

Guarantee Requirements

Document Versions

Date and Version	Description of changes
06/2022 v.1	First Version was approved
06/2023 v.2	Minor clarification in the registration section
06/2024 v.3	Minor clarification in the indicative guarantee forms section
11/2024 v.4	Minor changes regarding requirement of Deposit Letter

1. Introduction

According to the “Electricity Day-ahead and Intraday Market Rules” approved by GNERC’s Resolution #46 of August 11, 2020, guarantee requirements are defined to ensure the obligations undertaken by a participant on the Exchange. The participant can submit the guarantee by 09:00 (CET) each working day, either via qualified electronic stamp or signature from a financial institution, in accordance with Georgia’s “Law on Electronic Document and Electronic Trusted Services,” by email at settlement@genex.ge or in written form at the address: 36 Khetaurov St., Tbilisi, 0102. According to Article 48 of the Day-Ahead and Intraday Market Rules, the participant can submit the guarantee in the following forms:

- ⇒ **As a deposit.**
- ⇒ **As a bank guarantee.**
- ⇒ **Any other form accepted by the exchange operator.**

Other forms of guarantees are specified in this document, but participants are authorized to initiate the use of new financial products for guarantees by contacting GENEX. If the new guarantee form ensures timely and full compliance with obligations, GENEX will reflect it in this document, and any participant will be allowed to use it.

2. General requirements for Bank Guarantees and Standby Letters of Credit

1. This section consolidates the requirements common to guarantees issued by a financial institution, including bank guarantees and standby letters of credit.
2. When a participant submits a bank guarantee or standby letter of credit, the issuing financial institution must have a publicly available rating that:
 - Is assigned by one of the following international rating agencies: Fitch, Standard & Poor’s, or Moody’s; and
 - For Georgian resident financial institutions, the rating should be at least “B” or “B2”, while for non-residents, it should be at least “BBB” or “Baa3”.

If the rating deteriorates and no longer meets this requirement, the participant has one month to submit a new guarantee. If this deadline is not met, GENEX is authorized to cancel the submitted guarantee (not consider it for setting the trading limit) the day after notification.

3. Both the submission of guarantees by participants and the request for guarantee drawdown by GENEX are conducted through electronic document exchange. Electronic document exchange entails the exchange of information in compliance with Georgia’s “Law on Electronic Document and Electronic Trusted Services,” conducted through email. If the financial institution has an electronic document exchange platform, it may also be used for this purpose.
4. The guarantee must be replaced with a new or the same type of guarantee or alternatively the term of the existing guarantee must be **extended 7 (seven) days before its expiration date** (in case of replacement, GENEX will notify the issuer of the old guarantee about replacement within 1 (one) working day).
5. The guarantee must be submitted in the form specified by GENEX (i.e., it must contain all information provided in the form). GENEX will not accept a guarantee that does not adhere to the predetermined form.

3. Deposit

A deposit submitted by a participant involves placing an amount on GENEX bank account, which can only be disposed of at GENEX's initiative (Market Rules, Article 48, Paragraph 3). The indicative letter form for submitting a deposit is provided in Annex #4. Submitting letter form for deposit is permitted:

- From the email address of the **trading/clearing** representative defined in the statement regarding registration as a participant in the day-ahead and intraday electricity markets (in this case, the letter is acceptable without a qualified electronic stamp or signature);
- In the case of sending from any other email, the exchange of information must comply with the Law of Georgia on "Electronic Document and Electronic Trust Services," accompanied by the participant's qualified electronic stamp or the electronic signature of an authorized person.

4. Bank Guarantee

A bank guarantee submitted by the exchange participant (Market Rules, Article 48, Paragraph 4):

- ⇒ Must be issued by an **authorized entity**.
- ⇒ The recipient (**beneficiary**) of the bank guarantee must be **GENEX**.
- ⇒ The bank guarantee must be **irrevocable**, ensuring the payment of the amount specified in the bank guarantee upon GENEX's request in case of the participant's non-fulfillment of obligations.

The exchange operator is authorized to set additional requirements to ensure the liquidity of the bank guarantee (Market Rules, Article 48, Paragraph 5). Additional requirements for the bank guarantee include:

- ⇒ The guarantor must undertake to pay GENEX the amount specified in the guarantee for the cost of electricity purchased by the participant on the exchange, within 3 (three) working days from GENEX's request;
- ⇒ The contract should not include any other requirement (except for invoice submission) that GENEX must fulfill before the guarantor complies with the obligation. An invoice represents a document generated on GENEX's trading platform per market rules (Market Rules, Article 45) or issued by GENEX for penalties or service fees;
- ⇒ Partial payments should be allowed within the scope of the bank guarantee;
- ⇒ Since the maximum expected period for bank guarantee drawdown is 3 working days, only a portion of the bank guarantee is considered when setting the trading limit on the exchange, calculated using the following formula: $\text{Guarantee amount} / (1+3*0.005)$.

The bank guarantee form is provided in Annex #1. GENEX and the participant's servicing bank may agree on an alternative formulation of the guarantee if needed.

5. Other forms of guarantee

The exchange operator must publish comprehensive information on its website regarding the possibility of submitting a guarantee in other forms (Market Rules, Article 48, Paragraph 8).

5.1. Standby Letter of Credit (STANDBY LC)

The standby letter of credit is regulated by the Uniform Customs and Practice for Documentary Credits (UCP latest version)¹.

The standby letter of credit must meet the following mandatory conditions::

- ⇒ The contract subject an irrevocable obligation of the financial institution to pay the beneficiary the amount of the letter of credit upon presentation of the appropriate request;
- ⇒ The recipient (**beneficiary**) of the standby letter of credit must be **GENEX**.
- ⇒ The standby letter of credit must be **irrevocable** to ensure the payment of the amount specified in the standby letter of credit upon GENEX's request in case of the participant's non-fulfillment of obligations.
- ⇒ The issuer must undertake to pay GENEX the amount of the letter of credit within **1 (one) working day** from the receipt of the unpaid invoice for the value of electricity purchased by the participant on the exchange;²
- ⇒ **The contract should not include any other requirement (except for invoice submission) that GENEX must fulfill before the issuer fulfills the obligation. An invoice represents a document generated on GENEX's trading platform per market rules (Market Rules, Article 45) .**
- ⇒ The contract should not include any rights or obligations for its parties, which might impede fulfilling the obligation undertaken by the participant of energy exchange.
- ⇒ Partial payments must be **allowed** within the scope of the **standby letter of credit**.

The standby letter of credit form is provided in Annex #2. GENEX and the participant's servicing bank may agree on an alternative formulation of the guarantee if necessary.

¹International Chamber of Commerce, 2007 revision

²In case, that participant has already partially fulfilled the obligation indicated in the invoice, when requesting the drawdown of standby letter, GENEX must also provide bank with written information about the amount already paid by participant together with the invoice copy and number of the standby letter of credit.

5.2. Performance of obligation by a third party

The participant may use a written agreement with another participant on the exchange (the exchange creditor) as a guarantee form. The agreement must meet the following conditions:

- ⇒ The subject of the contract is the performance of the obligation by a third party—the Exchange creditor, which means that this party agrees to reduce/cancel its demand on the Exchange to benefit the participant providing the guarantee in the event of non-payment of receivables by the latter.
- ⇒ Unless otherwise specified in the written agreement, the participant's trading limit will be defined by the entire amount of the creditor's claim on the exchange.
- ⇒ In case the participant fails to fulfill the obligations to the Exchange by the specified deadline, GENEX will fully cover the participant's obligation from the amount owed to the Exchange creditor, immediately notifying both the participant and the creditor.
- ⇒ whilst calculating trading limit of the Exchange creditor, amount used by another participant as guarantee will not be included;
- ⇒ If the amount of the exchange creditor's demand is lower than the amount parties had previously agreed to be used as guarantee, only the current amount of the demand shall be used to calculate debtor's trading limit.

The indicative form of the agreement is provided in Annex #3.

Annex 1. Bank guarantee form

[Place]

[Day/Month/Year]

Bank Guarantee № _____

Guarantor: [Name of the guarantor; identification code]

Address of the guarantor: [Address]

Principal: [Name of the applicant; identification code]

Beneficiary: JSC Georgian Energy Exchange (I/D 404589432)

Amount: _____ [amount in words] GEL

The Principal participates in the electricity wholesale market organized by the Beneficiary on the exchange and, in accordance with the trading conditions and rules, is required to provide financial security, in this case, a bank guarantee. This bank guarantee ensures the payment of obligations arising from the electricity trading by the Principal in favor of the Beneficiary (including penalties and service fees of the Beneficiary). We, [Bank Name] (hereinafter "Guarantor"), agree to issue this bank guarantee on behalf of the Principal.

The Guarantor undertakes an irrevocable obligation to reimburse the Beneficiary up to the total Guarantee Amount within no more than 3 (three) banking days¹ from the receipt of a written demand by the Beneficiary.

The Beneficiary's demand for reimbursement under the Guarantee must be submitted in writing and include:

1. The Beneficiary's bank details and the Guarantee number.
2. Details of the Principal's breach of obligations (e.g., failure to pay for electricity within 1 banking day of invoice issuance or non-payment of penalties or service fees of the Beneficiary within the prescribed period);
3. Information on the amount already paid (if any) by the Principal and the outstanding amount.

The demand must be accompanied by: The invoice;

Partial payments are allowed under this bank guarantee.

Submission location of the documents:

- a) [Name of Guarantor], at the address: [Exact Address of Guarantor]; or
- b) Guarantor's email address: [Guarantor's Email]. In case of submission by email, the request must bear the Beneficiary's qualified electronic stamp or electronic signature.

This bank guarantee is valid until [Day/Month/Year] (hereinafter "Validity Period").

¹ Banking Day - a day (excluding Saturdays, Sundays, and/or official holidays specified for commercial banks under the "Law on Commercial Banks' Activities" of Georgia) when commercial banks in Georgia are open and conducting their operations.

The Beneficiary's written demand is accepted only during the validity period, within business hours¹.

The bank guarantee will automatically terminate upon the occurrence of any of the following:

- Expiration of the validity period;
- Full payment of the Letter of Credit amount by the Bank to the Beneficiary;
- Beneficiary's written waiver of its rights under the Letter of Credit.

This Bank guarantee is subject to Georgian Law and Uniform Customs and Practice for Documentary Credits, as published by the International Chamber of Commerce (Publication #758). All disputes arising from or related to this Letter of Credit will be resolved in the courts of Georgia. Upon Bank's request, the decision of the court of the first instance shall be immediately enforceable under Article 268, Part 11 of the Civil Procedure Code of Georgia.

[Name of Guarantor]

Representative [Name and Surname]

¹ Business hours - the period from 10:00 AM to 5:00 PM during a Banking Day

Annex 2. Standby Letter of Credit

[Place]

[Day/Month/Year]

Standby Letter of Credit № _____

By issuing this standby letter of credit (hereinafter "Letter of Credit"), [Bank Name] undertakes an irrevocable obligation to pay the Beneficiary the amount of the Letter of Credit upon presentation of the documents requested under the terms below.

Issuing bank: [Bank Name]

Banks address: [Exact address of the bank]

Banks Email: [Bank's Email Address]

Applicant/Principal: [Name with legal form]

Principal's ID: [Identification Code]

Principal's Account Number: [IBAN]

Beneficiary: JSC Georgian Energy Exchange

Beneficiary's ID: 404589432

Beneficiary's Email: settlement@genex.ge

Beneficiary's Account Number:

GE00000000000000000000

Amount of Letter of Credit: _____ [Amount in words] GEL

Date of Letter of Credit: [Day/Month/Year]

The Principal participates in the electricity wholesale market organized by the Beneficiary on the exchange and, in accordance with the trading conditions and rules, is required to provide financial security, in this case, a standby letter of credit. This Letter of Credit ensures the payment of obligations arising from the electricity trading by the Principal in favor of the Beneficiary (including penalties and service fees of the Beneficiary). We, [Bank Name] (hereinafter "Bank"), agree to issue this bank guarantee on behalf of the Principal.

The Bank undertakes an irrevocable obligation to reimburse the Beneficiary up to the total amount of the Letter of Credit upon the Beneficiary's request.

The Bank will pay the amount of the Letter of Credit within 1 (one) banking day¹ from the submission of the following documents by the Beneficiary:

Documents to be presented:

1. An invoice;
2. A written request from the Beneficiary for payment under the Letter of Credit, which includes the Beneficiary's bank details and the Letter of Credit number, as well as information on the amount paid by the Principal and the outstanding amount.

Submission Location of Documents:

- a) [Name of Issuing Bank], at the address: [exact address of issuing bank]. or

¹ Banking Day - a day (excluding Saturdays, Sundays, and/or official holidays specified for commercial banks under the "Law on Commercial Banks' Activities" of Georgia) when commercial banks in Georgia are open and conducting their operations.

- b) Issuing Bank's email address: [Email address of issuing bank]. In case of submission by email, the request must bear the Beneficiary's qualified electronic stamp or electronic signature.

Partial payments are allowed under this Letter of Credit.

This Letter of Credit is valid until [Day/Month/Year]. Any request for payment by the Beneficiary must be submitted by this date. The Beneficiary's written request is accepted only during the validity period, within business hours¹.

The Letter of Credit will automatically terminate upon the occurrence of any of the following:

- Expiration of the validity period;
- Full payment of the Letter of Credit amount by the Bank to the Beneficiary;
- Beneficiary's written waiver of its rights under the Letter of Credit.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (UCP latest version), as published by the International Chamber of Commerce.

All disputes arising from or related to this Letter of Credit will be resolved in the courts of Georgia. Upon the Bank's request, the decision of the court of first instance shall be immediately enforceable under Article 268, Part 1¹ of the Civil Procedure Code of Georgia.

[Bank Name]

Representative [Name and Surname]

¹ Business hours - the period from 10:00 AM to 5:00 PM during a Banking Day

Annex 3. Obligation Fulfillment by a Third Party

Agreement on Obligation Fulfillment by a Third Party

This Agreement, hereinafter referred to as the "Agreement," is made between the parties:

„Company Name“ [ID Code _____; Exchange Registration Number: D _ _ _ _], (as "GENEX Debtor"), established and operating under the laws of Georgia, with the address: _____, represented by _____ Position, _____ Name Surname, acting under _____,

„Company Name“ [ID Code _____; Exchange Registration Number: D _ _ _ _], (as "GENEX Creditor"), established and operating under the laws of Georgia, with the address: _____, represented by _____ Position, _____ Name Surname, acting under _____,

The parties are participants in the exchange and trade in the Day-ahead and Intraday markets. Considering the General Director's Order of JSC "Georgian Energy Exchange" on "Guarantee Requirements" approval, by signing this Agreement, the parties agree as follows:

Article 1. Definitions

The terms used in this Agreement have the same meaning as in the Market Rules. Other terms for the purposes of this Agreement are defined as follows:

- a) Market Rules - "Electricity Day-Ahead and Intraday Market Rules" approved by the Georgian National Energy and Water Supply Regulatory Commission's Resolution #46 dated August 11, 2020.
- b) GENEX - JSC "Georgian Energy Exchange," the exchange operator.
- c) GENEX Debtor - a participant planning to trade on the exchange and expects to have or already has a financial obligation to GENEX due to trading.
- d) GENEX Creditor - a participant holding a claim against GENEX (an amount receivable from GENEX).
- e) Future Obligation - the expected financial obligation of GENEX Debtor to GENEX arising from exchange trading, for which a guarantee is provided.
- f) Due Debt - a debt to GENEX by GENEX Debtor arising from exchange trading, which has reached the due date.
- g) Creditor's Claim - a claim of GENEX Creditor against GENEX arising from exchange trading.

Article 2. Subject of the agreement

1. The subject of the Agreement is the fulfillment of an obligation by a third party, meaning that GENEX Creditor agrees:
 - a) Creditors Claim is submitted by GENEX Debtor to GENEX as a guarantee to secure the Future Obligation.
 - b) That the Creditor's Claim will be used by GENEX as Debtors guarantee, fully or partially, to cover the Due Debt of GENEX Debtor if necessary.
 - c) That GENEX will reduce the Creditor's trading limit by the amount specified in clause 3 of this Article.
2. This form of guarantee is only permissible if the Creditor's Claim's payment date is later than the Future Obligation's due date by GENEX Debtor.
3. GENEX Debtor uses the Creditor's Claim as a guarantee [in full or not exceeding ---- GEL].
4. If GENEX Debtor does not cover the Due Debt within the period defined by the Market Rules, GENEX will cover the Due Debt from the Creditor's Claim up to the amount specified in clause 3 of this Article and correspondingly reduce the Creditor's Claim.
5. This Agreement enters into force on [Date] and is valid for [Period].
6. The Agreement terminates upon the occurrence of any of the following circumstances:
 - a) Expiration of the period specified in clause 5 of this Article;

- b) Mutual agreement of the parties;
- c) Unilateral notification to GENEX in advance.

7. The application of this Agreement in determining GENEX Debtor's trading limit will cease:

- a) In the case provided for in subclause "a" of clause 6 - two banking days before the period ends, from 10:00 AM (Central European Time);
- b) In the cases provided for in subclauses "b" and "c" of clause 6 - on the banking day specified by the parties after receiving the official notification, but not earlier than two banking days from the notification to GENEX, starting from 10:00 AM (Central European Time), whichever is later.

Article 3. Communication between parties and GENEX

1. The parties agree that documents related to this Agreement may also be exchanged via email, with notification by telephone:

- a) GENEX Debtor: Email _____@_____ ; Telephone _____
- b) GENEX Creditor: Email _____@_____ ; Telephone _____

- 2. Any document sent by email concerning this Agreement must be authenticated with an electronic stamp.
- 3. A document sent by email is considered received by the other party only after confirmation by the recipient via email or telephone.
- 4. Communication with GENEX is conducted according to rules defined by "Clearing and Settlement Guide" and the rules defined by "Requirements for Guarantees" approved by the General Director's order of JSC "Georgian Energy Exchange".

Article 4. Final Provisions (optional article)

- 1. This Agreement is governed and interpreted in accordance with the laws of Georgia.
- 2. In case of any dispute arising from or related to this Agreement, if no agreement is reached, the dispute will be referred to the common courts of Georgia [or to the relevant arbitration agreed upon by the parties, if arbitration is used].

Signatures of parties

GENEX Debtor

Name and Surname of signatory

Position: _____

Date: --/--/---

GENEX Creditor

Name and Surname of signatory

Position: _____

Date: --/--/---

Annex 4. Letter upon deposit placement

The indicative letter form for submitting a deposit:

The notification should be sent via email to: settlement@genex.ge

Notification of Deposit placement

We hereby inform you that, in accordance with the “Electricity Day-Ahead and Intraday Market Rules” approved by the Georgian National Energy and Water Supply Regulatory Commission on August 11, 2020 (Resolution #46), a guarantee in the form of deposit has been placed in the account specified by GENEX: GE15TB7434736030100003 .

- **Beneficiary: JSC Georgian Energy Exchange**
- **Name of the participant providing the deposit:**
- **Participants ID code:**
- **Amount of guarantee (in GEL):**

Date: --/--/---

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