



Newsletter

July to September 2012

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Members of EUGBC Working Group on DCFTA held a meeting at the EU Delegation in Georgia

On 9th of July 2012, members of EUGBC Working Group on DCFTA held a working meeting with Virginie COSSOUL, Trade Officer at the EU Delegation in Georgia.

EUGBC Secretary General, Konstantin Zaldastanishvili opened the meeting and introduced the members of the Working Group to the representative of the EU Delegation. Konstantin Zaldastanishvili spoke about the importance of DCFTA for the growth and development of Georgia's economy and trade with the EU. The Secretary General also stressed the vitality of involving business community in the negotiation process for the purpose of what EUGBC created DCFTA Working Group. He underlined that at the onset of the Working Group's operation, meetings with the representatives of the EU and the Georgian Government is useful and informative. These meetings will help to identify and define the priority area and the action plan of the Working Group.

Konstantin Zaldastanishvili informed that the meeting of the Working Group members with Chief Negotiator on DCFTA from Georgia, Tamar Kovziridze is also foreseen in near future and underlined that the meetings of business community with the negotiating team from the EU during their visits in Georgia will be very important.

Virginie Cossoul stressed that the establishment of the business-driven Working Group on DCFTA is timely and important to support and further facilitate the EU-Georgia trade relations. She expressed hope that this initiative will provide a good platform to voice business interest vis-à-vis sector specific issue-areas negotiated by the Georgian and European authorities in the scope of the DCFTA.

Representative of EU Delegation to Georgia informed the Working Group members on the current state of DCFTA negotiations. She highlighted that the negotiations on DCFTA are going in parallel with the negotiations on Association Agreement with Georgia and is its integral part.

Currently, fourteen chapters are being negotiated. These chapters are: Trade in Goods; Rules of origin; Customs and trade facilitation; Technical regulations on industrial products, standards and conformity assessment procedures; Sanitary and phytosanitary measures; Services, freedom of establishment and investment; Competition; IPR, including GIs; Public procurement; Trade and sustainable development; Transparency; Trade defense instruments; Dispute-settlement/mediation mechanism; and Institutional structures/provisional application. Two rounds of negotiations have already been held.

Overall, there is a good dynamic in discussion and the process is going smoothly. However, it was noted that this is a time consuming process. With respect to specific sectoral areas, it was pointed out that mostly there are no difficulties on trade in goods, liberalization policy in general, services, customs, and trade facilitation. More has to be done with respect to competition policy, but the parties are cooperating in this area and further progress is expected. Technical Barriers to Trade (TBT), Food Safety and Sanitary and Phytosanitary Standards (SPS) are considered relatively more sensitive areas. According to Virginie Cossoul, the EU side is closely monitoring the reforms in terms of actual enforcement of new laws and implementation in practice.

The members of the Working Group (David Lee, George Welton) stressed that it is important to advertise more and spread the message among wider business society on the possible benefits and costs of DCFTA. It will be very useful to issue a DCFTA newsletter, organize discussions and various events involving wider business community. This, the WG members stressed, will build confidence in businesses towards the required reforms. The WG members also discussed the impediment of the compliance cost towards the necessary reforms. It was also discussed that the cost of convergence to the EU standards shall be a concern not only of business but primarily of the Government as well as the EU. In addition, Kakha Kokhreidze highlighted the importance of involving most vulnerable segment of Georgian business - small and medium enterprises (SMEs) in the process of negotiations.

At the end of the meeting, Virginie Cossoul informed the Working Group members that the third round of negotiations will take place in Tbilisi in the end of September 2012. Ms. Cossoul proposed to arrange a meeting of DCFTA WG and wider business community with the negotiating team from the EU during their visit in Georgia.

EUGBC Secretary General, participated in the 9th International Conference: *Georgia's European Way – The EU and Its European Neighbours*

Since 2007 the Office of the State Minister for European and Euro-Atlantic Integration organizes regular conferences in order to demonstrate progress, achievements and challenges in the EU-Georgia Relations, which enables both the Georgian side and its European partners to have an active dialogue on all the areas of cooperation.

The 9th international conference entitled **Georgia's European Way – The EU and its European Neighbours** was held in Batumi on July 9-10-, 2012. **Giorgi Baramidze** – Vice Prime Minister of Georgia, State Minister for European and Euro-Atlantic Integration opened the conference. Keynote Addresses were delivered by **Michael Saakashvili** - President of Georgia, **Štefan Füle** – EU Commissioner for Enlargement and European Neighbourhood Policy, **Vladimir Filat** – Prime Minister of the Republic of Moldova and **Wilfried Martens** – President of the European People's Party, Former Prime Minister of the Kingdom of Belgium.



The high ranking officials of the executive, legislative and judicial branches of the Georgian Authorities, including Speaker of the Parliament **David Bakradze** and Minister of Economy and Sustainable development **Vera Kobalia**, representatives of the EU Member States, European Parliament and European Commission, the diplomatic corps accredited in Georgia, NGOs, media and academics took part in the conference.

EUGBC was represented at the Conference by Secretary General, **Konstantin Zaldastanishvili**.

Four thematic sessions were held in the framework of the conference:

- **Session I – Democratic Reforms and the Rule of Law**, which focused on the importance of the success of democracy in Eastern Europe; Challenges of democratic transformation; Free and fair elections as a key for democratic development; Importance of the freedom of media; Role of the civil society;

- **Session II – Challenges of Global Security** that discussed the importance of security and stability for European integration, democratic development and economic prosperity in Eastern Europe; The EU's essential role in promoting security and stability in its Eastern neighbourhood;
- **Session III – Opportunities of Economic Integration with the EU** that examined the prospects of economic cooperation between the EU, EaP and Black Sea regions; Economic modernisation through gradual European integration; The Deep and Comprehensive Free Trade Area as a facilitator of economic development; Challenges of European integration-related reforms and the importance of attraction of FDI; Advancing energy security of Europe;
- **Session IV – Facilitation of People-to-People contacts as a catalyst for European integration** that focused on the culture, education and science as a bridge between the nations; Importance of people-to-people contacts for the solution of conflicts; Freedom of movement of people as a necessary precondition for deepening the integration of societies.

The following documents related to the conference are available at EUGBC website www.eugbc.net:

- [List of Participants](#);
- [Program of the Conference](#);
- [Georgia's Progress Report on Implementation of the ENP Action Plan in 2011](#);
- [European Neighbourhood Policy Action Plan \(ENP AP\) for Georgia - 2012 Implementation Plan](#).



EUGBC Secretary General discussed the possibilities of cooperation on DCFTA issues with the representative of Brussels based BUSINESSEUROPE

On 17th of July 2012 EUGBC Secretary General, Konstantin Zaldastanishvili held a meeting with at the representatives of Brussels based BUSINESSEUROPE. The meeting was hosted in the headquarters of BUSINESSEUROPE.

EUGBC Secretary General has updated his counterparts on the current activities of EUGBC. Especially the concept and importance of creating the business driven DCFTA (Deep and Comprehensive Free Trade Area) Working Group (WG) was emphasized. Secretary General informed on the outcome of the recently held DCFTA WG discussions in Georgia and on the progress made so far. BUSINESSEUROPE's cooperation with DCFTA WG was also discussed.

Both sides agreed to prepare and devote a meeting on DCFTA topic in Brussels. Preliminary dates were mentioned, end of November 2012, when the next round of negotiations between the EU and Georgia, as well as EUGBC Board meeting will take place in Brussels. The purpose of the planned meeting is to gather Chief Negotiators and negotiation teams from EU and Georgia as well as representatives of broader business community and other stakeholders interested with the EU-Georgia business relations.

Background information

BUSINESSEUROPE plays a crucial role in Europe as the main horizontal business organisation at EU level. Through its 41 member federations, BUSINESSEUROPE represents 20 million companies from 35 countries. Its main task is to ensure that companies' interests are represented and defended vis-à-vis the European institutions with the principal aim of preserving and strengthening corporate

competitiveness. BUSINESSEUROPE is active in the European social dialogue to promote the smooth functioning of labour markets.

In a large policy document presented on 4 February 2010, BUSINESSEUROPE and all its members propose an agenda for the European Union in 2010-2014. Go for growth should be more than just a slogan. It should inspire every political decision.

BUSINESSEUROPE counts on the EU institutions to implement this agenda for sustainable growth. Companies for their part bring their contribution to achieve a dynamic and innovative resource-efficient economy.



Members of EUGBC Working Group on DCFTA held a meeting with the Chief Negotiator on DCFTA from Georgia

On 12th of July 2012, members of EUGBC Working Group on DCFTA held a working meeting with the Chief Negotiator on DCFTA from Georgia, Deputy Finance Minister, Tamar Kovziridze.

EUGBC Secretary General, Konstantin Zaldastanishvili thanked the Chief Negotiator for the meeting and introduced to her the members of the Working Group. He informed that the meeting of the Working Group members with the EU Delegation representative has already been held several days ago.

Tamar Kovziridze stressed that the establishment of the business-driven Working Group on DCFTA is timely and important to support and further facilitate the EU-Georgia trade relations. She expressed hope that this initiative will provide a good platform to voice business interest vis-à-vis sector specific issues negotiated by the Georgian and European authorities in the scope of the DCFTA.



Ms. Kovziridze informed the Working Group members on the current state of DCFTA negotiations. She highlighted that the negotiations on DCFTA was launched in December 2011 and it is now going in parallel with the negotiations on Association Agreement. Two rounds of negotiations have already been held in Tbilisi and in Brussels. Third round of negotiations will take place in Tbilisi (end of September, 2012) where parties will discuss tariffs in sectoral areas, including agriculture. The government of Georgia envisages completion of the negotiations in 2013. The Deputy Minister also noted that during the negotiation rounds, all fourteen chapters are discussed in parallel. These are: Trade in Goods; Rules of origin; Customs and trade facilitation; Technical regulations on industrial products, standards and conformity assessment procedures; Sanitary and phytosanitary measures; Services, freedom of establishment and investment; Competition; IPR, including GIs; Public procurement; Trade and sustainable development; Transparency; Trade defense instruments; Dispute-settlement/mediation mechanism; and Institutional structures/provisional application. Ms. Kovziridze informed that certain amount of texts has already been agreed and some chapters can soon be closed. However, there are several complex and technical chapters (such as food safety, technical barriers to trade etc.) that will require longer discussion and time scale to complete. Thereby Chief Negotiator noted that unlike other countries the government of Georgia approaches the EU approximation process very cautiously so that the possible direct coping from the EU acquis are avoided and the adaptation to DCFTA requirements is less painful for the businesses.

She concluded that overall DCFTA is a great tool to boost the country's economy and increase trade with a large and significant EU market. But, alongside with the benefits, there are significant costs for the Government and businesses too. In short term, she said, DCFTA has more political implication. Whereas, in mid or long term perspective it will also show its real economic value.

The member of the Working Group, Christian Carmagnole of Bank Republic expressed interest whether there is a linkage in the government's recent discourse regarding investments in the country's agriculture and the reforms in the same sector envisaged in the scope of DCFTA. Ms. Kovsiridze noted that the government indeed intends to allocate funds in the agricultural sector. Yet, she stressed that although the Government's intention is to support the private sector in the process of adaptation with the DCFTA requirements, this support will not be in the form of direct financing or subsidising the companies.

In addition, John Braeckeveldt of Gosselin Moving – Georgia voiced the concerns of some of the businesses, mostly of small and medium enterprises that the convergence cost might be high and can impose difficulties on business sector. He also stressed that raising awareness of Business community on DCFTA implications and broader EU trade requirements is necessary.

David Lee of Magticom also discussed with the Deputy Minister how Members of the Working Group, EUGBC and partner business association help in better informing businesses on the process of DCFTA negotiations and its implications.

Tamar Kovziridze said that it is important that businesses were better informed and that with the help of business associations they also talk with Brussels and voice their position. At the moment, she said, it is the Government of Georgia that speaks about the possible difficulties on behalf of the business community. It is necessary, she stressed, that the businesses too openly speak about their concerns with the EU officials. She welcomed the offer by the EUGBC to act as a coordinator of the Georgian business associations so that the business communities' position was made clear to the EU and Government of Georgia as the negotiations continue.

The parties to the meeting agreed to meet and exchange information more frequently.

The third Foreign Ministers' meeting of the Eastern Partnership took place in Brussels

The third Foreign Ministers' meeting of the Eastern Partnership took place in Brussels on 23rd of July 2012.

The meeting was chaired by the High Representative of the EU for Foreign Affairs and Security Policy, **Catherine Ashton**, and attended by representatives from the EU Member States, the European Commission, the six Eastern European Partner countries (hereinafter the Partner countries), the Euronest Parliamentary Assembly, the Economic and Social Committee, the Committee of the Regions, the European Investment Bank and the European Bank for Reconstruction and Development.



The European Commission was represented by the Commissioner for Enlargement and European Neighbourhood Policy **Štefan Füle**. The Partner countries were represented by Deputy Prime Minister **Iurie Leanca** of the Republic of Moldova, Vice Prime Minister **Giorgi Baramidze** of Georgia, Foreign Ministers **Edward Nalbandian** of Armenia, **Sergei Martynov** of Belarus and **Konstantin Gryshchenko** of Ukraine and Deputy Foreign Minister **Mahmud Mammad-Guliyev** of Azerbaijan.

Participants discussed the progress achieved so far in the bilateral track of the Eastern Partnership. They highlighted the recent adoption of the Eastern Partnership Integration and Cooperation Programme (EaPIC) which offers additional financial support amounting to **€130 million** for the years 2012-13 to countries that make significant progress in reforms for democracy, human rights and the rule of law.

Ministers stated that the Roadmap put forward by the European Commission and High Representative for Foreign Affairs and Security Policy constituted a basis for guiding and monitoring the further implementation of the objectives of the Eastern Partnership defined in the Prague and Warsaw Declarations until the next Summit in Vilnius in autumn 2013.

Following related documents are available at EUGBC website www.eugbc.net:

- [Joint Statement of the Eastern Partnership Foreign Ministers' Meeting](#);
- [Chair's conclusions: Eastern Partnership Foreign Ministers Meeting](#);
- [Remarks by High Representative Catherine Ashton following the Eastern Partnership Ministerial Meeting](#).

Joint Statement of the Eastern Partnership Foreign Ministers' Meeting, Brussels, 23 July 2012



The third Foreign Ministers' meeting of the Eastern Partnership took place in Brussels on 23rd of July 2012. Ministers stated that the Roadmap put forward by the European Commission and High Representative for Foreign Affairs and Security Policy constituted a basis for guiding and monitoring the further implementation of the objectives of the Eastern Partnership defined in the Prague and Warsaw Declarations until the next Summit in Vilnius in autumn 2013.

Ministers agreed that the next Eastern Partnership Foreign Ministers' meeting in 2013 would be an occasion to review the implementation of the Roadmap and to discuss the forward-looking development of the Eastern Partnership in preparation of the next Summit in Vilnius.

Chair's conclusions: Eastern Partnership Foreign Ministers Meeting, Brussels, 23 July 2012

1. On 23 July 2012 the third meeting of the Foreign Ministers of the Eastern Partnership was held in Brussels.
2. The meeting was chaired by the High Representative of the EU for Foreign Affairs and Security Policy, Catherine Ashton, and attended by representatives from the EU Member States, the European Commission, the six Eastern European Partner countries (hereinafter the Partner countries), the Euronest Parliamentary Assembly, the Economic and Social Committee, the Committee of the Regions, the European Investment Bank and the European Bank for Reconstruction and Development. The European Commission was represented by the Commissioner for Enlargement and European Neighbourhood Policy Štefan Füle. The Partner countries were

represented by Deputy Prime Minister Iurie Leanca of the Republic of Moldova, Vice Prime Minister Giorgi Baramidze of Georgia, Foreign Ministers Edward Nalbandian of Armenia, Sergei Martynov of Belarus and Konstantin Gryshchenko of Ukraine and Deputy Foreign Minister Mahmud Mammad-Guliyev of Azerbaijan. The EU acceding state Croatia also attended as an observer.

3. Representatives of the Civil Society Forum presented to Ministers the views of the Forum on the implementation of the Eastern Partnership.
4. Participants discussed the *Eastern Partnership Roadmap to the autumn 2013 Summit* released on May 15 by the European Commission and the High Representative for Foreign Affairs and Security Policy and adopted a joint statement on the subject.
5. Participants discussed a range of concerns about the situation in certain partner countries related to the values and principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law on which the Eastern Partnership is based.
6. Participants discussed the progress achieved so far in the bilateral track of the Eastern Partnership. As regards political association and economic integration, the EU-Ukraine Association Agreement has been finalised, including a Deep and Comprehensive Free Trade Area. Negotiations on similar agreements with the Republic of Moldova, Georgia and Armenia are well advanced, while negotiations on an Association Agreement with Azerbaijan are also under way. As regards mobility of citizens, the Republic of Moldova and Ukraine are already implementing Visa Liberalisation Action Plans. A dialogue with Georgia to draw up a similar Action Plan has recently been launched. Negotiations on visa facilitation and readmission agreements are under way with Armenia and Azerbaijan, and a similar offer has been extended by the EU to Belarus. Amendments to the Visa Facilitation Agreements with the Republic of Moldova and Ukraine have been negotiated and signed in view of further facilitating the issuance of visas to their citizens.
7. Participants also discussed the development of the multilateral track of the Eastern Partnership.
8. They noted the work done under the guidance of four thematic Platforms, in particular the launching of cooperation in new areas such as: public administration reform, transport and migration and asylum. They also reviewed the ongoing Flagship Initiatives.
9. Participants highlighted the recent adoption of the Eastern Partnership Integration and Cooperation Programme (EaPIC) which offers additional financial support amounting to €130 million for the years 2012-13 to countries that make significant progress in reforms for democracy, human rights and the rule of law.
10. Participants welcomed the first meeting of the new informal Eastern Partnership dialogues, which took place in Chisinau on 5th June 2012 and laid the foundations for a new format of consultations for the further development of political and sector cooperation between the EU and partners, in the spirit of the Warsaw Summit.

Joint statement by High Representative/ Vice-President Catherine Ashton and Commissioner Štefan Füle, on EU-Georgia relations and the upcoming elections

On 3rd of September 2012, High representative/Vice-President Catherine Ashton and Commissioner Stefan Fule issued joint statement on EU-Georgia relations and the parliamentary elections:



“We wish to reaffirm that Georgia is an important partner for the European Union and we are committed to further deepening our very dynamic relations. The Association Agreement negotiations, including the deep and comprehensive free trade part, as well as the recently opened visa dialogue with Georgia are characterised by good progress. We confirm our commitment to sustain the pace with a view to completing the negotiations on the Association Agreement next year. Regarding mobility, our aim is to table a Visa Liberalisation Action Plan by the end of this year.

Georgia’s challenges ahead include consolidation of democracy, the spreading of the benefits of growth, and achieving a broader inclusion of marginalised groups that are key to the sustainable development of Georgian society.

We emphasise the EU’s high expectations for Georgia’s parliamentary elections to take place on 1 October. These elections will be crucial in terms of the continued democratic development of Georgia and will set the stage for the quality and intensity of our relations in the future.

We call on both the government and the opposition to continue to ensure a peaceful, enabling and competitive electoral environment and also a healthy media environment in this regard. We are concerned about the growing polarisation and tension in this context - elections should be first of all about political programmes and ideas. We stress the responsibility that lies with both the government and the opposition to ensure a proper conduct and therefore legitimacy of the elections. The electoral law has to be respected, and it must be applied in a way that maintains confidence in the fairness of the electoral process and the rule of law. All parties and candidates should contribute to a calm and conducive election environment, refraining from actions and inflammatory statements that might further escalate an already tense environment and sow doubts about the results. Building democracy needs responsible actors across the political dividing lines. We wish to reiterate the EU’s firm support for Georgia’s territorial integrity and express the EU’s continued will to remain strongly engaged, including through the Geneva International discussions and the EU Monitoring Mission.”



Visit of the General Director and legal expert of Georgian Chamber of Commerce and Industry (GCCCI) in Belgium, Netherlands and UK

General Director of GCCCI, Nino Chikovani and legal expert of the chamber, Beka Indjia visited Belgian, Netherlands and UK in scope of the East Invest Twinning Program in the period of 19-25 September. The goal of the visit was the exchange of experience between GCCCI and partner business support organisations in Europe, as well as the preparation of the trade mission to Georgia planned for 10-13 December, 2012.

During their stay in Belgian and Netherlands (19-21 September), representatives of GCCI together with EUGBC Secretary General and representatives of the Federation of Belgian CCI and Hague Chamber of Commerce met with the Belgian and Dutch companies interested to participate in the trade mission. On September 19th meeting took place in the Georgian Embassy in Brussels.

Background information

EUGBC is a member of the Consortium led by EUROCHAMBERS implementing the East Invest Project funded by the European Commission in the scope of the Eastern Partnership (EaP) Initiative. The East Invest project seeks to facilitate and encourage economic co-operation between the EU and the Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

EUGBC as a European member of the East Invest consortium, in cooperation with the Hague Chamber of Commerce, the Federation of Belgian Chambers of Commerce and Industry, Chamber of Commerce and Industry of Birmingham and Georgian Chamber of Commerce and Industry (GCCI) is actively involved in one of the components of the East Invest - the twinning's program. Twinning program will encourage concrete and sustainable co-operation between the EU and EaP business support organizations (BSOs) by supporting the implementation of joint projects.

The main objective of this twinning program is learning by doing on international services. With these practical experiences the project mainly focuses on the SME promotion, business matching, export promotion, International market access, GSP, DCFTA, standards, certification, organizational development, strategic planning, developing fee-based services, export documents (Electronic certificates of origin and ATA carnets) etc.

Europe's Strong Reaction on prisoner abuse in Georgia

On 19th and 20th of September 2012, the EU and other international organisation issued statements with respect to the appalling footage of abuses committed against inmates in Gldani prison. The statements condemn the committed abuses and inhumane treatment of prisoners and calls upon the Georgian authorities to investigate the cases thoroughly and transparently and bring those responsible to justice.



For full texts please refer to the following links:

[Local EU Statement on prisoner abuse the European Union Delegation issued statement in agreement with the EU Heads of Mission in Georgia](#)

[Statement by the Spokesperson of EU High Representative Catherine Ashton on the abuse of prisoners in Georgian Penitentiary System](#)

[PACE President shocked by ill-treatment of prisoners in Georgia](#)

The third DCFTA round took place in Tbilisi on 25-27 September

By Virginie Cossoul, Trade Officer, EU Delegation to Georgia



The third DCFTA round took place in Tbilisi on 25-27 September. The Delegation from Brussels was made up of the Chief Negotiator, Mr Philippe Cuisson, and about ten experts. In addition to the Opening and Closing sessions in presence of all experts, discussions took place in 'Working Groups' with the relevant experts from both sides. During this round, ten DCFTA topics ('chapters' as we call them) were discussed: trade in goods; customs and trade facilitation; transparency; dispute settlement; sanitary and phytosanitary measures; technical barriers to trade; intellectual property rights; public procurement; services and sustainable development.

Tariff offers for trade in goods (agricultural, fishery, processed agricultural products as well as industrial goods) were also exchanged between the Parties. The offers represent a proposal of each Party on removal of customs duties over a period of time. Both the scope of these reductions as well as timeframes are subject to discussion between the Parties. These discussions will continue in the upcoming rounds.

The negotiations are progressing well so far, in a constructive atmosphere. We advanced at a good pace on most of the chapters. In parallel of the negotiations, however, it is extremely important that Georgia continues the reform process, as substance of negotiated chapters needs to be matched by reforms in these areas. The European Union is committed to assisting Georgia in this regard. Substantial assistance is being provided, in particular with regard to capacity-building and legal approximation. Projects are ongoing to help Georgia to upgrade its food safety system, Quality Infrastructure, public procurement as well as its customs systems.

The fourth DCFTA round is due to take place in Brussels on 26-30 November.

The EU Delegation is pleased to inform that a newsletter on trade / DCFTA issues will soon be issued on a regular basis with the aim of providing more information and background on relevant trade and DCFTA-related matters. The first issue will be released by the end of October.

Meeting of the business community with the EU negotiation team, headed by Mr. Philippe Cuisson, Chief Negotiator on DCFTA with Georgia



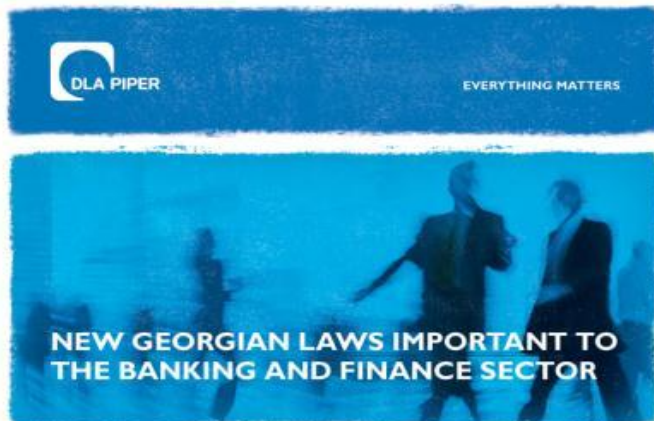
For the occasion of the third round of negotiations on Deep and Comprehensive Free Trade Area (DCFTA) between Georgia and EU taking place in Tbilisi in the end of September, EUGBC organized a meeting of the business community in Georgia with the EU negotiation team. The business representatives met with Mr. Philippe Cuisson, Representative of Directorate General for Trade (DG Trade) of European Commission (EC), Chief Negotiator on DCFTA with Georgia from EU side, and the colleagues from different services of EC. The event was held on September 28, 2012 at EUGBC member TBC Bank.

The EU side was represented by **Mr. Philippe Cuisson**, Representative of DG Trade of EC, Chief Negotiator on DCFTA with Georgia, **Mr. Boris Iarochevitch**, Deputy-Head of the EU Delegation to Georgia, **Douglas Carpenter**, Coordinator for South Caucasus countries, European External Action Service (EEAS), **Ms. Joanna Miska**, Bilateral Trade Coordinator – Georgia (DG Trade, EC), **Mr. Norbert Anselmann**, Expert in the field of Technical Barriers to Trade (TBT Expert) for Georgia at DG Enterprise, EC and **Ms. Virginie Cossoul**, Trade Officer of the EU Delegation to Georgia. From the side of the business EUGBC members and representatives of various business associations participated in the meeting.

The meeting was opened by **Mr. Badri Japaridze**, Vice-Chairman of EUGBC Board, Founder and Vice-Chairman of Supervisory Board of TBC Bank and **Mr. Boris Iarochevitch**, Deputy-Head of the EU Delegation to Georgia. The Presentation of the EUGBC Working Group on DCFTA was delivered by **Mr. Konstantin Zaldastanishvili**, EUGBC Secretary General. Presentation on the progress in negotiations on DCFTA between Georgia and EU was delivered by **Mr. Philippe Cuisson**, Representative of Directorate General for Trade (DG Trade) of European Commission (EC), Chief Negotiator on DCFTA with Georgia from the EU side. The presentation was followed by a lively discussion and questions from the audience.



EUGBC Members' News



The Parliament of Georgia recently enacted important changes to laws regulating the banking and finance sector. This note briefly describes the changes for DLA Piper's friends and clients.

1) A NEW LAW ON PAYMENT SYSTEMS AND SERVICES

From 1 July 2012 a new Law of Georgia on Payment Systems and Payment Services (the "**Law**") entered into force. The purpose of the Law is to facilitate the secure and effective functioning of the payment system in Georgia, including securities clearing and settlement systems. Based on the newly-adopted Law, the Parliament also adopted corresponding amendments to the Laws of Georgia on the Activities of Commercial Banks and on Insolvency Proceedings, as well as the Organic Law of Georgia on the National Bank of Georgia.

The Law introduces a number of new concepts and principles to the statutory framework governing clearing and settlement systems. Under the Law, payment systems are subject to registration with the National Bank of Georgia (the "**NBG**"). Such registration is not required for certain financial institutions, however, including commercial banks already licensed by the NBG. It also gives the NBG extensive supervisory authority over payment system operators and providers of payment services – establishing minimum capital requirements, standards, limitations and sanctions. According to the transitional provisions of the Law, companies which have been providing the payment services described in the Law must register with the NBG within 3 months from 1 July 2012.

Financial Collateral (Pledge)

The law also introduces the concept of *financial collateral* (or financial pledge), which entitles the creditor to preferential satisfaction of his claim to the extent secured by the financial collateral, ahead of all other secured and unsecured creditors. The Law applies to any type of financial collateral (pledge) agreement between legal entities pursuant to which the collateral is money or financial instruments issued in Georgia.

Only the following types of entities may be parties to a financial collateral (pledge) agreement: (i) the State of Georgia; (ii) an executive state authority of Georgia; (iii) the NBG; (iv) a settlement agent; (v) a payment systems operator; (vi) a financial institution; (vii) a foreign central bank; (viii) a foreign financial institution; or (ix) an international financial institution. In addition, any legal person can be a party to a financial collateral agreement concluded with a commercial bank if the subject of such agreement is state securities. The Law specifically defines the requirements under which an agreement can be qualified as a valid financial collateral (pledge) agreement. The validity of such an agreement may not be disputed by third parties (including liquidators, bankruptcy administrators or temporary administrators, as well as administrative and judicial bodies).

Payment Services

The Law stipulates detailed rules and provisions for conducting payment services, including the types of entities authorized to provide such services. It also defines the principles for sharing liability between a customer and a payment system provider in case of illegal or unauthorized usage of the customer's funds. The Law specifically determines a list of all payment services, which *inter alia*, include the issuance of payment instruments, the issuance and use of electronic money, etc.

Supervisory Authority of the National Bank of Georgia

Under the Law, the NBG shall be authorized to:

- Grant the status of an Important System – a payment system operator registered by the NBG, which has three or more participants and is regarded as “Important” for the protection of public trust and/or for the stability of the payment system and/or financial system – and establish additional requirements for its functioning;
- Set additional requirements for an Important Provider of Payment Services, including minimum capital requirements;
- Determine the types of services which shall not be included in payment services, as well as the category of electronic money and payment instruments, which shall not be covered by this Law and/or operations using which shall not be regarded as payment services.

The Law sets out the principles applicable to Important Systems, such as the protection of settlement accounts and a prohibition against withdrawing a transfer order received by the system, etc. The NBG has discretion to adapt these special rules to other payment systems as well and to publish a list of such systems.

2) AMENDMENTS TO THE LAWS OF GEORGIA ON THE ACTIVITIES OF COMMERCIAL BANKS AND ON INSOLVENCY PROCEEDINGS

In connection with enactment of the Law, Parliament also amended the Law on Activities of Commercial Banks to authorize commercial banks to engage in additional types of banking activity, namely the provision of payment services, operation of payment systems and acting as a settlement agent. In addition, the amendments change the ranking of a bank's creditors to allow the creditor who holds financial collateral to rank ahead of all other secured and unsecured creditors of a commercial bank in the process of its liquidation to the extent secured by financial collateral. Furthermore, if the liquidated commercial bank was a payment system operator and/or a settlement agent, then the liquidator must settle transfer orders received by the system prior to his appointment, establish settlement positions of the system participants and execute settlements in accordance with the Law. Relevant changes were also made to the Law of Georgia on Insolvency Proceedings, according to which a creditor who holds financial collateral is entitled to preferential satisfaction over any other creditor within insolvency proceedings, to the extent its claim is secured by financial collateral.

3) AMENDMENTS TO THE LAW OF GEORGIA ON ENFORCEMENT PROCEEDINGS

From 1 September 2012 substantial amendments to the Law of Georgia on Enforcement Proceedings (the “**Enforcement Law**”) will come into force. According to the amendments, the parties to an unsecured loan agreement – the lender and the borrower – may agree to register the loan agreement with the National Bureau of Enforcement (the “**NBE**”). The NBE will maintain the Registry of Loan Agreements and exercise “control” over the fulfilment of payment obligations by the borrower. If the borrower does not comply with his payment obligations, the Head of the NBE issues an Order of Enforcement within 15 days of the borrower's breach or default (unless a different period is agreed in the loan agreement). This Order may be enforced from the day of issuance, unless the lender requests extension of this term, in which case the Order may be enforced within a 5-year period. The detailed rules for the above proceedings are to be determined by the Order of the Minister of Justice of Georgia.

DLA Piper is a global law firm. With over 4,200 lawyers and a global footprint of 77 offices across Asia Pacific, Europe, the Middle East and the US, we offer our clients a local presence in 31 countries and can help them realise their ambitions wherever they wish to do business.

DLA Piper Georgia LP is the first international law firm in Georgia. At the same time, we are well-established locally, tracing our roots back to the founding of Georgian Consulting Group in 1994. Our Georgia team includes 12 experienced Georgian attorneys and a US-qualified partner resident in Tbilisi with 18 years' experience in Georgia and the CIS. We are top ranked in Georgia for business and finance law by the international legal rating agencies, Chambers Europe, Chambers Global, Europe Legal 500 and the IFLR 1000.

We would be pleased to work with you on your banking and finance legal needs.



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TBC Bank Wins Awards for Best Integrated Consumer Bank Site in Central & Eastern Europe and Best Consumer Internet Bank in Georgia 2012 from Global Finance Magazine

For the first time, Global Finance Magazine names a Georgian Bank in its World's Best Consumer Internet Banks categories. TBC Bank won two outstanding nominations: Best Integrated Consumer Bank Site in Central & Eastern Europe and Best Consumer Internet Bank in Georgia. Other winners in regional sub-categories for Central & Eastern Europe include CITI Bank for Best Web Site Design and Best Bill Payment & Presentment, OTP Bank for Best Mobile Banking and Social Media, and Bank Millennium for Best Online Deposit, Credit and Investment Product Offerings.

According to the publication's press release, "winning banks were selected based on the strength of strategy for attracting and servicing online customers, evidence of tangible benefits gained from Internet initiatives, breadth of product offerings, and web site design and functionality." This is the 13th year Global Finance has named the World's Best Internet Banks. Details on all First Round winners will be published in the Magazine's September issue. First Round winners include Best Corporate/Institutional Internet Banks and Best Consumer Internet Banks at the country level.

"We are extremely proud to be recognized on the regional level and to be the first bank in Georgia to receive these prestigious awards. This is an excellent acknowledgment for our team's tireless efforts of more than a year to deploy the best in the region multichannel platform. I would like to use this opportunity to thank our team for their remarkable work and I hope for further success in the future," commented Vakhtang Butskhrikidze, the Chief Executive Officer.

TBC Bank and EBRD Sign a USD 10 Million Loan Agreement



TBC Bank and European Bank for Reconstruction and Development (EBRD) have concluded a USD 10 million loan agreement under the Caucasus Energy Efficiency Program (CEEP). The five year loan facility will be dedicated to financing renewable energy and energy efficiency projects of our corporate and SME customers.

EBRD has established the CEEP in order to extend loans to financial institutions in the region for on-lending to private sector entities with a view to finance energy efficiency and rational energy utilization investments. TBC Bank was the first Georgian bank to receive the initial USD 10 million facility in 2007 and this is the second loan of this type for our Bank.

"We are pleased to continue our successful relationship with EBRD, TBC Bank's long-standing partner and shareholder. The CEEP loan agreement will allow us to continue financing the energy sector, one of the most important and fast expanding industries in the country," commented Vakhtang Butskhrikidze, the Chief Executive Officer.



საქართველოს ბანკი
BANK OF GEORGIA

Bank of Georgia issues US\$ 250 million Eurobond

Bank of Georgia Holdings plc ('BGH') (LSE: BGEO LN), the holding company of JSC Bank of Georgia (the 'Bank'), Georgia's leading bank, announced today that the Bank has completed the issuance of its US\$250 million 7.75% Notes due 2017 (the 'Notes'). The Regulation S / Rule 144A 5-year senior unsecured Notes carry a 7.75% coupon rate per annum, paid semi-annually, and were issued and sold at closing at a price of 99.491% of principal amount on 5 July 2012. Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities Ltd. and Merrill Lynch International acted as Joint Lead Managers and Bookrunners for the Notes. Dechert LLP and Baker & McKenzie LLP acted as legal advisors to the Joint Lead Managers and the Bank, respectively. The Notes are rated BB- (Fitch) / Ba3 (Moody's) / BB- (Standard & Poor's). The Notes are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market.

"We are very pleased to have completed this Eurobond transaction in the current market conditions. Over 50 institutional investors from the US, UK, Switzerland, Italy, and other European countries placed orders. The bond issue, the net proceeds of which will be used, among other things, for general working capital purposes, will help us to optimize our average cost of funding. I would like to thank my colleagues and our advisors and congratulate them upon the successful completion of the deal", commented **Irakli Gilauri**, Chief Executive Officer.

Bank of Georgia receives US\$25 million loan from IFC

Bank of Georgia Holdings plc. ("BGH") (LSE: BGEO LN), the holding company of JSC Bank of Georgia (the "Bank"), Georgia's leading bank, announced today that it is partnering with IFC, a member of the World Bank Group to expand lending to Georgia's small and medium enterprises, focusing on women-owned businesses, and thus support their financial inclusion and improve competitiveness of the Georgian economy.

This will be the first IFC's banking on women facility to be introduced in Georgia and it is expected to have a strong demonstration effect in the market. IFC is providing a US\$25 million loan to Bank of Georgia and is considering mobilizing additional funding for the project from other lenders. Through the Bank's extensive network of 164 branches throughout the country the project is expected to benefit businesses in the regions as well as the capital.

"Growing the SME loan portfolio remains one of the objectives of the Bank's Retail Banking segment and I am especially pleased that the newly obtained facility will allow Bank of Georgia to extend financing to women entrepreneurs who play a vital role in the development of the country's SME sector, and will help to create more job opportunities in the Georgian economy," said **Irakli Gilauri**, Bank of Georgia CEO. "I would like to thank the Bank's long standing partner and shareholder IFC for the continuous collaboration," **Thomas Lubeck**, IFC Regional Manager, South Caucasus, said, "This agreement will help small and medium enterprises in Georgia continue to expand and modernize. Women-owned businesses represent an untapped market for financial institutions and this project will encourage lending to women entrepreneurs, helping improve the lives of a wide section of society."

IFC supports female entrepreneurship as an important part of its mission to foster sustainable private sector growth in developing countries. IFC works with financial institutions to expand financial services

to women entrepreneurs through specialized credit lines, market analyses, and capacity building. IFC launched its Banking on Women program in Europe and Central Asia in 2011 to support lending to women through financial intermediaries.

IFC is a shareholder of Bank of Georgia Holdings PLC, which took a premium listing on the London Stock Exchange (LSE) on February 28th, 2012.

Georgia has been a member of IFC since 1995. IFC's cumulative investments in the country to date total \$660 million in 42 projects across various sectors. IFC Advisory Services projects in Georgia focus on reforming the tax system to benefit small businesses, helping raise food safety standards, and strengthening the risk-management practices of banks.

About IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. We help developing countries achieve sustainable growth by financing investment, providing advisory services to businesses and governments, and mobilizing capital in the international financial markets. In fiscal 2011, amid economic uncertainty across the globe, we helped our clients create jobs, strengthen environmental performance, and contribute to their local communities—all while driving our investments to an all-time high of nearly \$19 billion. For more information, visit www.ifc.org

Bank of Georgia sets up a representative office in Budapest

Bank of Georgia Holdings plc (BGH) (LSE: BGEO LN), the holding company of JSC Bank of Georgia (the Bank), Georgia's leading bank, announced today that the Bank has opened an Asset and Wealth Management Representative Office in Budapest, Hungary (the Budapest Representative Office). The Budapest Representative Office, which marks its formal opening today, is the third representative office opened by the Bank's Asset and Wealth Management operations (AWM). The Tel Aviv and London representative offices have been operating since 2008 and 2010, respectively. The primary objective of the Budapest Representative Office will be the introduction of the Bank's products to the potential clients from Hungary and other Eastern European countries.

The opening of the Representative Office in Hungary is in line with the Bank's strategy of expanding the offering of wealth management deposit products internationally by establishing its presence in selected markets.

Irakli Rekhviashvili has been appointed as the Bank's Representative in Eastern Europe. He is based in Budapest, reporting to Vasil Revishvili, Deputy CEO in charge of the Bank's Asset and Wealth Management operations. Irakli Rekhviashvili has worked as a Senior Program Manager at Open Society Institute in Hungary for more than 10 years. He previously served as Minister of Economy of Georgia in 2004. Irakli Rekhviashvili holds a Masters Degree in Public Affairs from Princeton University, Woodrow Wilson School of Public and International Affairs.

The Bank's Asset and Wealth Management business currently serves over 900 clients from more than 50 countries. Client funds attracted by AWM have grown more than three times since year end 2009 to GEL 517 million as of 30 June 2012, of which approximately GEL 40 million have been attracted from clients in Hungary.

"I am very pleased that we have now established our presence in Eastern Europe through the representative office in Hungary. Client funds from Hungary have grown markedly in the past 18 months, accounting for more than seven percent of Asset and Wealth Management total client funds, prompting us to open a representative office in Budapest. The new representative office in Budapest will enable us service the expanding client base in Eastern Europe as we continue to expand our distribution platform.", commented **Irakli Gilauri**, Chief Executive Officer.



SOCIETE GENERALE GROUP

Bank Republic Sponsors Exhibition of Immigrant Artist Vera Pagava

On September 14th at 18:00, the National Museum of Georgia will host the opening of the exhibition of the artworks of Vera Pagava, the immigrant Georgian artist. This is the first time her artworks are introduced to the Georgian society.

The organizers of this important cultural event are: The Ministry of Culture of Georgia, Embassy of France to Georgia, the Vera Pagava association, the French Institute of Georgia and the National Museum of Georgia. The project is implemented with the financial assistance of Bank Republic.

Until now, the artistic heritage of Vera Pagava in Georgia was known only to the specialists and narrow circles of fine art lovers. Vera left Georgia in the 20's of the last century, at the age of 12, and spent the rest of her life in France.

Christian Carmagnolle, CEO of Bank Republic: "Supporting the cultural events has become a tradition for us. We are glad to introduce to the Georgian society the artworks of Vera Pagava. This cultural event will facilitate closer links between the Georgian and French cultures."

In accordance with the international strategy of Société Générale, Bank Republic will continue to actively participate in the cultural life of Georgia. The exhibition of Vera Pagava's artworks will last for a month.



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