

Approved:

By the General Meeting of Partners of the
Georgian Securities Central Depository
October 25, 1999

Amended:

By the General Meeting of Partners of the
Georgian Securities Central Depository
February 28, 2000;

By the General Meeting of Shareholders of the
Georgian Securities Central Depository
May 19, 2006

RULE

ON

**MEMBERS OF THE GEORGIAN SECURITIES
CENTRAL DEPOSITORY**

**TBILISI
2006**

I. General Rules

- 1.1. This Rule on Owner-Members of the Georgian Securities Central Depository (hereinafter referred to as the Rule) is prepared in compliance with the Law of Georgia on Securities Market, the Charter of the Georgian Securities Central Depository (hereinafter referred to as the Depository) and other Regulations.
- 1.2. This Rule regulates the rules and procedures for the admission of a member (participant) to the Central Depository, requirements to be imposed on them and sanctions provided for violation of the Depository's rules.
- 1.3. Each Annex constitutes an integral part of this Rule.
- 1.4. This Rule is approved by the General Meeting of Shareholders of the Central Depository, which, in case of necessity makes amendments and changes thereto.

II. Admission Procedure

- 2.1. The following securities market participants may become members of the Depository: brokerage companies, banks, insurance companies, issuers, investments companies and stock exchanges that meet the requirements under the Georgian Legislation, Regulations of the National Securities Commission of Georgia (hereinafter referred as the Commission), the Depository's Charter, this Rule and the criteria for the members set forth in this Rule.
- 2.2. The basis for considering the admission of a member is an application (Annex No.1) submitted by an applicant and addressed to the Depository's General Director. Documents listed in the submitted application shall be attached.
- 2.3. The application filed with the Depository by an applicant shall meet the following criteria:
 - 2.3.1. charter capital shall exceed 10 000 (ten thousand) lari;
 - 2.3.2. With the aim to effect settlement of the transactions executed on the Georgian Stock Exchange (hereinafter referred as the "Exchange"), an applicant shall have opened an account with the settlement bank or banks assigned by the Depository;
 - 2.3.3. None of its managing body members shall be deprived of the right to be a member of a managing body, have the criminal record for committing an economic crime for the past 10 years, and have administrative convictions for the gross violation of the Securities Legislation for the past 5 years.
 - 2.3.4. The application shall contain the complete and accurate data on the material events required by the Depository.

- 2.4. In case an applicant fails to submit all the necessary documentation, its application shall be waived.
- 2.5. An applicant shall be responsible for the accuracy of the submitted documentation.
- 2.6. The application and the attached documentation shall be transferred for review to the Members' (Participants') Service of the Depository within one business day upon their submission.
- 2.7. The Members' (Participants') Service of the Depository shall review the documentation within five business days upon their submission.
- 2.8. The Members' (Participants') Service, if deemed necessary, may request additional information from an applicant to clarify issues related to the filed documentation.
- 2.9. Time period defined in Section 2.7. shall be re-counted upon the submission of the additional information by an applicant for the clarification of issues related to the filed documentation.
- 2.10. After reviewing the documentation filed by Depository Members' (Participants') Service, the General Director shall make an opinion and submit it to the Supervisory Board for approval.
- 2.11. If an applicant disagrees with the decision of the Depository's Management Body, he/she may appeal to the Depository's Supervisory Board.
- 2.12. The Supervisory Board shall take a decision on the admission and notify an applicant within one business day.
- 2.13. The admission day shall be the day when the Supervisory Board takes a decision on the admission of a member.
- 2.14. Information on the decision taken by the Depository's Supervisory Board shall be disseminated among all the members and owners of the Depository and the notice shall be given to the Commission.
- 2.15. Upon admission, an agreement is entered into between a member and the Depository (Annex No.2)

III. Rights and Obligations of Members

- 3.1. A member of the Depository shall have the right to:
 - 3.1.1. require the Depository to set fair, reasonable and non-discriminatory rules for its members;

- 3.1.2. require the Depository to execute settlement and clearing of securities transactions in a timely and accurate manner, within time period specified in Rules;
 - 3.1.3. require the Depository, its members, and employees to comply with the ethical standards and norms;
 - 3.1.4. refer the property disputes to the standing arbitration established by the Exchange;
 - 3.1.5. follow the rules established by the Depository's Services;
 - 3.1.6. receive an extract on the securities ownership status, in accordance with the established rule;
 - 3.1.7. inform the Depository's General Director of the violations of Regulations committed by the Depository's members or employees;
 - 3.1.8. participate in the General Meeting of Members, vote or be voted by its representative to the Committee of Members, nominate persons to the Depository's Supervisory Board;
- 3.2. Major obligations of a Depository's member are to:
- 3.2.1. fully comply with the requirements of the Depository's Regulations and be guided by all directives of the managing body in its activities and each transaction carried out through the Depository;
 - 3.2.2. adhere to the norms stipulated in the Code of Ethics and Disciplinary Procedures Code approved by the Shareholders Meeting of the Depository;
 - 3.2.3. maintain confidentiality of technical, technological and commercial information, disclosure of which may inflict damages upon the Depository, its members, and their clients;
 - 3.2.4. pay membership fees and other charges established by the Depository and fines imposed for violation of the Depository's rules in a timely manner;
 - 3.2.5. assist in achieving the Depository's charter objectives, act in the best interests of the Depository and promote its public image and visibility;
 - 3.2.6. notify the Depository's Managing Body of the existing or anticipated changes in its financial and legal status that may affect the implementation of the obligations of a member before the Depository, its members and clients;
 - 3.2.7. own 10% or less in the Depository;
 - 3.2.8. refer the disputes arisen with the Depository and other members to the standing arbitration established by the Exchange;

- 3.2.9. fulfill the obligations in respect to the delivery of securities or funds in a timely manner;
- 3.2.10. adhere to the rules and instructions of the securities record-keeping;
- 3.2.11. fully adhere to the amendments made to the Depository rules after such amendments have taken effect; these amendments shall not deprive a member of the right to waive the membership;
- 3.2.12. during the regular business hours, with or without the advance notification provide to the Depository's authorized representative at his/her request the books and records (electronic and hardcopies without limitation) within the scope of relationship between the Depository and the member;
- 3.2.13. maintain records in compliance with the relevant legislation and regulations; segregate own records from those of its clients;
- 3.2.14. satisfy all requirements in respect to its activities imposed by the Commission or an SRO it is a member of;

IV. Suspension of a Member's (Participant's) Account

4.1. In accordance with the Code of Disciplinary Procedures of the Depository, a General Director of the Depository is authorized to immediately suspend an account of a member in the following cases:

4.1.1 failure to fulfill the obligations under the transactions concluded by a member in the trading system, upon the delivery of the securities or funds;

4.1.2 suspension of the activities of a member by any SRO:

4.1.3 overdue payment of membership fees;

4.1.4 when a member fails to settle any amount of money, which should be carried out for the benefit of the Depository, including the reimbursement of damages that might be inflicted by a member on the Depository;

4.1.5 a member fails to meet the initial capital requirements;

4.1.6 violation of any rule, procedure or agreement of the Depository by a member;

4.1.7 non-compliance with other obligations envisaged by section 3.2 of this Rule.

4.2. Temporary suspension of the account does not exempt a Depository's member from the payment of membership fees and other charges contemplated in the articles 6.1 and 6.2.

4.3. In case of the temporary suspension of the account of a member, the Depository shall notify its owners and members of this action on the same date.

4.4. If a member remedies the violations stipulated in article 4.1, the Depository's General Director shall authorize a member to manage an account under the Code of Disciplinary Procedures of the Depository.

4.5. In case of the recovery of a member's right to manage an account, the Depository shall notify its owners and members of this action on the same date.

V. Termination of Membership

5.1 The basis for termination of membership in the Depository can be the following:

5.1.1. Application of a member (participant) to resign from membership;

5.1.2. Bankruptcy of the member under the Georgian Legislation;

5.1.3. Liquidation of a member, as a legal person;

5.1.4. Revocation of a member's respective license;

5.1.5. Suspension of the membership at the Stock Exchange;

5.1.6. When the Depository has a reason to believe that a member has committed fraud, acted in bad faith, committed forgery or did not disclose a material event in any report submitted by a member;

5.1.7. Incompliance by a member with the decision of the standing arbitration established by the Exchange;

5.1.8. The repeated failure by a member to fulfill the obligations under the transactions concluded by a member in the trading system, upon the delivery of the securities or funds;

5.1.9. When a member is experiencing financial or operational difficulties and the Depository takes a decision and notifies the Commission that closing of the member's accounts is necessary for the protection of the Depository, its other members, creditors and investors.

5.2. In the cases provided for in Article 5.1.1, a member shall submit an application in the name of the Depository's General Director 15 days in advance.

5.3. In cases provided for in Articles 5.1.2-5.1.5, pursuant to the Article 3.2.6 of this Rule, a member shall promptly notify the Member's (Participant's) Service of the Depository of the event occurred.

5.4 After receiving the respective documentation from the Member's (Participant's) Service, the General Director shall make an opinion and submit it to the Supervisory Council for approval at the nearest meeting and suspend a member's account.

5.5. The Supervisory Council shall take a decision on the termination of the Depository's membership.

5.6. In case of termination of membership, the Depository shall notify the members and owners of the fact and send a written notification to the Commission.

5.7. The day the Supervisory Council takes a decision on termination shall be considered a day of the termination of membership.

5.8. A member shall not receive additional rights and responsibilities upon the date of termination. The Depository shall exempt a member of the rights exercised by a member prior to the termination of membership.

VI. Dues and Charges

6.1. The members shall pay membership fees and other charges established by the Depository for the services rendered (Annex No. 3).

6.2. The Supervisory Council shall determine the amount of the membership fees and other charges, periodicity of their payment and the method of payment.

6.3. The Depository shall be authorized to collect membership fees, dues and charges as set above in paragraph 1 of this article from the member account opened for clearing and settlement services on the basis of the agreement with the account holder, or without such agreement in case these dues and charges are not paid within the set time period.

Annex No. 1

(To be printed on the letterhead of the applicant)

To the General Director of the Georgian Securities Central Depository

(Name of the organization)

(Name of the official)

A P P L I C A T I O N

Please review our application and intercede for us with the Supervisory Council for the admission to the Georgian Securities Central Depository.

The following documents are attached to the application:

1. Notarized copy of the Charter with all the changes by the time of submission;
2. Notarized copy of the Legal Person's Registration Certificate (Court Decree) with all the changes by the time of submission;
3. Registration Form issued by the State Tax Department of Georgia for the inclusion in the Tax Payers' Register and assignment of the identification number;
4. Application about a proxy, which includes no more than two persons, who will be authorized to act within the Membership Agreement, concluded with the Depository and transfer orders to the Depository for servicing the account. In addition, the application should comprise the information about the proxies, notarized facsimiles of each person and two photos of each;
5. A copy of a license issued by the authorized body to the applicant to engage in the respective activity;
6. For brokerage companies – a document certifying membership with the Exchange (for those companies, which are the members of the Exchange).

Signature: -----

Date:-----

Annex No. 2

Membership Agreement

Tbilisi _____, 200_

The Georgian Securities Central Depository, JSC. (hereinafter referred to as the Depository), represented by its General Director Gaioz Sanadze acting on the basis of the Depository's Charter on the one hand and _____ (hereinafter referred to as the Participant), represented by its _____ acting on the basis of _____, on the other entered into the Agreement below:

1. General Provisions

- 1.1 According to the present Agreement the Participant acknowledges the requirements of the Depository's Charter, rules and regulations and undertakes to observe them.
- 1.2 Before signing the Agreement, the Depository shall acquaint the Participant with its Charter, rules and regulations.

2. Subject of the Agreement

- 2.1 The Candidate for Membership becomes a Member and undertakes to observe obligations under Depository Charter, rules and regulations and this Agreement

3. Obligations of the Parties

- 3.1 The Depository shall:
 - 3.1.1 enter into the Service Agreement with the Participant prior to the commencement to fulfil the Depository's functions;
 - 3.1.2 provide equal service conditions to the Depository's participants in compliance with the Service Agreement;
 - 3.1.3 provide timely and accurate clearing and settlement of securities transactions of the Depository's participants;
 - 3.1.4 set fair, reasonable and non-discriminative rules for the participants and applicants;
 - 3.1.5 establish high-ethical standards and norms for the participants' behaviour and require the Depository's participants and their employees to adhere to them;
 - 3.1.6 develop procedures for the settlement of disputes in accordance with the active legislation provided that the disputes are settled at the

standing arbitration established by the Georgian Stock Exchange (hereinafter the Exchange).

3.1.7 provide the Participant with the Depository's active normative documentation and the necessary information under the Depository's rules and notify on any changes and amendments in a timely manner;

3.1.8 ensure compliance by the participants to the rules and instructions of securities recording.

3.2 The Participant shall:

3.2.1 enter into the Service Agreement with the Depository prior to the commencement to fulfil the Depository's functions;

3.2.2 completely and unconditionally follow the requirements under the Depository's regulations and fulfil the instructions of the Depository's managing bodies when performing its activities and executing transactions through the Depository.

3.2.3 follow the norms of Ethics and Disciplinary Procedures Codes approved by the Shareholders Meeting of the Depository;

3.2.4 keep confidential information of technical, technological and commercial nature, disclosure of which may inflict damages upon the Depository, its participants and clients;

3.2.5 provide timely payment of membership fees and other charges due, as well as penalties imposed as a result of the violation of the Depository's rules;

3.2.6 facilitate fulfilment of the Depository's goals contemplated in the Charter, act in the best interests of the Depository and enhance and maintain its visibility.

3.2.7 timely notify the Depository's managing body on any changes, already occurred or anticipated to its financial and legal status that may adversely affect its ability to fulfil its obligations to the Depository, its participants and clients;

3.2.8 possess no more than 10% of the Depository;

3.2.9 refer any disputes arisen with the Depository or other members for resolution to the standing arbitration established by the Exchange;

3.2.10 completely and timely fulfil the obligations to deliver funds or securities;

3.2.11 follow the instructions and rules on securities recording;

3.2.12 completely and unconditionally comply with any changes to the Depository's rules after they come into effect. In addition, these changes shall not deprive the Participant of a right to waive membership;

3.2.13 during the regular business hours, with or without the advance notification provide to the Depository's authorized representative at his/her request the books and records (electronic and hard copies without limitation) within the scope of relationship between the Depository and the Participant;

3.2.14 maintain accounts in accordance with the relevant laws and regulations; segregate own accounts from those of the clients;

3.2.15 meet any requirements of the Commission related to its activities or a self-regulatory organization it is a member of.

4. Rights of the Parties

4.1 The Depository shall be authorized to:

- 4.1.1 require the Participant to fulfil and comply with the instructions set forth by its rules and bylaws or made by the Depository's managing body;
- 4.1.2 apply sanctions to the Participant (dismissal, account suspension and restriction, reprimand, imposition of penalty, etc.) in case requirements under the documents determined by Article 4.1.1 are violated;
- 4.1.3 refer property disputes for resolution to the standing arbitration established by the Exchange;
- 4.1.4 rely on information solely designed for the Depository by the Exchange, including report on transactions entered into at each trading session and shall not be liable for the damage occurred as a result of reliance on such information;
- 4.1.5 in any case rely on information on transactions provided by the Participant. The Depository is not liable to cover damages occurred as a result of use of such information.

4.2 The Participant shall be authorized to:

- 4.2.1 require the Depository to establish fair, reasonable and non-discriminative rules for the participants and applicants;
- 4.2.2 require the Depository to provide timely and accurate clearing and settlement of the securities transactions within the period determined by the rules;
- 4.2.3 require the Depository to ensure compliance of its employees and clients to high ethical standards and norms;
- 4.2.4 refer property disputes for resolution to the standing arbitration established by the Exchange;
- 4.2.5 utilize the services of the Depository in accordance with the Service Agreement;
- 4.2.6 receive an extract on the status of securities accounts according to the established rule.
- 4.2.7 apply to the Depository's General Director in case a participant or the Depository's employee violates the Depository's regulations;
- 4.2.8 participate in the Participants' General Meeting, elect or be nominated to the Participants' Committee through its representative, nominate the persons for the election to the Depository's Supervisory Council.

5. Liabilities of the Parties

5.1 The Depository shall be liable for any kind of damage resulting from improper deposit to the securities account, improper credit or debit of securities or funds or other actions conducted by the Depository within the scope of its authority.

5.2 The Depository shall be liable for any kind of claims related to the damages resulting from negligence, fraud or criminal action of its employee or representative.

- 5.3 The Depository shall not be liable for any kind of claims related to the securities ownership rights arising as a result of improper utilization of legislation on securities trading or rules of self-regulatory organizations or receipt of inaccurate or incomplete order from a Participant.
- 5.4 The Depository shall not be liable for the accuracy, timeliness and completeness of settlement between the Participant and its clients.
- 5.5 The Depository shall not be liable for the failure of a settlement bank to execute an order of the Participant or the Depository or the incomplete (improper) execution of an order.
- 5.6 The Participant shall be fully liable for the clients it represents and shall meet all obligations and legal claims against these clients, the Depository or any other party in case of offence, negligence or default.
- 5.7 The Participant shall reimburse the Depository losses incurred and expenses borne relating to the securities on the Participant's trading account or resulting from negligence, mistake, fraud or the submission of inaccurate information by the Participant's employees.
- 5.8 In cases contemplated by Articles 6.1 and 6.2 of the Rule on Owner-Members of the Georgian Securities Central Depository, delay of payment or incomplete payment of membership fees or other fees and charges by the Participant shall be subject to penalty in the amount of 1% of total unpaid sum for each day overdue.
- 5.9 In case the Participant violates this Agreement, Depository's rules and other regulations it shall be subject to sanctions under the Depository's rules and regulatory documents.

6. Information Delivery Procedure

- 6.1 Information between the parties shall be delivered in writing.
- 6.2 Information delivery procedure may be modified based on the parties' agreement.

7. Procedure for Settlement of Disputes

- 7.1 Any disputes arising during the term of this Agreement shall be settled through negotiations between the parties.
- 7.2 In case disputes cannot be settled through negotiations, parties shall refer to the standing arbitration established by the GSE and the disputes shall be settled in accordance with the Georgian legislation.

8. Terms of Confidentiality

- 8.1 The parties shall maintain confidentiality of information delivered to each other within the scope of this Agreement. Information shall be considered confidential if it is not available to everyone (i.e. it is not received from the Commission, media, periodic reports or published information materials) and utilization of which may inflict moral or material damage upon any of the parties.

9. Force Majeure

9.1 Obligations undertaken by the parties in accordance with this Agreement may be suspended in case force majeure conditions occur. Terms for the performance of such obligations shall be extended for the period the force majeure conditions last.

10. Term of the Agreement and the Procedure of Changes

- 10.1 This Agreement shall take effect from the date of its signing and shall continue in force until January 1, 2000.
- 10.2 If neither of the parties inform each other in writing on termination of this Agreement 20 calendar days prior to its validity date, the term of this Agreement shall be considered automatically extended for another 12 calendar months.
- 10.3 Term of this Agreement may be terminated prior to the due date by any of the parties. Agreement termination date shall be notified in writing to the other party 15 calendar days prior to this date. A document shall be signed by the authorized person and certified by the seal.
- 10.4 This Agreement is made in two counterparts with the equal legal force. One counterpart is kept with the Depository and the other with the Participant.
- 10.5 Any changes to this Agreement shall be considered effective if they are made in writing, signed and sealed by both parties.

11. Requisites of the Parties

The Depository	The Participant
380062, Tbilisi	_____

74a Chavchavadze Ave.	

Tel.: 25 18 70	

Fax: 25 18 76	

e-mail:	

Director	

	_____ (Gaoiz Sanadze)

Annex No. 3

MEMBERSHIP FEES ESTABLISHED FOR THE MEMBERS OF THE GEORGIAN SECURITIES CENTRAL DEPOSITORY, JSC.*

<i>Name</i>	<i>Amount</i>	<i>Periodicity</i>
<i>Membership fee</i>	25 lari	Monthly, in advance, prior to the date of 25 of the previous month

* Payment shall be made upon the execution of Service Agreement between the member and the Depository.