

Georgian FX Market



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Georgia At Glance

- Population: 3.7 million (2017)
- GDP 2017: US\$ 15 billion
- GDP per capita 2017 (PPP): int\$ 10 747
- Average GDP real growth (2007-17): 4.5%
- GDP real growth 2017: 5.0%
- Average inflation rate (2009-17): 3.5%
- Sovereign ratings:
 - Fitch BB-/Positive
 - S&P BB-/Stable
 - Moody's Ba2/Stable



Free Market Without Restrictions

- **Floating** exchange rate regime;
- **NO** restrictions on capital movement;
- **NO** restrictions on FX operations/conversions;
- **NO** restrictions on capital repatriation;
- **NO** specific Taxation of FX market activities.



Market Participants

- Central Bank
 - Occasional involvement through auctions
- Commercial Banks (16);
- Microfinance Institutions (72, o.w. 6 active on FX),
- Exchange Bureaus (more than 1000);
- Brokers (9);
 - Are not active in domestic FX market;
 - Global FX trading (7) became part of brokerage business recently.



Market Regulation

- Central bank is supervising entire financial sector (Banks, Brokers, Exchange, MFI, CSD);
- Open currency position restrictions for banks;
- Central bank in charge of competition/anti-monopoly policy and enforcement in financial sector.



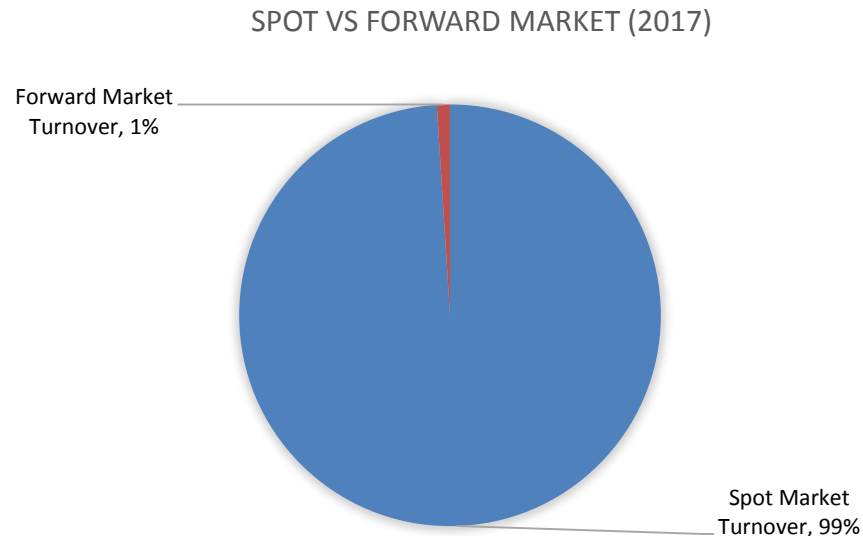
Market Infrastructure

- Freedom of choice for trading venue/platform;
- Interbank OTC market in Bloomberg;
- Settlement of GEL transactions in RTGS;
- FX settlement through NOSTRO accounts, using SWIFT;
- No FX trading on Exchange.



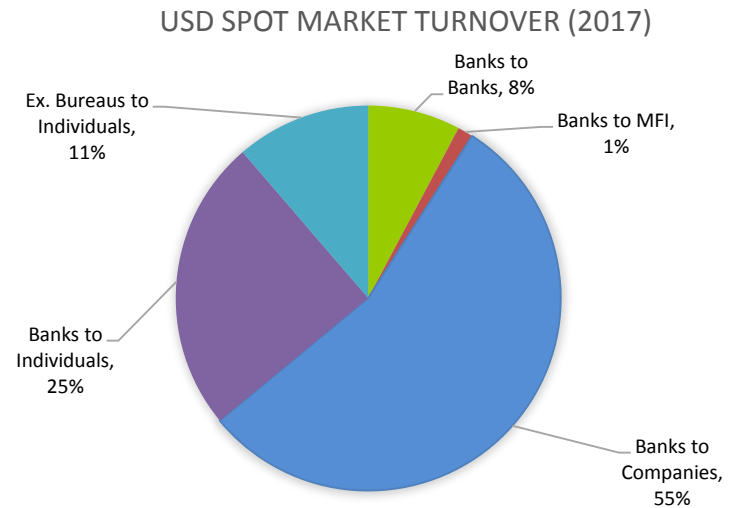
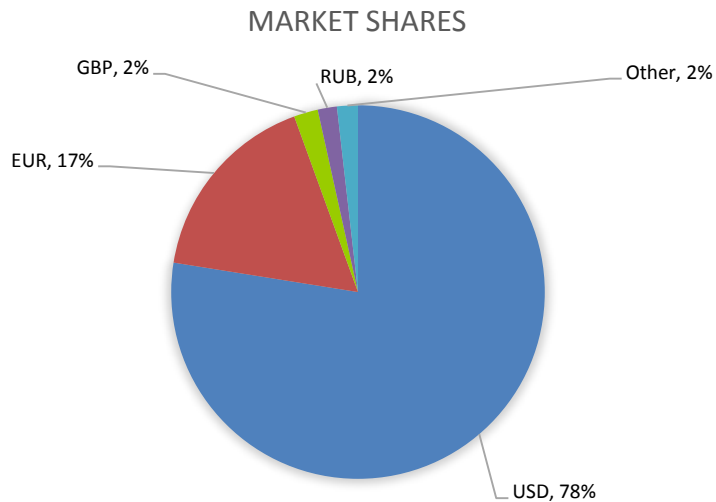
Development of FX Derivatives

- FX forwards activity is increasing;
- Project with EBRD:
 - Law on derivatives, netting and financial collateral;
 - Trainings for market participants;
- ISDA legal opinion for Georgia expected in Q1, 2019



Domestic FX Market

- Market transactions are mainly Banks to Companies;
- GEL/USD is a dominant pair.



GFXC in Georgia

- The market is dominated by two large banks and we want to make sure that market operate fairly;
- Banks sometimes can move the market against their clients when executing large size orders;
- We wanted to have clear rules about acceptable and non acceptable behavior on FX market;
- Globally accepted Code shall remove the questions about market integrity;
- We needed professional association, where market participants would impose high level standards on own operations and a platform for discussing compliance with rules as well as market development issues.



Road to GFXC

- We initiated communication with GFXC members:
 - ECB, NY FED, BoE and GFXC Secretariat.
- Had meetings with leading Banks to promote the Code and to increase awareness;
- Drafted Charter for the association;
- Safeguarded donor support.



Next Steps for Georgia

- We plan to establish local association under the name of FX and Bond Market Treasury Association;
- Association will be established under central bank sponsorship;
- Participation will be open to professional FX market participants;
- Association will be non profit and collect fees from participants;
- Will hire consultants to help with implementation of the Code.



Main Functions of Association

- Represent Georgia in FX Global Committee;
- Promote high standards of professional conduct and competencies;
- Mediate disputes among market participants where the parties involved agree to such mediation;
- Discuss and provide opinion regarding compliance with FX Global code;
- Undertake activities aimed at education of market participant and general public;
- Serve as a channel of communication amongst market participants and with authorities;
- Collect and disseminate market data.



Our Main Objectives

- Preserve high level of Integrity within Georgian FX market;
- Organize internal market in line with international best practice and open up for cross border FX transactions;
- Improve the capacity of market participants and raise professional standards;
- Promote competition and avoid market manipulation;
- Promote dialogue and partnership between regulator and private sector participants;
- Establish reputation of Georgian FX market as a reliable and trusted place for conducting FX business.



Thank you!

