

# ნოდია, ურუმაშვილი და პარტნიორები NODIA, URUMASHVILI & PARTNERS

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## *Amendments in the field of Competition, Financial and Capital Markets*

### *1. Amendments to the Organic Law “on the National Bank of Georgia”*

In December 2023 and early January 2024, several amendments were made to the Organic Law of Georgia "On the National Bank of Georgia". The December amendments pertain to issues related to the monetary and credit functions and operations of the National Bank. Specifically, according to the modification made within the normative context of the law, the bank has the authority to implement monetary-credit policy to conduct open operations not only with state securities and securities issued by the National Bank, but also with securities issued by international financial institutes, through the direct purchase or sale, or their subsequent divestiture or repurchase.

It should be noted that the amendment impacted commercial banks in resolution mode. With this alteration, the National Bank is authorized, in special circumstances, to extend a loan of last resort to a commercial bank facing solvency concerns, to safeguard the stability of the financial system, and in accordance with the amendments made to the law, this applies to commercial banks in resolution mode.

The National Bank's supervisory authority was broadened through the amendments. As per the added clause in the law, the National Bank oversees the fulfilment of obligations as outlined in the Law of Georgia "On Conversion into Securities" by the unauthorised securitization special purpose entity, institutional investors, original creditors registered in Georgia, and initiators (excluding insurance organisations licensed under the Law of Georgia "On Insurance").

Furthermore, in accordance with the amendments, it is stipulated that the special purpose unit of securitization, as defined by the Law of Georgia "On Conversion into Securities," is exempt from the restriction by which a business entity or a group of related persons cannot be registered as a microfinance

organisation by the National Bank, raise refundable funds (including obtaining loans) from more than 20 natural persons (including individual entrepreneurs) without a banking licence or a licence for non-banking-deposit-credit activity, or advertise the raising of refundable funds from a wide range of persons.

In accordance with the law, the National Bank's authority regarding the supervision of investment funds and asset management companies was established. Specifically, amendments were made to grant the National Bank the authority to supervise the activities of authorised securitization special purpose entities, unauthorised securitization special purpose entities, institutional investors, original creditors, and initiators, in order to ensure compliance with the requirements outlined in the relevant articles of the Law of Georgia "On Conversion into Securities." This includes overseeing the registration of special purpose entities for securitization and revoking the authorization of such entities when necessary.

As per the amendment to the law, supervision includes inspection, regulation, issuance of written instructions, imposition of additional requirements, restrictions, and sanctions in accordance with the Law of Georgia "On Conversion into Securities." Additionally, the National Bank is now authorised to establish the procedure for the liquidation of authorised securitization special purpose entities, as well as to impose monetary fines on securitization special purpose entities, institutional investors, original creditors, and initiators. By recent changes, the obligation to make a corresponding advance contribution to the resolution fund for commercial banks licensed in Georgia and branches of foreign banks has been regulated. It is noteworthy that under these changes, the criteria for charging the advance contribution and the implementation method are determined by a legal act issued by the President of the National Bank. Advance contributions from branches of commercial and foreign banks licensed in Georgia will be deposited into the resolution fund. Additionally, contributions made for temporary state financing, intended for the reimbursement of funds allocated within this framework, as well as loans, guarantees, and grants issued by the Ministry of Finance, income generated from the investment activities of the resolution fund, and financial

resources received from other sources within the limits set by the Law of Georgia Budget Code of Georgia will also be credited to the resolution fund. The guarantee issued by the Ministry of Finance of Georgia can serve as a means to secure the obligations of the resolution fund.

With the amendments introduced on November 16, 2023, to the Organic Law “on the National Bank of Georgia”, the National Bank was granted additional authority to regulate matters concerning the ownership of securities in accordance with the Law of Georgia “on Ownership of Dematerialized Securities“.

On November 1, 2023, an amendment was made to the section of the Organic Law "On the National Bank of Georgia," granting the National Bank the authority to authorize a licensed asset management company and a specialized depository in accordance with its established regulations for the management of pension assets.

## ***2. Amendments to the Law of Georgia “on Funded Pensions”***

On November 1, 2023, amendments were made to the Law of Georgia "On Funded Pensions." According to the amendments, the law now applies to citizens of Georgia, whereas under the previous version of the law, it applied to citizens of Georgia, except for non-resident natural persons.

Furthermore, as per the aforementioned amendments, the law outlines the repercussions of failing to fulfill or inadequately fulfilling obligations to contribute to the pension fund, or determining excessive pension contributions, granting the pension agency various powers. In certain instances, the agency is empowered to levy fines and/or issue warnings to the parties as stipulated in the Code of Administrative Offenses, or require the individual concerned to rectify the violation by fulfilling the obligation to contribute to the pension fund.

The amendments to the law entail the regulation of the selection, appointment, and dismissal procedures of the Chief Risk Officer and the Risk Control Department of the Pension Agency by the Supervisory Board.

Starting from September 2024, an amendment to the law regarding the Chief Investment Risk Officer and the Investment Risk Monitoring Service of the Pension Agency will be enforced. This amendment addresses matters concerning the candidacy, responsibilities, and powers of the Chief Investment Risk Officer.

Changes have been implemented regarding the investment of pension assets. Pension assets are now permitted to be invested in three distinct investment portfolios: conservative (low-risk), balanced (medium-risk), and dynamic (high-risk) investment portfolios.

It's worth noting that an amendment was added to the Law of Georgia "On Funded Pension" concerning the receipt of pension assets by participants upon permanent departure from Georgia. In the event of loss or termination of Georgian citizenship and/or permanent residence, participants have the right to request the corresponding value of their pension assets, as calculated in their individual pension account, in a single payment.

## ***3. Amendments to the law of Georgia “on Commercial Bank Activities”***

Amendments have been made to the Law of Georgia "On the Commercial Bank Activities". Notably, as of November 16, 2023, the function of account producer has been included in the list of permitted activities for commercial banks.

Also, under the conditions set forth by itself, the National Bank can demand that commercial banks issue ordinary shares for acquisition by the owners of the relevant capital instruments. This authority extends not only before the implementation of temporary state financing, as stipulated in the previous version of the law, but also prior to the utilization of other cash funds accumulated in the resolution fund, as per the amendments of December 15, 2023.

It's notable that a change has been implemented regarding the liquidation of a commercial bank. According to the amendment, the liquidator of a commercial bank is now mandated, upon

appointment, to ensure the execution of transfer orders received by the payment system, to determine the settlement positions of the participants of the payment system, and/or to carry out settlements in accordance with the Law of Georgia "On Payment System and Payment Services." This applies particularly if the payment system operator and/or settlement agent was a commercial bank undergoing liquidation. This is a departure from the previous version of the law, which required the operator of the payment system to be liquidated bank.

As per the changes implemented on November 16, 2023, the procedure for settling securities of commercial bank clients during resolution mode was established. Additionally, if the commercial bank undergoing resolution mode was designated as the producer of the account as defined by the Law of Georgia "On the Ownership of Dematerialized Securities," the special manager is obligated to adhere to the requirements outlined in the corresponding article of the same law. This includes promptly ensuring the implementation of one of the actions specified in the law, such as the restitution of dematerialized securities to their holders, transferring them to a securities account opened with another holder, transferring dematerialized securities to another holder during the disposal of shares, assets, and/or liabilities of a commercial bank as provided for in this law, or utilizing temporary bank resolution tools outlined in this law while ensuring accessibility.

#### ***4. Amendments to the Law of Georgia "on Securities Market"***

According to the addition to the law on November 29, 2023, the National Bank of Georgia carries out additional supervision at the level of the relevant entity included in the financial conglomerate. Also, the assignment of an identification number to securities issued on the basis of a private offer has been added, according to which the National Bank of Georgia is equipped with the authority to assign an identification number and establish the relevant obligations.

The change enacted on November 16, 2023, should be noted. It mandates that public securities in Georgia must be issued in dematerialized form, specifically within the central depository system. This differs

from the previous edition of the law, which allowed for securities to be issued in both materialized and non-materialized forms. Additionally, the amendments regulate the forms of issuance of securities of the same class, dematerialization, and other related issues

. Amendments have been introduced regarding the revocation of licenses granted to brokerage companies, stock exchanges, central depositories (depositories), and securities registrars. Under the additions into the law, the National Bank of Georgia is authorized to revoke a license if the license holder (such as a brokerage company or central depository) has become insolvent.

Furthermore, there's an addition to the law concerning the liquidation of brokerage companies and central depositories. This addition addresses the distribution of assets to creditors and the conclusion of the liquidation process. It stipulates that the liquidation estate of the brokerage company/central depository is determined by the assets held by the brokerage company at the time of the National Bank of Georgia's decision to commence liquidation or by assets belonging to the central depository and acquired during the liquidation process.

The amendments have also delineated the services provided by the central depository. These services are structured to include the registration of securities issuance, the establishment and maintenance of securities accounts for participants of the central depository as defined by the Law of Georgia "On the Ownership of Dematerialized Securities," and the operation of the securities settlement system, which encompasses Central Securities clearing. It's important to note that the law mandates prior approval from the National Bank of Georgia for these services or activities, unless they are already covered by the central depository's license. Additionally, these amendments outline the grounds and procedure for losing the status of the issuer of public securities.

According to the amendment implemented on November 29, 2023, the National Bank of Georgia is empowered to impose additional sanctions on a regulated participant of the securities market and/or a member of its governing body, if they have violated the requirements of the Law of Georgia "on

Additional Supervision of Included Regulated Enterprises regarding financial conglomerates”.

### ***5. Amendments to the Law of Georgia “on Investment Funds”***

The changes made on November 16, 2023, addressed the issues of proof of ownership and transfer of ownership of units in the investment fund. In case the units of the authorized/registered investment fund are dematerialized, the unit owner register of the investment company will not be produced.

The amendments to the law of December 15, 2023, also modified the conditions for the authorization of UCITS and investment funds for inexperienced investors. Consequently, the documents required to be submitted by the applicant company or the licensed asset management company appointed by the applicant to the supervisory body for the purpose of authorizing the investment company no longer include information or documents about individuals who own a significant share of the company, confirming their suitability for the sound and prudent management of the investment fund.

With the same changes, the law now regulates the asset distribution, stipulating that the compensation to be given to unit owners is determined based on the net value of the units they own, unless otherwise specified by the founding document or an agreement between the unit owners.

### ***6. Amendments to the Law of Georgia “on the Activities of Microbanks”***

According to the amendment made on December 15, 2023, in the Law of Georgia "On the Activities of Microbanks," the requirement to include information on the group structure/ownership structure in the written application submitted for a microbank activity license has been removed from the law.

Furthermore, amendments have been introduced regarding the liquidation process of microbanks. Specifically, the satisfaction of secured claims of secured creditors (including the tax authority), during the microbank's liquidation through the realization of collateral, has been established. This is done in

accordance with the priority of registration of security measures, including tax liens or mortgage security measures. The changes in the law also specify the sequence for meeting the microbank's obligations.

### ***7. The Law of Georgia "On Holding Dematerialized Securities"***

On November 16, 2023, the Georgian Parliament passed the Law of Georgia on the Holding of Dematerialized Securities. This law governs matters related to the hold and transfer of dematerialized securities. Dematerialized securities exist solely in electronic form, represented as records in accounts, with ownership rights confirmed by statements within the system. Consequently, dematerialized securities eliminate the need for physical holding or registration, as they are recorded in the securities register or nominee records under the name of the registered owner or nominee.

The adopted legislation establishes and defines the rights of investors when holding dematerialized securities. The Central Depository, licensed by the National Bank of Georgia, is designated as the legal entity responsible for conducting the issuance/registration of dematerialized securities and/or the opening and maintenance of securities accounts.

The Law of Georgia “on Holding Dematerialized Securities” governs the circulation of dematerialized securities. According to this law, dematerialized securities are received and transferred through the crediting or debiting of these securities in the account holder's securities account.

The law also establishes the mode of ownership, which can be expressed in both direct and indirect forms. This allows the account holder to own dematerialized securities either for their own benefit or for the benefit of a third party. Within the Law the right of co-ownership of dematerialized securities is defined. Lending securities from accounts opened for investors entails the right to the investor's share of securities, proportionate to the number of securities,

held either directly in the central depository or in identified securities within a segregated account at the central depository.

Regarding the exercise of ownership rights over dematerialized securities towards the account producer and the central depository, the law defines the right of the investor based on the ownership right. This right can be exercised solely against the account producer with which the investor holds the dematerialized securities, or against the central depository if the investor directly holds the dematerialized securities.

Exceptions are established in cases that consider the following issues:

- Exercising rights related to the restitution of dematerialized securities upon liquidation of the account producer;
- Implementation of contractual requirements or corporate rights arising from dematerialized securities against the issuer;
- The introduction of the regime provided for in Article 2, subsection "W" of the Law of Georgia "On Financial collateral arrangements, netting and derivatives", in which case the rights are exercised against the issuer.

The mentioned law also outlines the responsibility of the account producer when the quantity of identical securities held by them in accounts opened with the central depository or another account producer is less than the number of identical dematerialized securities credited to the securities accounts opened by the account holders with the account producer. The law distinguishes two prerequisites regarding this issue: the fault of the producer and the result of force majeure.

It is important to note that the law regulates issues related to dividend, percents, and principal payments. According to the law, the issuer is obligated to transfer the corresponding amount to a predetermined bank account associated with the

dematerialized security, after which, the issuer is released from further obligations.

### ***8. The Law of Georgia “on Transferring Securities”***

On December 15, 2023, the Law of Georgia “on Transferring Securities” was enacted, which defines the legal and financial aspects of securitization transactions, the involved parties, and the resultant securitization instruments. This law exclusively governs legal relationships associated with a securitization special purpose entity based in Georgia. Such special purpose entities may be established in the form of either a securitization company or a securitization fund. Importantly, the law prohibits these special purpose entities from engaging in activities other than those necessary for the implementation or participation in securitization.

The Law on Conversion into Securities stipulates that the special purpose unit of securitization is required to inform the National Bank about the execution of securitization and obtain authorization. Additionally, it outlines the documents and information that must be submitted to obtain authorization, including the authorization fee. This fee, amounting to 5,000 GEL, is designated for the state budget.

It should be noted that, in certain instances, the National Bank may be authorized to refuse a request for authorization if the submitted documents are not in compliance with the law, if there are grounds for refusing to approve the issue prospectus as provided by the legislation of Georgia, if the close relationship between the parties may impede the effective performance of the supervisory functions by the National Bank, or if there are other grounds for rejecting the application as per the Organic Law of Georgia "on the National Bank of Georgia".

In Georgia, the law regulates the liquidation of authorized securitization special purpose units. The National Bank of Georgia can initiate the liquidation process based on specific legal grounds. These are the basics:

- Insolvency;
- Registration of its dissolution in the register of entrepreneurs and non-entrepreneurial (non-commercial) legal entities, based on the Law of Georgia "On Entrepreneurs," in the case of a securitization company;
- The decision taken by the shareholders or other authorized persons, if stipulated by the founding document, in the case of the securitization fund.

Within the aforementioned framework, the law empowers the liquidator to take necessary actions for the liquidation of the securitization special purpose entity, disposal of its assets, and satisfaction of investors' and creditors' demands.

The law provides for securitization risks, particularly defining the transfer of credit risk related to the underlying assets, which can be carried out as follows:

- By alienating the underlying assets to the special purpose entity of securitization;
- By placing a credit derivative, issuing a guarantee or otherwise, so that the underlying assets remain owned by the originator.

As for the risk management provided by the law, it defines the right of the special purpose joint venture to enter into an agreement with the initiator or another person for the purpose of collecting or withdrawing funds or purchasing other services related to the administration of the underlying assets. This does not require obtaining a license or permit.

The law specifies that the originator or original lender must continuously own a material, net economic interest in the securitization of at least 5%.

## ***9. Amendments to the Law of Georgia "on Enforcement Proceedings"***

On December 15, 2023, amendments were made to the Law of Georgia "On Enforcement Proceedings."

With the aforementioned amendments, the law additionally defined the application of enforcement measures to the assets of the securitization special purpose unit established in accordance with the Law of Georgia "On Conversion into Securities," which is permissible only if the purpose is to fulfill the obligations arising in connection with the activities of the securitization unit. Also, in this regard, the law prohibits the application of coercive enforcement measures against the person providing services defined by the Law of Georgia "On Conversion into Securities" as a payer to the funds belonging to the special purpose entity. The said service provider shall dispose of its own and other clients' assets. In this regard, it should be noted that the grounds for termination of enforcement in the law have been expanded to include the initiation of liquidation against an investment fund or its sub-fund, an authorized securitization special purpose entity, or its division.

An amendment has also been made to the law regarding the sale of seized movable property by auction. In particular, if the lien agreement of a special purpose unit of securitization is registered before the right of tax lien on the seized movable property, the proceeds from the sale of the object of the lien must first satisfy the requirements of the said financial institutions, and then the request of the tax authority.

An addition was made to the law regarding the acquisition of the right to the property purchased at the auction. According to this addition, if the foreclosure mortgagor is a special purpose unit of securitization, the right to a tax lien/mortgage registered after the mortgage of such creditor on the property is canceled as a result of the transfer of ownership.

Regarding the first, second, and third-order claims, the amendments to the law additionally determined that if the Revenue Service with a claim secured by a tax lien or mortgage and a special purpose entity for securitization simultaneously participate as creditors in the enforcement process, the withdrawn amount

will first satisfy the requirements of the special purpose unit of securitization with a tax lien or mortgage in the part of the liability arising before registration, and after - a claim secured by a tax lien/mortgage.

Also, the amendment to the law stipulates that if the tax lien/mortgage of another person precedes the tax lien/mortgage of the special purpose entity of securitization, the claims of this person will be preferentially satisfied before the registration of the tax lien/mortgage in the part of the claims secured by the tax lien/mortgage of the special purpose entity of securitization, the obligation to satisfy which existed before the registration of the tax lien/mortgage on the sold item.

#### ***10. Amendments to the Law of Georgia “on Competition”***

On November 29, 2023, amendments were made to the Law of Georgia "On Competition," altering the calculation procedure for fines imposed on parties. Specifically, under the revised law, fines are determined based on a percentage of the party's total income, with the maximum fine not exceeding 5% of its total income. This is a departure from the previous version of the law, which based fines on a percentage of the party's annual turnover. In cases of repeated violations, the fine is set at 10% of the total income, as opposed to the previous version of the law, which imposed fines at 10% of the annual turnover.

Furthermore, there's a significant amendment regarding the imposition of fines on an economic agent failing to submit a notification on concentration. In case of violation of this requirement, the fine will be imposed in a manner that does not exceed 5% of the total income of the economic agent during the previous financial year of the decision made by the Agency. For physical persons, the fine is set at 10,000 GEL. This differs from the previous version of the law, which calculated fines based on 5% of the annual turnover.

### ***Amendments in the field of Intellectual Property Law***

#### ***11. Amendments to the Law of Georgia „On Trademarks“***

Based on the law of February 21, 2024, significant changes were made to the Law on Trademarks. The amendments expanded the definition of a trademark to include any symbol or combination of symbols, such as word (words), name (names), letter (letters), number (numbers), sound (sounds) image, color (colors), shapes of goods, or their packaging. Additionally, the absolute grounds for refusal to register a trademark have been revised. The restriction on registering a single non-stylized element, such as a standard letter, number, or individual color, as a trademark has been lifted. However, a new ground for refusal to register a trademark have been introduced, specifically, in a case, where a symbol or combination of symbols contains or partially matches the name of a new plant variety protected in Georgia under Georgian or international legislation, and trademark registration is sought for the same or a similar plant variety. Furthermore, a symbol or combination of symbols that represents solely the shape of the goods or another characteristic of the goods can also be grounds for refusal if it: a) Derives from the nature of the goods, b) Is necessary to achieve a technical result, or c) Adds substantial value to the goods.

A significant amendment has been made to the special rights provisions regulated by the law. Under the revised law, individuals with special rights can now prohibit third parties from using their trademark as a brand name or part of a brand name. Additionally, the article governing the scope of special rights has been amended to specify that the limitation applies to the use of a natural person's, but not a legal entity's, name and/or address as a trademark in circulation.

Important changes have been made regarding the specification of the list of goods and/or services during



trademark registration. Specifically, applicants shall now indicate the goods/services in such a manner that it is possible to clearly and precisely define the scope of protection required for the trademark.

When general names of goods or services are used in the application (including those used in the title of the International Classifier), the scope of the list of goods and services is determined based on the literal meaning of these names. Consequently, the protection claimed for a trademark by the use of generic names of goods does not extend to goods not encompassed by the content of those names.

Additionally, trademark owners or applicants who submitted applications to the National Intellectual Property Center of Georgia before the implementation of these changes and listed goods using the class title of the international classifier have the right to clarify the list of goods. This clarification allows the indication of goods that do not correspond to the direct meaning of the goods' name used in the class title of International Classifier, as long as these goods were included in the alphabetical list of the current edition of the International Classifier at the time of application.

Clarifications made within one year of the implementation of the changes will be free of charge. However, a fixed fee will apply thereafter. Applicants have a 5-year period to clarify the classification list and bring it into compliance with the law. Once this term expires, it is considered that the trademark is protected only for goods that clearly derive from the content (meaning) of the list of goods indicated in the title of the corresponding class of the International Classifier.

The law now includes provisions for the division of trademarks. According to the newly added articles, a trademark may be divided into two or more identical trademarks, each assigned an independent registration number. This division is allowed as long as there is no overlap between the lists of goods and/or services covered by the resulting trademarks.

The law introduced an innovative addition by incorporating a new chapter that addresses the registration, protection, and use of certification marks. A certification mark is defined as a type of trademark that distinguishes certified goods from non-certified goods based on characteristics such as material, production process, quality, accuracy, or other defining factors (excluding geographical origin). The owner of a certification mark can be any natural person or legal entity (including entities under public law) provided their activity does not involve the production or delivery of the goods for which protection of the certification mark is sought.

The norms governing the universal recognition of signs have been revised. Under the new amendments, public recognition will only be established during the submission of a complaint or litigation to the The National Intellectual Property Center of Georgia Sakpatenti - Patent Appeals Chamber. This change eliminates the prior method of preliminary appeal for establishing public recognition. Furthermore, one of the grounds for invalidating a trademark registration now includes the presence of a trademark with generally known priority.

## ***12. Amendments to the Law of Georgia “On Copyright and Related Rights”***

On December 15, 2023, amendments were made to the Law of Georgia "On Copyright and Related Rights." These amendments introduced new articles regulating the permitted use of printed works protected by copyright and related rights for the benefit of individuals with impaired ability to read printed works. The amendments also outlined the process for assigning the status of a beneficiary and the status of an authorized person. A beneficiary of the law is an individual who, regardless of other abilities, has an impairment of vision, physical ability, perception, or any other ability necessary for reading a printed work, which prevents them from reading a printed work equally as compared to another person.

The law stipulates that a beneficiary has the right to obtain a copy of a printed work in an accessible format from a local authorized person or an authorized person recognized in the relevant state that is a party of Georgia's international treaty without obtaining prior consent from the author or other copyright owner and without paying royalties. Furthermore, the beneficiary, as well as their legal representative, personal assistant, guardian, or custodian, has the right to reproduce the printed work in an accessible format for the beneficiary's personal use. The law also defines that for the purposes of the law, an authorized person is - the National Library of the Parliament of Georgia which is recognized by "Sakpatenti" as an authorized person, a public library within a municipal library network, an educational institution, or a non-entrepreneurial (non-commercial) legal entity whose primary activities include providing educational services to beneficiaries for non-commercial purposes.

## ***Amendments to the Civil and Procedural Legislation***

### ***13. Amednments to the Civil Procedure Code of Georgia***

- Amendments implemented on November 16, 2023

On March 1, 2024, amendments to the Code of Civil Procedure of Georgia came into force in order to ensure compliance with the law of Georgia "On holding of Dematerialized Securities".

Based on the amendments, the Civil Procedure Code of Georgia specifies that measures for securing a claim will not apply to certain defined assets (the client's assets, which are not owned by the financial institution or the notary, therefore, securing measures should not be applied to these assets) as outlined in the Law of Georgia „On Enforcement Proceedings“ if a security measure is

required based on a disputed claim against the subject specified in the same paragraph.

In addition, the amendments grant the liquidator or special administrator the authority to transfer seized securities accounts to another account keeper without alteration.

- Amendments implemented on December 15, 2023

An additional amendment to the Civil Procedure Code of Georgia was made on December 15, 2023. This amendments is a result of the preparation of the draft law of Georgia "On Securitization" and aims to facilitate the implementation of the regulatory framework for securitization special purpose units as provided in the draft law.

In accordance with the amendment, for the protection of investors, measures for securing a claim will not be extended to the assets of a securitization special purpose entity or its division as defined by the Law of Georgia "On Securitization," in the cases outlined by the same law. This amendment came into effect on April 1, 2024.

- Amendments implemented on February 21, 2024

Based on these amendments, provisions of the Civil Procedure Code that previously excluded individuals with disabilities from obtaining the status of a witness or a person giving an explanation, in cases where their ability limitations hindered them from correctly perceiving facts and providing accurate testimony, were eliminated. As a result, individuals with mental and intellectual disabilities now have the procedural opportunity to obtain such status.

Simultaneously, the provision regarding the evaluation of evidence was reformulated. Under the new approach, when evaluating evidence in

court, the reliability of testimony provided by individuals with mental and intellectual disabilities shall be assessed by judge using the legal mechanisms available to him thereby satisfying the interest of assessing the correctness of the evidence in civil proceedings.

- Amendments implemented on February 21, 2024

On March 7, 2024, amendments to the Civil Procedure Code of Georgia came into force. These amendments were made to align the Code with the recent changes to the Law of Georgia "On Trademarks."

Specifically, considering that the requirement for the owner of the earlier trademark—who seeks the invalidation of a trademark registration—to provide the court with actual proof of trademark use has been defined as one of the grounds for termination court proceedings related to the invalidation of trademark registration as per the amendments implemented into the „Law on Trademarks“. If the evidence of use is not submitted, or a valid reason for its non-use is not provided, the actual proceedings will be terminated. Consequently, a new subsection was added to the Civil Procedure Code of Georgia that references this provision as one of the grounds for terminating proceedings.

Additionally, since the Law of Georgia "On Trademarks" introduced a new type of intellectual property—a certification mark, which is a kind of trademark—this change has been incorporated into the Civil Procedure Code of Georgia. As a result, the Code now recognizes certification marks as objects of intellectual property and includes them in the context of violating a special right and/or in the civil turnover of goods involved.

#### *14. Amendments to the Civil Code*

- Amendments implemented on November 16, 2023

On November 16, 2023, amendments were made to the Civil Code to align it with the Law of Georgia "On Holding of Dematerialized Securities." These amendments established that securities will be pledged according to the procedure set out for their purchase, and the right of lien on dematerialized securities will be established in accordance with the Law of Georgia "On Holding of Dematerialized Securities."

It should be noted that prior to the recent amendments, the procedure for pledging public securities was determined by the Law of Georgia "On the Securities Market." However, this law did not address the specific procedure for pledging. As for registered securities, the existing approach remains in effect. Under this approach, the establishment of a lien on securities issued through the securities register shall be regulated in detail by a subordinate normative act issued by the National Bank of Georgia.

With the amendments to the Code, the rules for terminating an obligation were clarified in situations where the debtor and the creditor are the same person. Specifically, it was outlined how the obligation is handled when it arises from a debt security and the issuer of the security acquires it. The obligation relationship shall not be terminated if the obligation stems from a debt security and the issuer acquires that security. However, if the issuer owns its own debt security, the obligation relationship shall end when the coverage date of security becomes due or if the issuer decides to terminate the obligation relationship. In the case of registered or dematerialized securities, the issuer's decision to terminate the obligation takes effect once it is recorded in the securities register or central depository.

To align the Civil Code with the Law of Georgia "On Holding of Dematerialized Securities," a new subchapter was added to the Code. This subchapter serves to define the concept of dematerialized securities and regulate the rights and obligations arising from them. This addition provides a clear legal framework for understanding and managing dematerialized securities within the context of the Civil Code.

The Civil Code establishes a limitation period for claims arising from dematerialized securities, set at thirty years from the date of fulfillment of obligations. This provision provides a clear timeframe within which claims related to dematerialized securities shall be made.

The amendments came into effect on March 1, 2024.

- Amendments implemented on December 15, 2023

Based on the amendments to the Law of Georgia "On Securitization," which established that the securitization fund and securitization department are entities without legal entity status, the Civil Code of Georgia was subsequently amended. A new chapter was added to regulate the legal status of the securitization fund.

The Code also established the legal nature of the securitization department, defining it as an independent part of the securitization special purpose unit (a securitization fund or securitization company). Matters related to its organization and structure are regulated by the Law of Georgia "On Securitization."

Additionally, it was clarified that in court and extrajudicial matters, the securitization department shall be presented by the asset management company of the securitization fund. In the case of

securitization companies – a person authorized to represent the securitization company or the asset management company if appointed by the securitization company. These changes came into effect on April 1, 2024.

These changes came into effect on April 1, 2024.

### *15. Amendments to the Law of Georgia „On Entrepreneurs“*

- Amendments implemented on November 16, 2023
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On March 1, 2024, amendments to the Law of Georgia "On Entrepreneurs" came into effect to align with the Law of Georgia "On Holding of Dematerialized Securities."

Based on the changes, the Law of Georgia "On Entrepreneurs" the concept of debt securities concerning their issuance by entrepreneurial societies has been defined. Debt securities represent a monetary claim against the entrepreneurial society and may be issued either with or without a periodic interest (coupon) payment condition.

The most significant changes in the law pertain to the form of shares and the regulation of share ownership. The concept of a share was redefined to specify that a share is either a registered security or a dematerialized security that signifies a person's participation in the capital of a joint-stock company. Additionally, a share encompasses a registered security as defined by the Civil Code of Georgia, with ownership confirmed either by the issuer or through registration in the issuer's records or the records of the nominee owner.

It is important to consider the legal requirement for joint-stock companies shares of which are classified as public securities. In such cases, these shares shall

be dematerialized unless in case of exceptions established by specific legislation.

The amendments also addressed the issue of share ownership and confirmation of shareholder ownership rights. Specifically, it was clarified that if a dematerialized share is not held in Georgia according to the Georgian Law "On Holding of Dematerialized Securities," the shareholder's right to the share is confirmed by the record of the financial institution that holds the share on behalf of the shareholder. In case of registered shares, if the share is not held in Georgia according to Georgian law on „Securities Market”, the shareholder's right to the share is confirmed by the record of the financial institution that holds the share on behalf of the shareholder.

Additionally, the amendment removed the legal requirement for a decision on the reduction of subscribed capital to be recorded in the shareholders' register. However, the obligation to publish the information on the reduction of subscribed capital remains unchanged.

It is important to note that while the obligation to dematerialize shares applies only when the shares of a joint-stock company are classified as public, this does not restrict the company's right to voluntarily dematerialize its shares. With the amendment of the first paragraph of Article 184 of the Law, the decision to dematerialize shares is now within the competence of the general meeting of shareholders.

As the amendments to the law redefined the form of shares and the regulation of their ownership, the procedure for maintaining the shareholders' register was also modified. In particular, the A person keeping the shareholders' register or, in the case of dematerialized shares, the central depository is required to notify all nominee owners or account keepers of the accounting date of squeeze-out set by the court. This notification shall

be made at least 5 days prior to the specified date. From the accounting date of the squeeze-out until the completion of the share squeeze-out procedures, operations involving the shares in question shall be halted, with the exception of actions permitted by law. The registrar compiles a list of all shareholders (this list includes shareholders' names, addresses, and the number of shares they own) as of the accounting date of squeeze-out and upon receiving documents confirming the buyer's compliance with the law (including proof of full deposit of the share squeeze-out amount), transfers all shares to the name of the purchaser or, if the purchaser prefers, to the relevant nominee/account keeper. The buyer is responsible for covering the registrar's expenses related to the squeeze-out of shares. The buyer shall deposit all remaining share squeeze-out funds into a nominee ownership account opened in a commercial bank, central depository, or brokerage company for the benefit of the remaining shareholders. Additionally, the buyer shall provide the squeeze-out register to the respective entity.

- Amendments implemented on November 30, 2023

Under the Law of Georgia "On Entrepreneurs," enterprises were required to bring their registration data into compliance with the law's requirements by December 31, 2023.

However, with the amendments made to the Law of Georgia "On Entrepreneurs" on November 30, 2023, enterprises registered before January 1, 2022 will be able to bring their registration data into compliance with the requirements of the law Under the Law of Georgia "On Entrepreneurs" by April 1, 2025.

Failure to fulfill this obligation will result in the registering body identifying a defect in the registration of the non-compliant entrepreneur as of January 1, 2026, and granting a three-month

period for rectification. If the entrepreneur fails to submit the application within this three-month period, the registering body will proceed to terminate the registration of the entrepreneur and/or any branches.

From May 1, 2024, the shareholder or shareholders of an enterprise (excluding individual entrepreneurs) who own a share or shares exceeding 50 percent, have the right to request the registering body to terminate the registration of the enterprise. The registration may be terminated if the following conditions are met simultaneously:

- As of the application date and for the last 5 years prior, the enterprise has not been registered:
  - as the owner of a real property in the public register;
  - in the register of entrepreneurs and non-entrepreneurial (non-commercial) legal entities as the owner of a share in another enterprise;
- As of the application date and during the last 5 years prior, the enterprise has not had a vehicle registered in its name in the registration database of the service agency
- According to the data of the Revenue Service, as of the application date and in the last 5 years prior, the enterprise has not accrued any tax debt, has not submitted a tax/customs declaration, and has not paid the relevant tax/fee in accordance with the legislation of Georgia.

This amendment came into force on January 1, 2024.

### ***16. Amendments to the Code of „Spatial Planning, Architectural and Construction Activities of Georgia“***

On December 15, 2023, amendments were made to the Code of Spatial Planning, Architectural, and Construction Activity in Georgia. These

amendments aim to legalize individual residential houses and their auxiliary buildings and structures that were constructed in violation of established construction rules.

Based on the amendments, an individual residential house and any auxiliary buildings constructed before December 1, 2023 without permission and/or in violation of the project on a land plot owned by a natural person, as well as any structure on which a natural person's property rights are registered under the law of Georgia "On the Improvement of Cadastral Data and the Procedure for Systematic and Sporadic Registration of Rights to Plots of Land within the Framework of the State Project are considered legal.

It should be noted that the provision does not apply to structures built in the geographical areas defined by the Government of Georgia or within the administrative boundaries of the Tbilisi Municipality. Additionally, it does not apply to buildings and structures that pose a threat to human life and/or health due to their degree of structural risk, for which the authorized body has decided to enforce compliance with construction norms or to dismantle the structure. Furthermore, the changes do not impact ongoing civil and/or criminal proceedings regarding structures built without permission and/or in violation of the project.

In accordance with the amendments made in December 2023, a temporary exemption rule for non-submission of the milestone protocol during construction was introduced. Specifically, any construction law violator who was penalized for failing to submit the milestone protocol to the relevant public construction supervision body as required during construction, and who has not paid or has partially paid the fine/supervision fee until January 1, 2024, will be exempted from paying the fine/supervision fee or any unpaid portion thereof.

The changes also impacted the penalties for administrative offenses in the field of construction and their associated fines.

### ***17. Amendments to the Law of Georgia “On Georgian Citizenship”***

One of the primary reasons for the amendments to the Law of Georgia "On Georgian Citizenship" is to align the process for citizenship applicants with modern standards for assessing their proficiency in the state language of Georgia, knowledge of history of Georgia and understanding of fundamental laws. These changes also aim to simplify the naturalization process for stateless persons with recognized status in Georgia, in line with the 1954 United Nations Convention.

According to the amendments, a stateless adult with recognized status in Georgia may be granted Georgian citizenship through the regular naturalization process after a continuous legal residency of five years in Georgia. To obtain citizenship, the individual shall also meet the other requirements outlined in the same organic law. This includes demonstrating proficiency in the state language of Georgia, knowledge of history of Georgia and basic principles of law, as well as either being employed in Georgia, owning property or shares in real estate or an enterprise in Georgia, or engaging in entrepreneurial activities within the country.

Additionally, the concept of physical disability was clarified, and it was established that the criteria for knowledge of the state language of Georgia and the basic foundations of Georgian history and law do not apply when granting Georgian citizenship to a person with significant physical, mental, intellectual, and/or sensory impairments. These impairments shall be severe enough to render checking compliance with the legal requirements for citizenship infeasible.

From May 1, 2024, the level of knowledge of the state language of Georgia, the history of Georgia, and the basic principles of law for those seeking to obtain Georgian citizenship will be assessed prior to submitting an application to the agency or to a Georgian diplomatic or consular institution abroad. If an applicant receives a negative decision on their application for naturalization as a Georgian citizen, they may reapply to the relevant authority within 6 months of the decision, rather than waiting one year.

### ***18. Amendments to the Law of Georgia “On Assemblies and Demonstrations”***

Under the Law on Assemblies and Demonstrations, organizers shall notify the executive body of the municipality at least 5 days before holding an assembly or demonstration. However, based on the decision of the Constitutional Court of Georgia on December 14, 2023, the normative content of the specified norm, which requires notifying the executive body of the municipality no later than 5 days before holding an assembly/manifestation, was invalidated when it is impossible to notify within this period due to the spontaneous nature of an assembly or manifestation.

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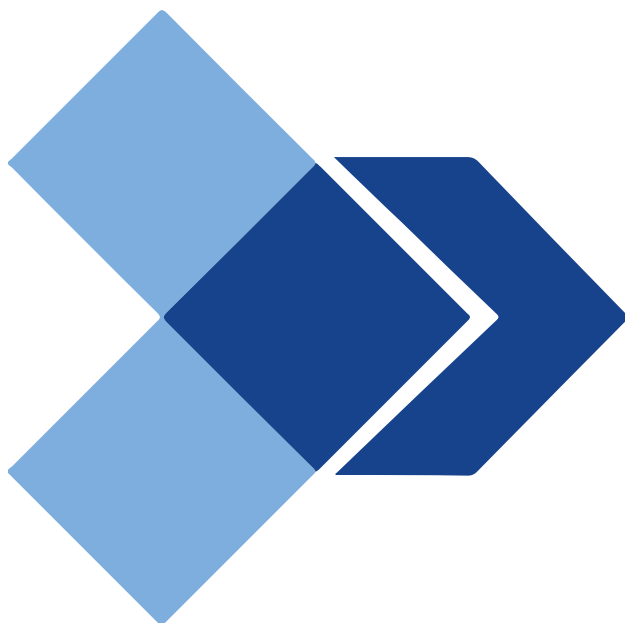
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