

Approved under Decree No. 258  
October 8, 2002  
President of National Bank of Georgia

## **Regulation on Minimum Capital Requirement for Credit Unions**

### **Article 1. General Provisions**

1. Capital is the principal element to ensure the non-bank depository institution's reliability and sustainability, as it gives the institution the opportunity to carry out banking activities, ensures stable growth, and enables it to neutralize expected and unexpected financial losses and damages.
2. In consideration of the significance of capital, and in order to supervise the activities of non-bank depository institutions, the National Bank shall periodically define minimum requirements for regulatory capital, paid-in share capital and minimum total capital.
3. The primary goal of the management of the institution, as well as the relevant supervisory agency, shall be to maintain the level of the regulatory capital sufficient to the institution, and assess its adequacy.
4. This Regulation, developed in accord with the Organic Law on the National Bank of Georgia, as well as the Law of Georgia on Non-Bank Depository Institutions – Credit Unions, defines the minimum requirements for the non-bank depository institutions' paid-in share capital and total capital, as well as adequacy of capital ratios.

### **Article 2. Definitions of Terms**

The terms used in this Law, shall have the following meanings:

- a) capital – monetary funds, defining the institution's "net" worth and possession, calculated by the excess of assets to liabilities;
- b) regulatory capital – kind of capital formed for the purpose of carrying out banking activities, neutralizing expected and unexpected financial losses and damages, and protecting from credit, interest rate, market and liquidity risks.
- c) subscribed share capital – monetary funds necessary to establish an institution and considered under bylaws, the investment of which is assumed by members under the bylaw, and the amount of which always represents the sum of the nominal value of shares;
- d) paid-in share capital – factually replenished portion of subscribed share capital;
- e) total capital - the unity of paid-in capital, additional monetary contributions, donations, general reserve, previous year's retained earnings and reporting year's earnings;
- f) minimum capital requirements – includes minimum amount of paid-in capital serving the purpose of regulating the activities of credit unions, as well as procedures to define the ratios of total capital and its adequacy, in order to neutralize operational risks and secure current operations;
- g) solvency – availability of monetary funds in order to timely meet longer-term financial liabilities;
- h) assets – tangible or intangible resource at the disposal of the credit union, which is the result of the previous years' economic activities and on the basis of which the institution anticipates economic benefit;