

The Association of Global Custodians - Questionnaire - Database

Georgia- Georgian Securities Central Depository (GCSD) - View Record

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Welcome to the Depository-Information Gathering Project. Before beginning, we suggest that you: print the entire document for review on paper; review the Glossary of Terms. Each will assist you with answering the questions. For help, contact: Robin D. Truesdale, Baker & McKenzie LLP (202) 835-1664; e-mail: Robin.Truesdale@bakermckenzie.com.

SCOPE, STRUCTURE, OWNERSHIP, CAPITAL, REGULATION AND AUDIT

The purpose of this section is to understand the ownership structure and financial strength of your institution, as well as the level of regulatory and operational supervision to which it is subject.

Response Necessary/Eligibility Question

1. Rule 17f-7, by reference to Rule 17f-4, requires that, for a depository to be eligible to hold securities of U.S. registered investment companies (such depositories hereinafter referred to as "Eligible Securities Depositories"), the depository must be a "system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities."

Are all securities of a particular class or series of any issuer that are deposited in your institution treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?

Yes

Response Necessary/Eligibility Question

2. Rule 17f-7 also requires that an Eligible Securities Depository "acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated," or "acts as or operates a transnational system for the central handling of securities or equivalent book-entries."

Does your institution: (Choose all that apply.)

Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated? (please answer 2b)

2b. Please specify the types of securities for which you act as or operate a system for the central handling of securities or equivalent book-entries:

Has capacity to operate such system for dematerialized: a. corporate securities - equity securities - debt securities b. government debt securities. Currently operates the system for only corporate securities

3. What type of legal entity is the institution? (Choose all that apply.)

Private Company

4. Is the institution operated as a "for profit" or a "not for profit" organization?

Not for profit

5. Please provide the names of the owners and their ownership interest percentages.

Georgian Stock Exchange - 98.8% Bank of Georgia - 0.3% TBC Bank - 0.3% Cartu Bank - 0.3% VTB Georgia Bank - 0.3%

6. Please answer the following:**6a. What is the date of establishment of the depository?**

18/Oct/1999

6b. What is the date that the depository's operations began?

06/Mar/2000

7. Under what regulation or statute is the depository established and governed?

1. Georgian Law on Securities Market; 2. NBG Rule on Licensing, Financial Reporting, Defining of the Minimum Capital and on Services of the Central Securities Depository; 3. The Charter and the Rules of the GCSD.

7a. Is the regulation or statute electronically available?

Yes (please answer 7b)

7b. If regulation or statute is electronically available, please supply web address(es) here or upload document(s) in question 7c.

<http://www.gcsd.ge/>

7c. Please supply document(s) here:

7d. Please provide details of the structure and composition of your Board together with their industry experience and responsibilities in governing the depository.

What are the qualifications to become a board member?

The Supervisory Board consists of six members: . Three members representing Georgian Stock Exchange (GSE) - The Chairman of GSE, Deputy Chairman of GSE and the General Director of GSE; . Two bankers (representatives of TBC bank and EBRD); . One investment banker/broker (representative of BG Capital). The General Director is an experienced professional in this field. There are no formal qualification requirements for the board members.

7e. What are the election procedures?

Standard procedures based on Georgian Legislation.

7f. What is the maximum length of time a board member can serve?

According GCSD Charter Standard term form for Supervisory Board Members is 4 years. However, there are no restrictions for the second (and further) term elections.

7g. How are the voting powers distributed amongst the board members (i.e. does each board member have one vote or do certain members have additional voting power)?

Every SB member has one vote. Decisions of SB are taken by simple majority.

7h. Who is responsible for regulating the board members?

The Management is supervised by the Supervisory Board (SB). The SB is accountable to the GM of shareholders.

Response Necessary/Eligibility Question

8. Rule 17f-7 requires that an Eligible Securities Depository "is regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act", with section 2(a)(50) establishing that "'foreign financial regulatory authority' means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above."

Who regulates the activities of the depository? (Choose all that apply.)

A governmental body or regulatory organization empowered to administer or enforce laws related to securities matters.

9. Please provide the name of regulatory authority(ies) identified in question 8:

National Bank of Georgia (NBG) - since 01.12.2009

Response Necessary/Eligibility Question

10. Rule 17f-7 requires that an Eligible Securities Depository "is subject to periodic examination by regulatory authorities or independent accountants."

Is the depository subject to periodic examination by: (Choose all that apply.)

Regulatory authorities?, Independent accountants?

11. What enforcement actions are available to the regulatory authority(ies) for breach of applicable statute or regulatory requirements? (Choose all that apply.)

Name of Authority #1 (please answer 11a):

NBG

11a.

Restrictions on depository activities., Termination of depository activities., Other (please answer 11b)

11b. Please explain:

Give directions/instructions/time to recover any breach of regulatory requirements.

Name of Authority #2 (please answer 11c):

11c.

12. Has there been any use of such enforcement actions in the last three years?

No

Capital

13. Are annual financial statements publicly disclosed?

Yes (please answer 13a)

13a. If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?

Yes (please answer 13b)

13b. If yes, please upload the document(s) here or insert web link(s) in question 13d:

13c. If more than one document for 13b, please upload the additional document here:

13d. Please insert web link(s) for 13b here:

<http://www.gcsd.ge/>

Internal Audit

14. Is an internal audit undertaken in your depository?

Yes (please answer 14a)

14a. If yes, what areas does the audit cover (financials, operations, etc.) and which department in your depository handles it?

Operations and compliance with rules & regulations. Internal Audit Department.

14b. Please list the date of your last internal audit and the period that the audit covered:

01/Jan/2011

to

31/Dec/2011

14c. How frequently does the internal audit occur? (Choose one.)

Annually (please answer 14e)

14e. Are the results of the internal audit publicly available?

No

14f. Please select the statement that most accurately characterizes the results of the last internal audit: (Choose one.)

No material exceptions found.

15. Is a financial audit performed by an Audit Firm, Regulatory Authority, or other external party?

Yes (please answer 15a)

15a. If yes, please state the name(s) of the entity(ies) who perform the financial audit.

MGI Mediator Ltd

15b. Please list the date of your last financial audit performed by an Audit Firm, Regulatory Authority, or other external party:

08/Jun/2012

15c. Please list the period that the audit covered:

01/Jan/2011

to

31/Dec/2011

15d. How frequently does the financial audit occur? (Choose one.)

Annually (please answer 15f)

15f. Are the results of the financial audit publicly available?

Yes

15g. Please select the statement that most accurately characterizes the results of the last financial audit: (Choose one.)

No material exceptions found.

16. Is an operational audit performed by an Audit Firm, Regulatory Authority, or other external party?

No (please proceed to 17)

PARTICIPANTS AND PARTICIPATION

The purpose of this section is to understand issues relating to participation in the depository, including eligibility requirements, conditions of participation, and supervision of participants.

17. What types of entities are eligible to become participants and how many of each type are there currently? (Choose all that apply.)

Banks (please answer 17a), Brokers (please answer 17e), Foreign Institutions (please answer 17m), Other entities (please answer 17q)

17a. How many Bank participants are there currently? (then please answer 17b)

One

17b. Please select the features included in the eligibility requirements for Banks. (Choose all that apply.)

Other (please answer 17d)

17d. Please explain:

To have banking license according Georgian legislation and respective foreign legislation (for foreign banks)

17e. How many Broker participants are there currently? (then please answer 17f)

7 (seven)

17f. Please select the features included in the eligibility requirements for Brokers. (Choose all that apply.)

Other (please answer 17h)

17h. If other, please explain:

To have license for brokerage activities according the Georgian legislation and respective foreign legislation (for foreign brokerage companies/investment firms)

17m. How many Foreign Institution participants are there currently?

None

17n. Please select the features included in the eligibility requirements for Foreign Institution participants. (Choose all that apply.)

Other (please answer 17p)

17p. If other, please explain:

. To be a financial institution duly licensed by the respective Regulatory authority of an eligible country. . 'Eligible countries': countries included by the Georgian Government into the 'List of Developed Countries'.

17q. If you have selected "Other entities" above, please explain:

Investors, Issuers and other regulated participants of the securities market.

17r. Indicate how many "Other entities" are currently participants?

One

17s. Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". (Choose all that apply.)

Other (please answer 17u)

17u. If other, please explain:

Respective License for the regulated participants.

18. Are participants required to contribute capital to the depository that would result in ownership of the depository?

No

19. Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements?

Yes

Conditions of Participation

20. What governs the relationship between the depository and the participants? (Choose all that apply.)

Relevant law and regulation, Standard participation contract, Established terms and conditions of participation, By-laws of the depository, Rules of the depository

Response Necessary/Eligibility Question

21. Rule 17f-7 requires that an Eligible Securities Depository "holds assets for the custodian that participates in the system on behalf of the Fund under safekeeping conditions no less favorable that the conditions that apply to other participants."

Please confirm that assets of foreign investors held by custodians as participants in the depository are held under safekeeping conditions no less favorable than the conditions that apply to other participants.

Yes (please answer 21b)

21b. Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. (Choose all that apply.)

Relevant Law and Regulation, Standard participation contract, Established terms and conditions of participation, By-laws of the depository, Rules of the depository

22. How does the depository notify participants of material changes to the conditions of participation? (Choose all that apply.)

By e-mail, By public announcement

Governance of Participants

23. Who enforces compliance with the depository's conditions of participation? (Choose all that apply.)

The depository

24. What enforcement actions are available to the enforcement authority? (Choose all that apply.)

Fines, Restrictions on participation, Suspension of participation, Termination of participation

25. Has there been any such enforcement actions in the last three years?

No

DEPOSITORY FUNCTIONALITY AND SERVICES; USE OF AGENTS

Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution.

26. For which of the following security types do you serve as a depository or clearing system? (Choose all that apply.)

Government securities, Equities, Corporate bonds, Corporate money market instruments

27. Is the use of the depository in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). (Choose all that apply.)

Neither/other (please answer 27c)

27c. If neither/other, please explain:

Use of the depository is compulsory according to the GSE rules for safekeeping and settlement of the securities traded at GSE.

28. Settlement and Safekeeping Percentages**28a. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) settled within your institution, exclusive of your links with third parties.**

About 5% for equities; 0 for other instruments.

28b. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) held in safekeeping within your institution.

Not available.

29. Are there any activities performed by a third party on behalf of the depository for the depository participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)?

No

30. Has any participant suffered any losses in the past three years due to the depository's performance?

No

Other Services**31. Who accepts cash deposits (or makes payment credit accommodations) for depository transactions? (Choose all that apply.)**

Banks appointed by depository (please answer 31a)

31a. Please name banks:

TBC Bank; Bank of Georgia; Cartu Bank; VTB Georgia.

32. Who processes cash clearing (or draws on credit lines, if applicable) for depository transactions? (Choose all that apply.)

Depository

33. Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)? (Choose all that apply.)

Depository

34. Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)? (Choose all that apply.)

Depository

35. Please indicate services you provide. (Choose all that apply.)

Information in advance on corporate (annual or special) meetings in order that owners can vote., Information on distribution of new issues (IPO, Privatization)

36. What procedures are in place for the processing of corporate action entitlements? (Choose all that apply.)

Credited to the securities account upon actual receipt by the depository.

37. What procedures are in place for the processing of interest and dividends?(Choose all that apply.)

Credited to the cash account upon actual receipt by the depository.

Linkages With Other Central Securities Depositories (CSD) or International Central Securities Depositories (ICSD)**38. Please list all depositories or settlement systems to which you have an electronic link.**

None

39. Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason?

Not applicable

40. Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason?

Yes

ACCOUNT STRUCTURES AND RECORDKEEPING

The purpose of this section is to identify the nature of accounts; the naming convention is employed, the level of segregation achieved, accessibility in the event of bankruptcy and the frequency of reporting generated from them.

41. Are participants permitted to maintain more than one account at the depository?

Yes (please answer 41a)

41a. If yes, please indicate number: (Choose one.)

An unlimited number of accounts.

42. Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients?

Yes (please answer 42a)

42a. If yes, is segregation required or simply permitted?

Required (please answer 42b)

42b. How does segregation occur? (Choose all that apply.)

By separately designated participant accounts., By separately designated beneficial owner accounts.

43. Does the depository permit its participants to open accounts in the participant's own nominee name(s)?

Yes (please answer 43a)

43a. If yes, do laws exist, which define as well as protect the rights of beneficial owners with respect to securities registered in nominee name?

Yes

44. In the event a participant's single or main account is blocked for any reason (e.g., insolvency, penalties, violations, liens), would securities held in any account or accounts on behalf of the participant's clients be accessible:

44a. By the participant's clients?

Yes (please answer 44b)

44b. If yes, please describe briefly how clients of participants would access their securities and whether there would be any delay in their ability to do so:

There are following designated (separate) accounts of any participant: • One Proprietary account; and • Unlimited number of Broker-Client accounts. The Broker-Client accounts could not be blocked in case of insolvency, penalties, violations or liens in regard of a participant

44d. By the intervening authorities controlling insolvency or other proceedings?

No

44g. By the participant's creditors?

No

44j. By the depository's creditors?

No

45. In what form does the depository maintain records identifying the assets of each participant? (Choose all that apply. Please refer to "Help" for clarification.)

Computer file (please answer 45b)

45b. In which format is the source data maintained?

MSSQL database.

Response Necessary/Eligibility Question

46. Rule 17f-7 requires that an Eligible Securities Depository "provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account."

Does the depository make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?

Yes (please answer 46b)

46b. If yes, please indicate the scheduled frequency: (Choose one.)

Upon request

47. What is your document and record retention policy for documents and records described above in this section? (Choose one.)

Other (please answer 47a)

47a. If other, please explain:

GCSD retains copies of all issued documents described in previous question for 6 years.

SETTLEMENTS

The purpose of this section is to identify the model of settlement employed, the relationship between cash and securities, and the basis on which participants meet their obligations.

48. The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural

approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble (Please refer to details on the models within the "Help" section located below this question): (Choose all that apply.)

Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. (please answer 48a)

48a. Please briefly describe your settlement process, including how your settlement procedures may vary from the model chosen above (and as described below in the Help section)?

The above model takes place between so called Trading Accounts of participants. Upon such settlement balances left at the Securities and Cash Trading Accounts (net amounts of securities and funds) are simultaneously transferred to respective Safekeeping Accounts of participants.

Question 48 Help:

Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds simultaneously on a trade-by-trade (gross) basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) occurring at the same time as final transfer of funds from the buyer to the seller (payment). The securities settlement system maintains securities accounts and funds accounts for participants. Transfer of securities and cash are made by book-entry.

Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. These systems settle securities transfer instructions on a trade-for-trade (gross) basis, with final transfer of securities from the seller to the buyer (delivery) occurring throughout the processing cycle, but settle funds transfer instruction on a net basis, with final transfer of funds from the buyer to the seller (payment) occurring at the end of the processing cycle.

The securities settlement system maintains securities accounts for participants, but funds accounts are usually held by another entity (often a commercial bank or the central bank). Securities are transferred by book-entry, such transfer being final at the instant the entries are made on the securities settlement system's books. The corresponding funds transfers are irrevocable, but not final. During the processing cycle, the system calculates running balances of funds debits and credits, the balance being settled at the end of the processing cycle when the net debit and net credit positions are posted on the books of the commercial bank or central bank that maintains the funds accounts. Settlement of funds accounts may occur once a day or several times a day.

Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day. The securities settlement system maintains securities accounts for participants. Funds accounts may be maintained by another entity, either a commercial bank or the central bank.

During a processing cycle, running balances of debits and credits to funds and securities accounts are calculated. All funds and securities transfers are provisional until the end of the processing cycle, at which time book-entry transfer of securities take place. If and only if all participants have sufficient balances of funds and securities, final transfers of the net securities balances and net funds balances are executed.

49. Are the cash and security movements simultaneous?

Yes

OWNERSHIP OF SECURITIES

The purpose of this section is to determine how ownership of securities is represented, the ways the depository maintains ownership or control of securities held in the depository, and the extent to which ownership of assets held by the depository is separated from the proprietary assets of the depository.

This section also considers the process by which the ownership of securities is transferred in the depository and the existence of any liens or claims on the depository securities (such as a clearing lien) that would affect the ownership of depository securities.

50. How are depository eligible securities held by the depository?

Securities in the depository are held in dematerialized form.

51. If depository eligible securities are certificated, can depository eligible securities be held outside of the depository?

Not applicable

52. If securities are dematerialized:

May dematerialized security positions be re-certificated and held outside the depository?

Not applicable

52d. If the securities held by the depository are recorded by book entry at the registrar, are the securities registered only to the depository, with the depository providing the function of recording ownership on a centralized basis for the market? (Choose all that apply.)

No (please answer 52g)

52g. If the securities held with the depository are recorded by book-entry at the registrar but are not registered exclusively to the depository, may they be registered to:

The beneficial owner, A nominee

52i. If the securities held with the depository are recorded by book-entry at the registrar, what are the control features at the registrar for transfer of registrar positions to and from the depository (e.g., authentication procedures, reconciliation, confirmation of position at registrar)? Please describe:

Authentication procedures, reconciliation and confirmation of position at registrar.

Response Necessary/Eligibility Question

53. Rule 17f-7 requires that an Eligible Securities Depository "maintains records that identify the assets of each participant and segregate the system's own assets from the assets of participants."

Does the depository maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants?

Yes

54. Does the law protect participant assets from claims and liabilities of the depository?

Other (please answer 54a)

54a. If other, please explain:

The Law on Securities Market requires segregation of the Depository's assets from the assets of its Participants and this is practically ensured by the Depository rules and systems. The Tax Code of Georgia protects participants' assets from liabilities of the Depository to the Government.

55. Can the depository assess a lien on participant accounts? (A lien would entitle the depository to take and hold or sell the securities of the participant in payment of a debt.)

Yes (please answer 55a)

55a. If yes, for what reasons are liens or similar claims imposed? (Choose all that apply.)

Fees and expenses

55c. Please indicate the limits of this lien as indicated below: (Choose one.)

55e. If a lien is placed on a participant's account which has been designated for its clients, will the depository select certain securities to be subject to the lien?

Other (please answer 55n)

55j. For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts?

Yes (please answer 55k)

55k. If yes, are the restrictions accomplished by:

Other procedures (please answer 55l)

55l. Please explain:

Rules of the GCSD

55n. If other, please explain:

GCSD does not impose liens on participants' accounts designated for clients.

56. Transfer of Legal Ownership

Does the depository have legal authority to transfer title to securities?

Yes (please answer 56a)

56a. When does title or entitlement to depository securities pass between participants? (Choose one.)

When the transaction is processed on an intra-day basis. (please answer 56c)

56c. Where does title or entitlement to depository securities pass between participants? (Choose one.)

On the depository books

Datasheet Progress

Part 1 Completed