

***Registered:***

By the Tbilisi Vake-Saburtalo  
District Court,  
Decision #5/4-2245 of 11.11.1999

***Approved:***

by the General Meeting of Partners  
of the Limited Liability Company  
Georgian Securities Central Depository  
Minutes #1 as of October 18, 1999

***Amended:***

By the General Meeting of Partners of GCSD Ltd. on:  
February 28, 2000;  
November 5, 2003;  
June 17, 2004;

By the General Meeting of Shareholders of GCSD JSC. on:  
August 9, 2004;  
May 19, 2006.

## **Joint-Stock Company**

### **Georgian Securities Central Depository**

#### **C H A R T E R**

**Tbilisi  
2006**

## I. General Provisions

1.1. Georgian Securities Central Depository is a Joint-Stock Company. Its full name is:

In Georgian – სააქციო საზოგადოება “საქართველოს ფასიანი ქაღალდების ცენტრალური დეპოზიტარი”;

In English - *Georgian Securities Central Depository*.

Its abbreviated name is:

In Georgian – “სეკცდ”;

In English - *GCSD*.

1.2. The Joint-Stock Company Georgian Securities Central Depository (hereinafter the Central Depository) is a legal entity. For the purposes to accomplish tasks defined by its Charter it has the right to conclude transactions, acquire property and non-property rights, undertake obligations, act as a petitioner or defendant at the court. It has an independent Balance Sheet, Cash Settlement account and other accounts with the Georgian and foreign banks, seal, letterhead form and a logo.

1.3. The Central Depository conducts its activities in accordance with the active Legislation of Georgia, this Charter and the rules of the Self-Regulatory Organization.

1.4. The address of the Georgian Securities Central Depository is: 74<sup>a</sup> Chavchavadze Ave., Tbilisi 380062 Georgia.

1.5. Shareholders of the Central Depository are prohibited to distribute profits.

1.6. Fiscal year coincides with the calendar year.

## II. Goals and Tasks of the Central Depository

2.1. The main goal of the Central Depository is to hold in the nominee ownership its members' securities, to provide clearing and settlement operations on these securities, and to provide other types of services allowed by the legislation and the National Securities Commission of Georgia (hereinafter – Commission).

2.2. As an SRO, the goals of the Central Depository are to:

2.2.1. prepare rules for its members and control the implementation and compliance with these rules;

2.2.2. apply sanctions against its members, as defined in the inner-regulations, rules and Charter of the Central Depository, in case of non-compliance with the rules of the Central Depository.

2.3. To achieve its major goal, the main functions of the Central Depository are to:

2.3.1. ensure integrity and safety of the accounting system for securities under its nominee ownership, according to its rules;

- 2.3.2. open, operate and close securities and cash accounts according to its rules, in order to provide nominee holding, clearing and settlement;
  - 2.3.3. monitor the compliance of participants (members) with the instructions and rules of securities accounting;
  - 2.3.4. provide other types of services to members and clients to operate their securities accounts;
  - 2.3.5. provide a participant with an extract from the clearing and settlement report and securities accounts report, in accordance with its rules;
  - 2.3.6. provide technical means for reconciliation of data derived from the settlement of securities transaction;
  - 2.3.7. provide clearing and settlement of securities, in accordance with the instructions of the participants.
- 2.4. The Central Depository is prohibited from any type of activity, except those specified by the Rules of the Central Depository, Rules of the Securities Registrar and Rules on other such related activities stipulated by the Commission, unless otherwise provided by the current legislation.

### **III. Charter Capital**

- 3.1. Charter Capital of the Central Depository is GEL 110,000 (One hundred ten thousand).
- 3.2. Charter Capital of the Central Depository is divided into 110,000 (One hundred ten thousand) common shares with nominal value of GEL 1 (one).

### **IV. Rights and Duties of the Shareholders**

- 4.1. A shareholder has the rights to:
  - 4.1.1. sell (dispose of) shares of the Central Depository only to the persons defined by law and Commission Rules, according to the active legislation and the rules adopted by the Central Depository;
  - 4.1.2. obtain the information pertaining to the accounting and control status of the Central Depository, in accordance with the Law of Georgia on Entrepreneurs;
  - 4.1.3. nominate candidates for the election to the Supervisory Board of the Central Depository.
- 4.2. A shareholder has the duties to:
  - 4.2.1. comply with the rules set by the Charter of the Central Depository;
  - 4.2.2. maintain confidentiality of technical, technological and commercial information, disclosure of which may inflict damage on the Central

Depository, its members and clients.

4.2.3. facilitate the implementation of the Charter objectives of the Central Depository, protect its interests and ensure its financial stability, reputation and prestige.

4.3. The Director subject to consent by the Supervisory Board shall approve transfer of shares.

## **V. General Meeting of Shareholders**

5.1. The highest governing body of the Central Depository is the General Meeting of Shareholders, which is held at least once a year. Special meetings may also be called. Meetings are held in accordance with the Law of Georgia on Entrepreneurs and this Charter.

5.2. General Meeting is empowered to:

5.2.1. approve the Charter of the Central Depository and the amendments thereto;

5.2.2. take a decision on the reorganization or liquidation of the Central Depository;

5.2.3. take decisions on acquisition, disposal of or exchange (or such other interrelated transactions) of assets by the Central Depository, except the course of ordinary business, value of which exceeds half of the book value of assets of the Central Depository, except cases provided in the paragraph 6.9.4 of the Charter;

5.2.4. elect (appoint) or discharge members of the Supervisory Board;

5.2.5. approve the report of the Directors and the Supervisory Board;

5.2.6. appoint jurors to the Disciplinary Committee and determine their scope of authority;

5.2.7. elect an auditor;

5.2.8. take decisions on issues provided by the Georgian Law on Entrepreneurs and Georgian Law on Securities Market, including but not limited to: approve Code of Ethics and Code of Procedures, Rules on Settlement of Disputes, Membership Rules, and amount of membership fees in accordance with the current legislation.

5.3. Decisions at the General Meeting of Shareholders shall be taken by voting according principles defined by the Georgian Law on Entrepreneurs, except cases covered by articles 5.2.1, 5.2.2 and 12.2 of the Charter.

5.3.1. To take decisions described in the articles 5.2.1 and 12.2 of the Charter it is needed more than  $\frac{3}{4}$  of the votes present at the General Meeting but not less than half of total votes.

## VI. Supervisory Board

- 6.1. The Supervisory Board of the Central Depository consists of six members and shall be elected for 4 year period.
- 6.2. The member of the Supervisory Board of the Central Depository shall not be a General Director or other responsible person at the same time.
- 6.3. The Supervisory Board member shall take all the efforts in conducting Central Depository activities in good faith, with care that a person of ordinary prudence would exercise in similar circumstances, and in a manner that they believe to be in the best interests of the Central Depository. If he/she fails to fulfill his/her obligations he/she shall be liable to the Central Depository.
- 6.4. The Supervisory Board members elect one Chairman and one Vice-Chairman from the list of members.
- 6.5. Meetings of the Supervisory Board are held at least once a month. The invitation shall be made in writing, at least eight days before the meeting and it shall contain the proposed agenda of the meeting. The members of the Supervisory Board may be represented by other members, provided that one member is represented only by one member.
- 6.6. The Supervisory Board shall be authorized to take decisions if it is attended or represented by at least half of the members. If the Supervisory Board is not authorized to take decisions, the Chairman (in the absence of the Chairman a Vice-Chairman) shall, in less than eight days, convene a new meeting which shall be authorized to take decisions if it is attended by at least 25% of the members. If the Supervisory Board is still not authorized to take decisions then the Chairman (in the absence of the Chairman a Vice-Chairman) shall, in less than eight days, convene a new meeting, which shall be authorized to take decisions regardless the number of attending members.
- 6.7. The Supervisory Board takes decisions by simple majority of votes of the attended or represented members. In case of equally divided votes, the vote of the Chairman of the Supervisory Board decides. In case of voting of an issue pertaining to a Member of the Supervisory Board, such a member is prohibited to take part in the voting.
- 6.8. Rights and duties of the Supervisory Board are to:
  - 6.8.1. approve, disapprove or alter the rules of the Central Depository, Code of Ethics and Code of Procedures, Rules on Settlement of Disputes, Rules on Owner Members, amount of membership fees and established dues and charges, other rules and inner-regulations in agreement with the National Securities Commission of Georgia, in accordance with Article 42 of the Law of Georgia on Securities Markets.
  - 6.8.2. delegate authority to the General Director of the Central Depository and assign him/her specific tasks in accordance with the Charter and inner-regulations;
  - 6.8.3. produce explanations to the rules of the Central Depository;
  - 6.8.4. appoint and remove General Director of the Central Depository, sign or terminate an employment contract with him/her;

- 6.8.5. approve the organizational and staff structure of the Central Depository and the amendments thereto;
  - 6.8.6. take a decision on the admission of a new participant and termination of its participation (membership);
  - 6.8.7. take a decision on the closure of a securities and cash accounts of a participant in accordance with the rules of the Central Depository;
  - 6.8.8. supervise the activities of the General Director;
  - 6.8.9. request from the General Director a performance report of the Central Depository;
  - 6.8.10. control and check the accounting books and records of the Central Depository and its assets;
  - 6.8.11. present an annual report to the General Meeting of Partners;
  - 6.8.12. take a decision on the suspension or restriction of the activities or functions of the Central Depository's members, issuance of a reprimand, fining and the imposition of other related sanctions;
  - 6.8.13. take a decision on any other events contemplated within the Law of Georgia on Entrepreneurs and the Law of Georgia on Securities Market.
- 6.9. The following may be implemented only by an approval of the Supervisory Board:
- 6.9.1. acquisition and disposal of more than 50% of company shares;
  - 6.9.2. establishment of branches and their liquidation;
  - 6.9.3. acquisition, transfer, pledge or rental of fixed assets and similar rights;
  - 6.9.4. making investments or divestments, the value of which separately or during a fiscal year exceeds 10% of the book value of the Central Depository's total assets as of the previous year;
  - 6.9.5. obtaining loans and credits, value of which exceeds the amount fixed by the Supervisory Board;
  - 6.9.6. determination of general principles of the fiscal policy.
- 6.10. For better implementation of its duties and rights, the Supervisory Board of the Central Depository can create committees from the members of the Supervisory Board.
- 6.11. The Committees of the Supervisory Board determine their rules and elect a chairman.
- 6.12. The Supervisory Board approves the rules of the Committees and their chairmen.
- 6.13. A Committee of the Supervisory Board is responsible for carrying out continuous supervision of the issues within the scope of its authority, making consultations with the General Director of the Central Depository and timely presenting to the Supervisory Board draft resolutions on the issues to be adopted at the Supervisory Board.
- 6.14. A Supervisory Board Committee does not have a right to take a decision on behalf of the Supervisory Board or issue orders to the Directors of the Central Depository.
- 6.15. A member of the Supervisory Board may be a member of several Supervisory Board Committees at the same time.
- 6.16. The Supervisory Board may not be delegated the powers of the General Director.

## **VII. General Director**

- 7.1. The General Director the Central Depository have the following functions:
- 7.1.1. to appoint the officers of the Central Depository and delineate their respective functions;
  - 7.1.2. to organize and manage activities of the Central Depository in an efficient manner;
  - 7.1.3. act within the powers assigned to and on behalf of the Central Depository, conduct negotiations, sign contracts and other documents without the power of attorney.
  - 7.1.4. temporarily suspend an account to a member or impose other sanctions in accordance with the rules of the Central Depository;
  - 7.1.5. report to the General Meeting of Partners and the Supervisory Board of the Central Depository on operating activities;
  - 7.1.6. call the General Meeting of Partners of the Central Depository.
- 7.2. The General Director assigns powers to other officers of the Central Depository;
- 7.3. The General Director has to administer the operations of the Central Depository in good faith, with the care of an ordinary prudent person acting in the same circumstances and holding the same position and in the best interests of the Central Depository. In case of failure to comply with these requirements he becomes responsible for damages against the Central Depository.

## **VIII. Members (Participants) of the Central Depository**

- 8.1. Any person eligible by law, who complies with the requirements of the Central Depository, its Charter, Rules, decisions of the Managing Body and has entered membership contract with the Central Depository may become a participant of the Central Depository.
- 8.2. The General Meeting of Members of the Central Depository is held once a year.
- 8.3. The General Meeting of Members of the Central Depository has right to:
- 8.3.1. elect the Committee of Members of the Central Depository;
  - 8.3.2. produce recommendations on amendments to the Rules of the Central Depository and submit them to the Committee of Members.
- 8.4. The General Director of the Central Depository or the Committee of Members informs all the participants in writing of the General Meeting of Members two weeks prior to the Meeting.
- 8.5. The quorum of the General Meeting of Members is reached if at least 50 percent of the participants is present. The decisions are taken by the simple majority of votes.

- 8.6. Agenda of the General Meeting of Members, the procedure for submitting issues for discussion and decision-making rules are regulated by the Bylaw of the Central Depository produced by the Committee of Members and approved by the General Meeting of Members.

### **IX. Committee of Members**

- 9.1. The Committee of Members is a body, which produces and submits recommendations to the Supervisory Board of the Central Depository.
- 9.2. The Committee of Members consists of five members.
- 9.3. The Committee of Members is elected by the General Meeting of Members.
- 9.4. The Committee of Members produces the Bylaw with the approval of the Supervisory Board of the Central Depository.

### **X. Settlement of Property Disputes**

- 10.1. The property related disputes that arise at the Central Depository are resolved in accordance with the Rules on the Settlement of Disputes of the Georgian Central Securities Depository JSC.

### **XI. Revenues**

- 11.1. Revenues of the Central Depository are composed of:
- 11.1.1. Membership fees defined by the General Meeting of Shareholders and commissions and other charges amount of which is defined by the Supervisory Board;
  - 11.1.2. Other sources permitted by the Georgian legislation.
- 11.2. Profit after taxes to the state budget and after payments against other liabilities becomes the property of the Central Depository and is not subject to distribution as dividends.

### **XII. Reorganization and Liquidation**

- 12.1. Decision on reorganization and liquidation of the Central Depository is taken by the General Meeting of shareholders by at least  $\frac{3}{4}$  of the votes present at the General Meeting but not less than half of total votes.
- 12.2. The Central Depository shall immediately notify the Commission in writing of the decision on termination or suspension of the operations of the Central Depository.
- 12.3. In case of revocation of its license the Central Depository becomes a subject of a reorganization or liquidation.
- 12.4. Other matters pertaining to reorganization and liquidation of the Central Depository are



regulated by the legislation of Georgia.