

## BGI Law Brief

June - August 2020

### Anti-Dumping Legislation Enacted

On July 13, the Parliament enacted a new Law on Anti-Dumping Measures in Trade. The Law vests upon the Competition Agency the power to identify dumping imports and assess actual or potential damages to the local industry as well as to submit conclusions on proposed anti-dumping measures and/or tariffs to the Government. The final decision on regulatory measures is made by the Government.

Administration of antidumping tariffs falls within the competence of the Revenue Service. Most of provisions of the Law will enter into force on January 1, 2021. The Law will become fully effective as of June 1, 2021.

### Regulatory Authorities of Electronic Communications Commission Expanded

Controversial amendments were introduced to the Law on Electronic Communications effective from July 17. The amendments were widely criticized by local telecom actors as constituting potential threat to Media freedom in the country and due to high risk of abuse by the government. The amendments expand the power of Georgian National Communications Commission (GNCC), granting it the authority to appoint a special manager in companies regulated by GNCC. The special manager may appoint and dismiss company directors and take over their functions, restrict distribution of dividends and bonuses, and challenge validity of certain transactions made by the management.

### New Law on Investment Funds

On July 14, the Parliament adopted a Law on Investment Funds, which will enter into force on October 19. The Law is based on UCITS directive and AIFMD and its purpose is to implement *inter alia* the principles established by the International Organization of Securities Commissions (IOSCO). The Law applies to investment funds and asset management companies, as well as other market participants involved in management, administration, safekeeping and accounting of investment fund assets. The Law established framework for offering of investment fund units, as well as operation, authorization and liquidation of investment funds and asset management companies.

### Transparency Requirements for Securities Market Enhanced

Amendments to the Law on Securities Market entered into force on October 4. Among other issues, the amendments enhance transparency requirements and reporting standards for issuers of public securities and introduced detailed regulations and guidance on types of practices that would be considered as a market abuse, covering in particular insider dealing and market manipulation. The amendment also establishes rules on dissemination of investment advice and statistical information.

According to the amendments, holders of public securities whose holdings reach, exceed, or fall below 5%, 10%, 20%, 25%, 30% and 75% thresholds are required to report such transactions to the National Bank of Georgia (NBG) and the issuer. The procedure of public offering was also amended to the effect that: (i) the NBG was granted authority to introduce simplified procedures for submission of information in the process of a public offering for certain issuers; and (ii) the issuers will be required to submit the document on final terms of offering to the NBG within 10 days after approval of the preliminary prospectus.

### Energy Market Reform

In December 20, 2019, remodelling of legislative framework for energy sector was launched. On the same wave, further amendments to the Law on Energy and Water Supply were published and entered into force on July 17.

Pursuant to the amendments, system operators in the field are required to declare in advance a planned merger, alienation of interest (5% or more) or operational assets (5% or more of the value of total assets) or change of control (including change at the level of UBOs) resulting in control over the operator or its operational assets obtained by a foreign investor and to seek a preliminary approval from Georgian National Energy and Water Supply Commission (GNRC) in respect of such transactions. GNRC will approve or reject the application after assessing potential effect of the proposed M&A transactions on performance of the affected system operator (including its compliance with business license) and its tariffs' policy.

## **Gambling Industry Regulations**

Amendments affecting gambling business were adopted on June 25. They will come into force gradually with full effect from September 1, 2021.

Under the amendments, starting from January 1, 2021, providers of games of chances or other prize games or other substantial products/services (including electronic games, RNG, jackpot platform, game platforms, servers, client data bases, slot machines etc.) to game organizers will become regulated and subject to a special permit to be issued by the Revenue Service. The amendment also introduced more stringent requirements for customer identification, covering *inter alia* rules on processing and storage of data related to customers and transactions performed as well as disclosure requirements.

## **New Bill on Entrepreneurs**

On August 13, the Government published a proposed bill of a new edition of the Law of Georgia on Entrepreneurs in the official legislative gazette for public review and discussion. The bill was prepared with the support of USAID Rule of Law Program (PROLOG) and active involvement of German Agency for International Cooperation (GIZ).

Although the bill may undergo changes until it reaches its final form, it is expected that it will significantly alter currently effective corporate setting and regulate what was before in the discretion of parties.

The bill includes mandatory provisions and default rules and clearly differentiates between imperative legal requirements and those that can be deviated. The legal name of a private entity will have to be unique and may not match with already used legal names of other private entities registered in Georgia. The bill also regulates withdrawal and expulsion of shareholders from companies.

The companies will be required to update their registration data in the Public Registry to bring them into compliance with the new law.

## **Government Acts during COVID-19 Crisis**

The Government has approved certain measures to control economic activities. In particular, until January 1, 2021, all economic activities must be carried out in accordance with the Order of the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and

Social Affairs of Georgia (MOH) on the Approval of Recommendations to Prevent the Spread of the Novel Coronavirus (COVID-19) at Workplaces. The MOH has been granted authority to suspend economic activities in case there is a critical non-compliance with the Order.

## **Regulation on Travel to Schengen Zone**

On August 31, the Parliament approved the amendments to the Law on Rules of Departure from Georgia and Entry into Georgia of Georgian Citizens. The amendments will take effect from January 1, 2021.

The Border Police will control departure of Georgian citizens from the territory when traveling to the Schengen Area. The citizens intending to travel to Schengen Area must present at the Georgian border a valid biometric passport, return airline ticket, evidence of hotel/residence booking and a valid travel insurance. The border police will also verify if any of the Schengen states have restricted entry of an individual into the Schengen zone. If the citizen fails to meet the above requirements, the border police will not allow him/her to depart from the country.

## **Restriction on Regular International Flights**

On August 17, the Georgian Civil Aviation Agency issued NOTAM, which left the restriction on international regular flights in force until September 30. Restriction does not apply to those direct international flights that are carried out between Tbilisi, Munich, Paris and Riga international airports.

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*This Law Brief is for general information purposes only. It does not constitute and is not intended to be relied upon as legal advice. BGI shall not be responsible for any loss in the event this update is relied upon without seeking our professional advice first.*

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