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Parliament of Georgia adopted the law on Investment Funds

On 14 July 2020, law of Georgia on Investment Funds was published on the website of Legislative Herald of Georgia.

The aim of the law is to promote the market of Investment Funds in Georgia, ensure the existence of Competition on the market and the protection of the interests of investors;

Law regulates the issues related with the establishment and management of Investment Funds and Asset Management Companies, as well as, the relations related to the process of investment. Law also prescribes conditions, which considering the principle of equal treatment, will regulate the activities of Foreign Investment Funds and Asset Management Companies in Georgia;

Legal framework proposed by the law is applicable for following subjects: 1. Investment Funds established in Georgia. 2. Asset Management Companies (irrespective of the place of establishment) managing assets of an Investment Fund established in Georgia. 3. Asset Management Company established in Georgia irrespective of the place of establishment of the Investment Fund assets of which it manages. 4. Foreign Investment Fund, which offers its units in Georgia, as well as the Asset Management Company that, manages its assets. 5. Other persons (specialized depositaries, auditors and others) that carry out activities prescribed by this law related with the investment of assets of an Investment Fund, its management, storing and administration;

Pursuant to the law, entities under the scope of the law must be either registered or authorized by the supervisory body (National Bank of Georgia);

Law prescribes the definition of an Investment Fund and criteria to be considered for a particular person or scheme to qualify as an Investment Fund. These criteria is not strictly mandatory and other entities or schemes which fit the definition of an Investment Fund or function in accordance with established international standards can also be considered as Investment Funds;

Law differentiates Investment Funds based on its target investment group: Authorized Investment Funds, that are allowed to offer their units to the public at large and Registered Investment Funds, that are allowed to make only private offers;

Based on the legal form, Investment Funds are differentiated into two categories: investment company, that has the status of a legal person and joint fund, which is not a legal person;

Law also differentiated between Open and Closed Investment Funds. Open Investment Funds are those, investors of which can at any time demand buy out of their units; Closed Investment Funds do not have the obligation to buy out investments units until liquidation;

Law establishes the procedure for the establishment of Authorized and Registered Investment Funds, as well as, the rules for recognition of Foreign Investment Funds;

Pursuant to the law an Asset Management Company which is established in Georgia and carries out its activities must be licensed or registered by the supervisory body (National Bank of Georgia);

Asset Management Company is equipped with fiduciary duties, it must be independent, conduct its activities in good faith and pursuant to professional standards, with the belief that its actions serve the best interests of Investment Funds and Investors;

Law prescribes in detail, instances in which the right of an Asset Management Company to manage assets is suspended or terminated;

Law establishes special framework for liquidating resident Asset Management Companies with the aim to protect the interests of Investment Funds under its management, as well as, to ensure the timely delegation of its clients' assets and distribution of assets included in the liquidation mass to the creditors;

Law also sets forth the functions of the special depository, legal framework for the merger of Investment Funds and rules for investment and lending;

Law includes the special chapter relating to the rights of the Supervisory Body in the field of regulating Investment Funds and Asset Management Companies;

Law became effective upon its publication.

Source and date of publication: Legislative Herald of Georgia, 14.07.2020.

Locations

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