



## LEGAL NEWSLETTER

March-May  
2011

*The objective of BLC Legal Newsletter is to keep you informed of major legislative developments in Georgia.*

*In the last issue, we had outlined major features of the new Tax Code of Georgia; also novelties with regard to the property acquisition, registration requirements, insurance and other regulations. There are other important legislative enactments waiting in the wings, so Keep watching this space for updates on developments in Georgian legislation.*

*In the foregoing issue of the BLC Legal Newsletter we bring you a write-up on the recent developments in the field of e-government, available digitalized services, banking, new Georgian brand for service delivery and other novelties. Suggestions and comments are welcome.*

*We hope to have added some value to your reading on legal framework in Georgia.*

*Sincerely,*

*BLC Team*

### *Legal amendments effected throughout March-May 2011:*

- *New Georgian Brand-the House of Justice has been established, offering new concept of service delivery*
- *National Agency of Public registry and National Bureau of Enforcement offer new e-services to the customers*
- *Entirely new piece of legislation was adopted for establishing data exchange infrastructure, unified standard for circulation of e-documents with participation of Data Exchange Agency*
- *New law for ensuring provision of transparent banking services has been introduced by the Parliament of Georgia.*
- *Amendments have been made to the rules of revocation of the operating license*
- *New rule for termination of the lease agreements concluded for more than ten years has been determined by virtue of amendments to the Civil Code of Georgia*
- *Protocol has been signed between the government of Georgian and the Turkish Republic, facilitating movement between these two countries*

### *Digitalized services*

Important novelty introduced by the National Agency of Public Registry relates to the new electronic service for their customers. By means of the new system, entrepreneurs and non-commercial legal entities will be able to obtain excerpts from the entrepreneur's registry electronically, renew them, file applications and pay relevant service fees. Most importantly, digitalized services further enable companies to obtain information about the progress of liquidation and reorganization of the company, assets of the company, history of the company's transactions and information reflecting restrictions on the shares or equity of the company, existence of tax pledge/mortgage, etc.

Georgian National Bureau of Enforcement (NBE) is another institution offering simplified means for facilitating customer relations. Customer applying to NBE will be able to get a response electronically. Such reply has its unique code and is granted a legal power. Moreover, the program enables a customer to get an instant reply. Herewith, a citizen is authorized to choose any desired form of feedback - being replied via email or getting the answer on the spot.

### *New public Institution*

The New Georgian brand - the House of Justice is the first public service institution in Georgia with completely new concept of service delivery. Being the one of its kind, the House of Justice aims at simplifying and accelerating procedures for accessing and obtaining relevant information/documentation, via state of art technology and modern standards. This is a new strategy of consumer-oriented state services combined into one concept. Notably, the House of Justice is a unique institution not only in the region but throughout the world as well.

The House of Justice will deliver various types of services based on the so-called "one-stop-shop" principle combining services of the following units: Civil Registry Agency, National Agency of Public Registry, National Archive, National Bureau of Enforcement, Notary Chamber, Legislative Herald and Training Center of Justice. House of Justice is conceptually divided into three service areas: 1) self-service area (where interested parties themselves will be able to obtain necessary documents through automatic means); 2) expedited service area (for services such as issuing prepared documents, or obtaining hardcopies of the documents); 3) prolonged service area (for business registration, registering right over the movable/immovable property, submitting documents, etc).

The House of Justice is expected to bring new strategy of consumer-oriented state service, arranged in conformity with business logic and combined into one concept.

### *Unified Information State registry*

Effective from 1 June, 2011, new Law of Unified Registry of Public Information was adopted by the Parliament of Georgia on May 5, 2011. The new law aims at depicting all information resources currently accumulated in Georgian public sector and generate unified catalogue of available registries, databases, information systems and services. This will be so called "Unified Information State Registry". One of the main objectives of this novelty is to oblige state organizations to register various databases, registry, information system and e-services in the unified registry. The registration is also needed for any important change, combination (unification), cancellation, demolition and other activities of the state organization with regard to the maintained data.

Data Exchange Agency is designated as unified registry's operator. The law also sets several rules of administrating information resources (database, registry, information system and e-service), which supports to establish unified approaches and practice in this direction. Among them are the aspects of data protection and recognition of accepted rules of information publicity. Additionally, law enforcement procedures will be carried out using such tools as written notifications and recommendations issued by the Data Exchange Agency. The unified state registry will improve the effectiveness of data exchange process among public institutions, which will ultimately result in rendering faster and more reliable services to the customers.

### *Banking*

On May 13, 2011 the President of National Bank of Georgia issued Order of #35/04 on the rule of providing necessary information to the consumer, while rendering services by the commercial banks of Georgia.

This rule applies to the consumer credit agreements whereas credit amount does not exceed 50 000 GEL and is not less than 300 GEL (or equivalent in other currency). Also, any deposit agreement with natural persons, where the first down payment does not exceed 50 000 GEL (or equivalent in other currency).

The purpose of this novelty was to ensure provision of the transparent banking service, protection of consumer's interests, establishing competitive environment and avoiding systemic risks.

The new regulation explicitly determines what type of information must necessarily be provided in the agreements with a bank and its client. One of the requirements refers to the inclusion of the header:

**Important provisions of the Agreement**, in the contract. Such contractual clause shall read as follows: “*Get acquainted with important information for the consumers through the website and hotline of the National bank of Georgia*”. Moreover, indication shall also be made about currency of the loan and deposit: “*Loan in foreign currency imposes important risk on the consumers; alterations in the exchange rate might increase the value of installments in GEL*”. With regard to the deposit agreements, the last sentence shall be as follows: “*alterations in the exchange rate might decrease the generated profit in GEL.*”

Furthermore, under the Order, should the bank be authorized to alter the terms of the agreement unilaterally, information on any such right of the bank shall likewise be provided in the contract Header.

The new law obliges the bank to maintain standardized written procedure for receiving and reviewing consumer’s complaints. The statistical information concerning the complaints shall be provided to the National Bank of Georgia on monthly basis.

The Order has entered into legal force since 1 June, 2011,

Another novelty introduced by the National Bank of Georgia is foreseen under Order #24/4 dated April 7, 2011 as amended in June 3, 2011. The Order unifies standard for opening bank accounts in foreign as well as in local currency in Georgia and applies to resident as well as non-resident natural and legal persons. Most importantly, the Order regulates foreign currency transactions exhaustively enlisting those operations in which settlement in foreign currency is allowed in Georgia. Whereas previously procedures for each of the above mentioned banking services were envisaged in separate orders and instructions, definitions were broader and more ambiguous, thus being difficult to catch up and comply with.

The order determines procedures for opening the bank accounts, based on the verification of the client through concepts established by international practice. The purpose of this new regulation is to ensure proper fulfillment of the obligations by the commercial banks of Georgia for prevention of money laundering.

Furthermore, new law enables non-resident natural and legal persons to transfer the dividends or other income, received from investment or entrepreneurial activity, abroad in foreign currency, whereas previously aforementioned procedure was allowed only after fulfillment of the tax obligations imposed under the Georgian Legislation. In contrast, bank transfers between the residents (transfers involving supply of goods and rendering services on the Georgian territory) shall be carried out in national currency only. It should be noted, that previous regulation explicitly

prohibited payment in foreign currency for any service or transaction between residents on the Georgian territory.

### **Civil Code**

On May 5, 2011 amendment was introduced to the Civil Code of Georgia, as a result of which Article 582 of the Civil Code of Georgia was significantly altered. Namely, previous edition of this Article entitled each of the parties to the lease agreement concluded for a term of more than ten years to terminate the agreement by three months prior notice. Whereas now parties will enjoy such right to termination only if this is explicitly envisaged in the respective lease agreement.

### **Licenses and permits**

Amendments introduced to the law on licenses and permits on May 17, 2011 have been mainly carried out with regard to the matters of revocation of the operating license. Namely, license issuing authority shall be granted the right to eliminate the operating license if it will be evident from the circumstances of the case, that fining the licensee will be ineffective. The same rule applies, when the licensee fails to pay the regulation fee after fining, within 30 calendar days from the expiration of the payment deadline.

### **Enforcement**

Another amendment was introduced on May 23, 2011 to the #144 decree of the Minister of Finance of Georgia, on the amount and rule of payment of enforcement fee, determined under the Law of Georgia on Enforcement Procedures, according to which the execution fee for the cases pertaining to the compulsory payments, was determined at the rate of 2% of the claim to be enforced (when the claim is less than 50 000 GEL). Whereas now, 2% rate shall apply in the cases when the claim to be enforced is equal to or exceeds 500 000 GEL.

### **New Protocol with Turkey**

On 31 May 2011, the Government of Georgian signed additional protocol with the Government of the Republic of Turkey on the introduction of changes and amendments to the Visa Agreement of 4 April 1996. The objective of the Protocol is to facilitate movement for Georgian and Turkish citizens between the two countries.

Based on the provisions of this protocol, Georgian citizens, with bilingual (Georgian and English) electronic identification cards (issued as from 1 July

2011 in conformity with international standards), will be able to travel between Georgia and Turkey without any additional formalities. That is to say, Georgian citizens having such ID Cards shall be able to cross Turkish borders without providing their international passports.

The Protocol also envisages authorization of Georgian and Turkish sailors and pilots, to cross the Georgian-Turkish border during the exercise of their duties with the use of sailors' books or aircrew certificates.

The Protocol will enter into force 30 days from the date when Georgia and Turkey complete all internal procedures necessary for its implementation and notify each other of having done so.

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