plan;

c) the proposal on the continuation of the liquidation process shall contain information on all measures taken to receive the pension contributions of the employers (if any) in accordance with this Law;

d) the supervisory board and the governing body of the pension company shall continue to manage the pension scheme in accordance with the procedure established by the Service unless the Service considers it appropriate. Such management shall carry on until the completion of the liquidation of the pension company or the full transfer of the assets and liabilities to another pension scheme;

e) the Service may refuse a liquidation plan and a proposal on continuation of the liquidation process submitted by a supervisory board in accordance with this paragraph and determine the necessity of appointing a liquidator in accordance with this Law.

7. A liquidator or a supervisory board of a pension company may, with the consent of the Service, transfer the assets and liabilities within a pension scheme(s) of the pension company to another individual pension scheme registered in accordance with this Law. The participants of the pension scheme(s) shall be notified thereof in writing 30 calendar days in advance.

8. A liquidator appointed by the Service shall be granted the full powers of a supervisory board of a pension company and all other governing bodies. A liquidator appointed by the Service shall be accountable to the Service and the participants.

9. Upon the initiation of a liquidation process of a pension company in accordance with this Chapter, all ongoing enforcement proceedings against the pension company shall be terminated.



10. The insolvency and liquidation procedures determined by the Law of Georgia on Entrepreneurs and the Law of Georgia on Rehabilitation and the Collective Satisfaction of Creditors' Claims shall not apply to a pension company.

11. Before the completion of liquidation, the requirements of this Law and other legislative and subordinate normative acts of Georgia shall apply to a pension company subject to liquidation.

12. Within a pension scheme of a pension company subject to liquidation, the pension contributions made by an employer to which the participants are granted vested rights may not be returned to the employer.

13. None of the requirements and/or procedures provided for by this article shall exclude the right of a participant to claim compensation for regress and/or damage from a liquidator, a pension company, an asset management company, an insurer, fiduciaries or any person(s) closely related to such persons.

14. The Service shall submit for registration a decision on the initiation of the liquidation of a pension company to a registration body on the same day.

Article 49 – Liquidation plan

1. A liquidation plan submitted to the Service shall determine the steps to be taken during the liquidation process, taking into account the best interests of the participants, and shall include at least the following documents and information:

a) a decision on liquidation;

b) the reasons for the liquidation of the pension company and the assessment of whether or not the liquidation of the pension company serves the protection of the interests of the participants;

c) the maximum amount of expenses related to liquidation;

d) the identification data of the participants;

e) a description of the assets of the pension company;

f) the number of creditors of the pension company and the amount of liabilities to and information on creditors;

g) all measures taken to receive the pension contributions of the employers (if any) in accordance with this Law;

h) the methods and procedures for selling and distributing the pension assets among the participants and beneficiaries;

i) the expected duration of the liquidation process and the procedure for the delivery of information to the participants and beneficiaries.

2. The Service may request the submission of additional information and/or documents, study and, where appropriate, carry out audits, conduct on-site inspections of a pension company, and request written or oral explanations from members of the supervisory board and the governing body of the pension company, auditing firms, their representatives and third parties concerning the documentation/information submitted.

3. The Service shall make a decision on the approval of a liquidation plan within 30 calendar days after the submission thereof. Where appropriate, the Service shall be authorised to prolong that period.

4. The Service may refuse to approve a liquidation plan when one of the following circumstances occur:

a) the information referred to in an application for approving a liquidation plan and the documentation submitted along with the application do not fully, clearly and explicitly cover the liquidation process of the pension company and all circumstances;



- b) the liquidation of the pension company does not comply with the requirements of this Law;
- c) the liquidation of the pension company compromises the interests of the participants and beneficiaries.

Article 50 – Completion of the liquidation process and submission of a liquidation report

1. Within 30 calendar days after meeting all the requirements of the pension company and selling all the assets of the pension company, a liquidator shall submit to the Service a final balance sheet and a report on all actions performed during the liquidation process.
2. After the balance sheet and the report referred to in paragraph 1 of this article are submitted to the Service, it shall issue an individual administrative act on the completion of the liquidation of the pension company.
3. On the same day, the Service shall submit the individual administrative act on the completion of the liquidation of the pension company to a registration body to register the completion of the liquidation of the pension company and to revoke the registration thereof.
4. None of the requirements and/or procedures provided for by this Law shall exclude the right of a participant to claim compensation for regress and/or damage from a liquidator, a pension company, an asset management company, an insurer, fiduciaries or any person(s) closely related to such persons or those controlling such persons.

Chapter XIII – Regulation and Supervision of Voluntary Private Pension Activities

Article 51 – Powers of the Service

1. In accordance with the Law of Georgia on Insurance, this Law, and other legislative and subordinate normative acts of Georgia, the Service shall regulate voluntary private pension activities within its competence, including issuing and repealing a licence for voluntary private pension activities.
2. In accordance with this Law, the Service shall register and may revoke the registration of pension schemes.
3. The Service shall, on the basis of subordinate normative acts, determine:
 - a) additional terms and conditions for private pension agreements;
 - b) the eligibility criteria for a supervisory board and a governing body of a pension company;
 - c) the procedure and rules for recognising a pension organisation of a foreign country and releasing it from specific requirements;
 - d) the rule for determining the main data on the operational plan of a pension company;
 - e) the minimum requirements and the rule for determining the capital of a pension company;
 - f) the minimum amount of and the rule for determining the capital of a pension company;
 - g) the procedure for keeping the register of entities carrying out voluntary private pension activities;
 - h) the rule for investing pension assets;
 - i) the procedure for drawing up and delivering information/documents to the participants of a pension scheme;
 - j) the eligibility criteria of a liquidator of a pension company, a compensation procedure, and the rules for carrying out activities by a liquidator;
 - k) the procedure for the transfer of pension assets;



- l) the merger procedure of pension companies;
- m) the methodology of calculating the value of the net assets of the participants of a pension scheme;
- n) the requirements for a brief description of a pension scheme (rules of the pension scheme) to be provided to participants, potential participants and beneficiaries, provided that the information referred to in this subparagraph shall be explicit, easily perceivable and understandable;
- o) the procedure for protecting the rights of participants to ensure the protection of the interests of potential participants and beneficiaries;
- p) the procedure for recording pension contributions, payments and commissions in personal retirement accounts, as well as the procedure for storing and delivering information in a durable medium;
- q) the procedure/instructions for the programmed withdrawal of a pension;
- r) the minimum requirements of the mechanisms for the review and settlement of the claims of the participants and beneficiaries of a pension company and an insurer;
- s) the rules of risk management;
- t) the amount and the procedure for the imposition of a monetary fine;
- u) a list of countries where pension activities are properly regulated.

4. The Service may conduct an on-site or a remote inspection of a pension company, an insurer and an asset management company, including:

- a) requesting and receiving documents/information (including confidential) on the rights to pension assets, and the personal data of participants/beneficiaries in accordance with the legislation of Georgia;
- b) assessing qualitative characteristics regarding a pension company, an insurer and a pension scheme management system/structure;
- c) assessing the current and potential risks facing a pension company, an insurer and a pension scheme;
- d) assessing the capabilities of a pension company and an insurer in terms of identifying, measuring and managing risks.

5. The Service may request and receive documents/information (including confidential) from an asset management company and a specialised depository on the rights to pension assets, and the personal data of participants/beneficiaries in accordance with the legislation of Georgia.

6. If an asset management company or a specialised depository violates this Law or subordinate normative acts issued on the basis thereof, the Service may provide relevant information (including the grounds for and the gravity of violation) to the National Bank of Georgia to ensure a proper response.

7. The Service shall review and settle the claims of participants and beneficiaries regarding voluntary private pensions within the scope of its powers.

8. The Service shall be authorised to supervise a process of transfer of pension assets from a pension scheme.

9. The Service shall appoint a liquidator of a pension scheme in accordance with this Law.

10. The Service shall be authorised to issue mandatory written instructions and exercise other powers provided for by the legislation of Georgia.



11. The Service shall exercise its powers based on anticipation and a risk-based approach.

12. The Service shall, within its competence, cooperate with the National Bank of Georgia to achieve the goals determined by this Law. This cooperation may cover the exchange of information and other forms permitted by the legislation of Georgia.

13. The Service may impose sanctions, including monetary fines, on the founders of pension schemes (except for an asset management company) for the violation of this Law and subordinate normative acts issued on the basis thereof, and revoke the registration of a pension scheme. The amount of and the procedure for the imposition of a monetary fine shall be determined by the Service.

14. The Service may determine additional rules necessary for exercising the powers granted to it by this Law and for regulating voluntary private pension activities.

15. The Service shall publish statistical information on a voluntary private pension market.

Article 52 – Violations and sanctions

1. The Service may apply the sanctions listed in paragraph 3 of this article against a pension company, an insurer and/or members of their supervisory board/governing body if one of the provisions of this Law, the requirements of the normative acts issued on the basis thereof, instructions/written instructions of the Service, or the requirements of the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism, are violated.

2. The Service shall be authorised to make public the information on a person responsible for a violation and on the nature of the violation.

3. When the violations provided for by paragraph 1 of this article are identified, the Service shall consistently, and according to the gravity of the violation and potential risks, inconsistently apply the following sanctions:

a) send a written warning;

b) introduce special measures or issue instructions specifying that a respective entity shall further avoid a particular violation and take measures to eliminate the violation within a period determined by the Service;

c) impose a monetary fine in accordance with the procedure and in the amount determined by the Service;

d) suspend the right to the signature of the members of a supervisory board and a governing body of a pension company and an insurer and request their temporary dismissal or removal from office;

e) in exceptional cases, suspend and limit the distribution of profit and the issuance of material incentives, and if the interests of participants and beneficiaries are threatened, suspend or terminate their right to perform specific operations;

f) revoke the registration of a pension scheme, and repeal the licence for voluntary private pension activities.

4. A sanction as referred to in this article shall be proportional and consistent with the severity and gravity of the violation and/or damage inflicted on, or possible risks/danger posed to, the pension assets of a pension scheme, and shall take into account the impact of the relevant violation on the interests of beneficiaries.

5. The measures referred to in this article (including the imposition of a monetary fine) in relation to an asset management company, except for the measures determined by sub-paragraph (f) of paragraph 3 of this article, shall be implemented by the National Bank of Georgia in accordance with the procedure determined therefor.

Chapter XIV – Additional Regulation and Supervision of Specialised Depositories and Asset Management



Article 53 – Powers of the National Bank of Georgia

1. Within this Law, a specialised depository and an asset management company shall be supervised and additionally regulated by the National Bank of Georgia. Additional requirements for an asset management company and a specialised depository acting under this Law shall be determined by a normative act of the National Bank of Georgia.
2. When specialised depository services cannot be received otherwise, or when it requires unreasonable effort or expenses, the National Bank of Georgia may perform the functions of a specialised depository of a pension scheme(s) on the basis of an appropriate agreement. On the basis of this agreement, the National Bank of Georgia may perform all or some functions of a specialised depository as provided for by this Law.
3. The National Bank of Georgia may determine requirements on the basis of a normative act to be complied with by the agreement to be concluded between an asset management company, an insurer and a specialised depository.
4. The National Bank of Georgia shall notify the Service of the initiation of the process of repealing a licence of an asset management company managing assets of a pension scheme no less than 15 calendar days prior to initiation.
5. The National Bank of Georgia shall, within its competence, cooperate with the Service to achieve the goals provided for by this Law. Cooperation may include the exchange of information and other forms permitted by the legislation of Georgia.

Chapter XV – Breach of Fiduciary Duty and Dispute Resolution

Article 54 – Breach of fiduciary duty and its consequences

1. A fiduciary shall treat pension assets as entrusted property and manage these assets only in the interests of participants and beneficiaries, with due consideration of the requirements of this Law. Protecting other interests shall be a breach of fiduciary duty.
2. In addition to fiduciaries determined by this Law, the employees of a pension company, an asset management company, an insurer and the founder of a pension scheme, which are directly connected to the investment activities related to pension assets, and which have discretionary powers in relation to these assets, shall be fiduciaries.
3. A fiduciary, when performing his/her/its duties, shall be obliged to:
 - a) act in good faith, independently, reasonably, with dedication and professionalism;
 - b) act with the care that a reasonably prudent person would exercise in a similar position and under similar circumstances;
 - c) act with the belief that his/her/its actions are in the best interests of participants and beneficiaries.
4. If a fiduciary does not have the knowledge necessary to make a decision, or the capacity to conduct an expert examination, he/she shall seek advice on this matter from a specialist with appropriate qualifications in the relevant field. If a fiduciary fails to take the measures referred to in this paragraph, this shall be deemed a breach of fiduciary duty.
5. A breach of fiduciary duty shall be the use of pension assets by a fiduciary in his/her/its interests or in the interests and/or in favour of closely related persons or those connected to him/her/it via control.
6. A breach of fiduciary duty shall be the conclusion of a transaction related to pension assets by a fiduciary where the second party of the transaction is a person closely related to the fiduciary, except where the Law directly



allows the conclusion of such transaction.

7. A fiduciary shall be liable for the breach of fiduciary duty by another fiduciary if he/she was or should have been aware of such breach.

8. If several fiduciaries simultaneously violate the obligations provided for by this Law, they shall be jointly and severally liable.

9. A legal person shall be fully liable for the violation of obligation(s) provided for by this Law by a natural person with a fiduciary duty hired by that legal person.

10. In the case of a breach of fiduciary duty, a participant or a beneficiary may:

a) submit a claim on pension assets to which they have full rights;

b) submit a claim, within reasonable limits, for the remuneration of legal and other enforcement expenses incurred, including the payment of royalties to a lawyer;

c) submit a claim for the compensation of inflicted damage;

d) submit any other claim in accordance with the legislation of Georgia.

11. Any funds recovered as a result of compensation for damage caused by a breach of fiduciary duty shall be transferred to a personal pension account of a respective participant or a beneficiary, in proportion to the damage caused by the breach of fiduciary duty.

Article 55 – Settlement of claims related to pension schemes

1. The rules of a pension scheme shall determine the mechanism for the review and settlement of the claims of the participants and beneficiaries of an asset management company, an insurer or a pension company.

2. During the registration process of a pension scheme, the Service shall examine the mechanism referred to in paragraph 1 of this article and study the efficiency thereof.

3. The time limit for reviewing the claims of a participant and a beneficiary and making appropriate decisions shall not exceed 30 calendar days.

4. When a claim submitted by a participant or a beneficiary to an asset management company, an insurer or a pension company is not granted, the participant or the beneficiary may apply to the Service which shall review the submitted claim in accordance with the procedure established by the legislation of Georgia.

5. If the Service, when reviewing a claim as referred to in paragraph 4 of this article, identifies a violation of this Law or any subordinate normative acts issued on the basis thereof, it shall deliver relevant information (including the grounds for and the gravity of the violation) to the National Bank of Georgia for a proper response.

6. A participant and a beneficiary shall have the right to apply to a court at any time to protect their rights.

Article 56 – Failure to pay pension contributions of employees and own pension contributions by an employer

If an employer fails to pay the pension contributions of an employee and its pension contributions in accordance with the respective rules of the pension scheme, a participant or a beneficiary may request that the employer:

a) pay the total amount of overdue contributions (including the relevant interest) into the pension scheme;

b) pay legal and other enforcement expenses, including the compensation of royalties of a lawyer, within reasonable limits;



c) compensate inflicted damage and meet any other requirements in accordance with the legislation of Georgia.

Chapter XVI – Transitional and Final Provisions

Article 57 – Regulation of current pension schemes

The founders of non-state pension schemes registered before 1 January 2025 shall ensure the compliance of their activities with the requirements of this Law by 1 January 2026. Otherwise, the Service shall revoke the registration of a pension scheme as provided for by this Law.

Article 58 – Normative acts to be issued

By 1 January 2025:

- a) the Service shall ensure the issuance of normative acts as referred to in Article 51(3) of this Law;
- b) the National Bank of Georgia shall ensure the issuance of normative acts as referred to in Articles 52(5) and 53(1) of this Law.

Article 59 – Invalid normative acts

The Law of Georgia of 30 October 1998 on the Provision of Non-State Pensions and Non-State Pensions Insurance shall be declared invalid (Legislative Herald of Georgia No 5, 1998, Art. 42).

Article 60 – Entry into force of this Law

1. This Law, except for Articles 1 to 57 and Article 59, shall enter into force on 1 January 2024.
2. Articles 1 to 57 and Article 59 of this Law shall enter into force on 1 January 2025.

President of Georgia

Salome Zourabichvili

Tbilisi

28 June 2023

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