# Law of Georgia on
# Facilitating the Suppression of Money Laundering and Terrorism Financing

## Chapter I
## General Provisions

### Article 1. Purpose and scope

1. This Law aims to establish an effective legal mechanism in Georgia for the prevention, detection and suppression of money laundering, and financing of terrorism and proliferation of weapons of mass destruction.

2. Provisions of this Law shall be binding for obliged entities, supervisory authorities and other public agencies, investigative and prosecution bodies, senior management and employees of obliged entities and FMS.

### Article 2. Definitions

1. For the purposes of this Law, the following definitions apply:

a) 'obliged entity' - an entity referred to in Article 3(1) of this Law;

b) 'account' - a unique means of recording customer funds, securities or electronic money in commercial banks, brokerage companies or payment service providers;

c) 'non-registered organizational entity' - an association provided by the legislation of Georgia or a foreign jurisdiction (apartment owners' association, non-registered union, partnership, etc.), which is characterized by an internal organizational structure/setup and legal capacity to engage in a third-party relationship on its own behalf, but has not been registered as a legal person;

d) 'beneficial owner' - a natural person as defined by Article 13 of this Law;

e) 'UN sanctions committee' - a relevant sanctions committee established under a UNSCR;

f) 'UNSCR' - a resolution of the United Nations Security Council concerning the prevention, detection and suppression of financing of terrorism and proliferation of weapons of mass destruction adopted under Chapter VII of the Charter of the United Nations;

g) 'transaction' - a transaction as defined by Article 50 of the Civil Code of Georgia;

h) 'linked transactions' - occasional transactions concluded in a reasonable timeframe and/or defined based on other criteria, which are related to the same customer. The identification of linked transactions in circumstances referred to in this Law aims to prevent customers from circumventing the due diligence measures by structuring transactions;

i) 'reasonable grounds to suspect' - information or circumstances that would satisfy an objective observer that a person concerned may have committed a criminal offence;

j) ‘occasional transaction’ - a transaction, other than a transaction prepared, concluded or carried out in the course of a business relationship, where the obliged entity renders services provided by the legislation of Georgia to a customer;

k) ‘verification’ - obtaining information (documents) that permits the obliged entity to verify the accuracy of identification data of a person, and also satisfies the obliged entity that it knows who the beneficial owner is;

l) ‘supervisory authority’ - an authority referred to in Article 4 of this Law, which is supervising the compliance of obliged entities with requirements of this Law;

m) ‘identification’ - obtaining the identification data of a person that permits the obliged entity to trace that person and distinguish from others;

n) ‘location’ - a country or territory where a person is registered and/or operates;

o) ‘customer’ - a person establishing a business relationship or concluding an occasional transaction with the obliged entity for the purpose of receiving its services;

p) ‘competent authority’ - FMS, the supervisory authority or other state agency responsible for the prevention, detection, suppression, investigation and/or prosecution of money laundering or terrorism financing and, where measures provided by Chapter X of this Law are being taken, also a state agency responsible for the prevention, detection, suppression, investigation and/or prosecution of terrorism financing in a foreign jurisdiction or other competent foreign authority;

q) ‘confidential information’ – information (documents) containing personal data, or professional or commercial secret;

r) ‘person’ - a natural or legal person, or a non-registered organizational entity;

s) ‘politically exposed person’ - a natural person as defined by Article 21(1) of this Law;

t) ‘international organization’ - a standing interstate or intergovernmental organization;

u) ‘suspicious transaction’ - a reasonable suspicion that a transaction has been prepared, concluded or carried based on proceeds of an illegal activity or for the purpose of money laundering, or that a transaction is related to terrorism financing;

v) ‘correspondent relationship’ - a business relationship as defined by Article 22(1) of this Law;

w) ‘FMS’ - the Legal Person of Public Law - the Financial Monitoring Service of Georgia;

x) ‘list of sanctioned persons’ – the list of natural and legal persons subject to sanctions under UNSCRs;

y) ‘business relationship’ - a continuing commercial or professional relationship, which involves the obliged entity rendering services provided by the legislation of Georgia to a customer;

z) ‘life insurance’ - an investment-related life insurance contract/policy (including the accumulative and redeemable types of life insurance);

$z^{1}$) ‘terrorism financing’ - a criminal offence provided by Article $331^{1}$ of the Criminal Code of Georgia;

$z^{2}$) ‘unusual transaction’ – a transaction or patterns of transactions as defined by Article 20(1) of this Law;

z[3]) 'trust or similar legal arrangement' - a legal arrangement as defined by Article 2 of the Hague Convention on the Law Applicable to Trusts and on their Recognition or a legal arrangement with similar structure/function;

z[4]) 'financial intelligence unit' - a state agency responsible at the national level for the receipt and analysis of confidential information concerning potential facts of money laundering and terrorism financing and, as required, for the dissemination of that information to other competent authority;

z[5]) 'financial institution' - an entity referred to in subparagraph "a" of Article 3(1) of this Law;

z[6]) 'shell bank' – a bank or other financial institution, which has no physical presence in a jurisdiction where it is registered or licensed;

z[7]) 'transfer of funds'- a transaction as defined by Article 17(1) of this Law;

z[8]) 'money laundering' - a criminal offence provided by Article 194 of the Criminal Code of Georgia;

z[9]) 'compliance system' - internal policies, procedures, systems and mechanisms as defined by Article 29 of this Law;

z[10]) 'senior management' - a natural person who holds comprehensive information concerning money laundering and terrorist financing risks related to business of an obliged entity and sufficient seniority to take decisions concerning the management of those risks;

z[11]) 'group' - a parent enterprise (organization) and its subsidiary enterprise (organization) and/or a branch that are subject to the Financial Action Task Force (FATF) recommendations on the customer due diligence and other measures;

2. Other terms used in this Law shall have the meaning provided by the legislation of Georgia.

## Article 3. Obliged entities

1. For the purposes of this Law, obliged entities shall include:

a) financial institutions:

a.a) non-bank depository institution - credit union;

a.b) founder of a non-state pension scheme;

a.c) insurance/reinsurance broker;

a.d) currency exchange bureau;

a.e) commercial bank;

a.f) microfinance organization;

a.g) brokerage company;

a.h) payment service provider;

a.i) insurance organization;

a.j) leasing company;

a.k) loan issuing entity;

a.l) securities registrar.

b) entities carrying out non-financial activity:

b.a) lawyer/law firm;

b.b) organizer of lotteries, gambling or other commercial games;

b.c) notary;

b.d) certified accountant/legal person rendering accounting services through a certified accountant;

b.e) auditor/audit firm;

b.f) trader of precious stones and metals.

c) public agencies:

c.a) the National Agency of Public Registry - the Legal Person of Public Law under the Ministry of Justice of Georgia (hereinafter referred to as "NAPR");

c.b) the Revenue Service - the Legal Person of Public Law under the Ministry of Finance of Georgia (hereinafter referred to as "Revenue Service").

2. Provisions of this Law shall apply to obliged entities referred to in subparagraphs "b.a" and "b.c" of paragraph 1 of this Article when rendering services related to the following activities:

a) buying, selling or gifting of real estate;

b) managing of funds, securities or other assets;

c) management of bank, savings or securities accounts;

d) organizing contributions for the creation, operation or management of legal persons;

e) creating, operating or management of legal persons, non-registered organizational entities, or trusts or similar legal arrangements;

f) buying or selling of legal persons.

3. Provisions of this Law shall not apply to obliged entities referred to in subparagraphs "b.d and "b.e" of paragraph 1 of this Article when providing legal advice, or representing and/or preparing the representation of a customer in administrative, investigative, judicial or arbitration proceedings.

4. Provisions of this Law shall apply to the natural persons referred to in subparagraphs "b.a", "b.d" and "b.e" of paragraph 1 of this Article when they render professional services independently.

5. If natural persons referred to in subparagraphs "b.a", "b.d" and "b.e" of paragraph 1 of this Article are partners or act on behalf of legal persons referred to in these subparagraphs, provisions of this Law shall apply to the relevant legal person.

6. NAPR is only subject to requirements provided by Articles 11(6), 25(4) and 26(1-3) of this Law.

7. Revenue Service is only subject to requirements provided by Articles 10(8), 11(7), 25(5) and 26(1-4) of this Law.

### Article 4. Supervisory authorities

For the purposes of this Law, supervisory authorities shall include:

a) the Service for Accounting, Reporting and Auditing Supervision - the State Subordinate Agency under the Ministry of Finance of Georgia in relation to obliged entities referred to in subparagraphs "b.d" and "b.e" of Article 3(1) of this Law;

b) the Georgian Bar Association in relation to obliged entities referred to in subparagraph "b.a" of Article 3(1) of this Law;

c) the National Bank of Georgia in relation to obliged entities referred to in subparagraphs "a.a", "a.d", "a.e", "a.f" ,"a.g", "a.h", "a.k" and "a.l" of Article 3(1) of this Law;

d) the Ministry of Justice of Georgia in relation to the obliged entities referred to in subparagraphs "b.c" and "c.a" of Article 3(1) of this Law;

e) the Ministry of Finance of Georgia in relation to obliged entities referred to in subparagraphs "a.j", "b.b", "b.f" and "c.b" of Article 3(1) of this Law;

f) the Legal Person of Public Law - the Insurance State Supervision Service of Georgia in relation to obliged entities referred to in subparagraphs "a.b", "a.c" and "a.i" of Article 3(1) of this Law.

## Chapter II
## Assessment and Managing of Money Laundering and Terrorism Financing Risks

### Article 5. NRA Report and Action Plan

1. The Government of Georgia shall approve the National Money Laundering and Terrorism Financing Risk Assessment Report and Action Plan (hereinafter referred to as "NRA Report and Action Plan") at the proposal of the standing interagency commission (hereinafter referred to as "Interagency Commission").

2. The main objectives of the NRA Report and Action plan shall include:

a) identifying, analyzing and assessing money laundering and terrorism financing risks at the national level and in relevant economic sectors;

b) taking legislative, institutional and other necessary measures to ensure that money laundering and terrorism financing risks are managed;

c) assisting the prioritization of public resources to facilitate the suppression of money laundering and terrorism financing.

3. The NRA Report and Action Plan shall be updated as required, but at least once in every 2 years.

4. The NRA Report and Action Plan are public and shall be published as provided by the legislation of Georgia except for those parts that include confidential information or a state secret, or if published, are likely to prejudice an ongoing investigation or prosecution, or to infringe interests of state security, public safety or other public interests.

### Article 6. Interagency Commission and Task Force

1. The Interagency Commission shall be established by the Government of Georgia to develop, monitor the implementation of and update the NRA Report and Action Plan.

2. Matters related to management, structure, powers, composition and rules of procedure of the Interagency Commission shall be determined on the basis of its regulation, which shall be approved by the Government of Georgia.

3. The Task Force shall be created within the Interagency Commission and its functions shall include:

a) developing the methodology to identify, analyze and assess money laundering and terrorism financing risks at the national level and in relevant economic sectors, and to determine measures to manage those risks (hereinafter referred to as 'risk assessment methodology');

b) developing the draft NRA Report and Action Plan with the involvement of competent authorities and obliged entities, and submitting the draft to the Interagency Commission for consideration;

c) submitting proposals to update the NRA Report and Action Plan to the Interagency Commission for consideration;

d) monitoring the implementation of the Action Plan and giving recommendations to competent authorities therein;

e) facilitating the coordinated action by competent authorities for the purpose of managing money laundering and terrorism financing risks;

f) promptly informing obliged entities about money laundering and terrorism financing risks.

4. The Task Force shall submit the annual report to the Interagency Commission, which shall include information concerning its activity and the state of implementation of the Action Plan.

### Article 7. Statistics

1. Competent authorities shall, within their competence, maintain and, upon request, submit to the Task Force within a reasonable timeframe the following data:

a) the number of reports submitted to FMS and selected for further analysis, and the number of results of analysis of FMS disseminated to competent authorities as provided by Article 34(1) of this Law;

b) the number of requests for confidential information or suspension of transactions sent to and received from financial intelligence units of foreign jurisdictions, and the number of received requests executed by FMS;

c) the number of money laundering and terrorism financing investigations, prosecutions, final convictions and acquittals;

d) the amount and/or type of assets frozen, seized and confiscated in money laundering and terrorism financing cases;

e) the number of requests for mutual legal assistance received, sent and executed on money laundering and terrorism financing cases;

f) the number and type of inspections carried out, violations identified and measures applied by supervisory authorities as provided by this Law or relevant regulations.

2. The Task Force shall be authorized to request and obtain from competent authorities additional statistics or other data as provided by the risk assessment methodology.

### Article 8. Assessment and managing of risks by the obliged entity

1. The obliged entity shall implement the effective system for the assessment and managing of money laundering and terrorism financing risks having regard to the nature and size of its business.

2. The obliged entity shall, at appropriate times, assess its business-related money laundering and terrorism financing risks, and in case of a parent enterprise (organization), also group-wide money laundering and terrorism financing risks, by having regard to customers, beneficial owners, their location and nature of business, and products, services, delivery channels, transactions and other risk factors.

3. The obliged entity shall assess money laundering and terrorism financing risks concerning the introduction of new technologies, products, services and delivery channels or making other significant changes to its business practice, prior to making such changes.

4. The obliged entity shall, in circumstances referred to in Article 11(1-4) of this Law, assess customer-related money laundering and terrorism financing risks and determine the customer risk level before concluding an occasional transaction or establishing a business relationship, and also at appropriate times in the course of a business relationship and when there are significant changes in circumstances of a customer.

5. The obliged entity shall implement effective measures for managing of money laundering and terrorism financing risks identified.

6. The obliged entity shall have regard to the NRA Report and Action Plan, and also to guidance and recommendations issued by FMS and the supervisory authority during the assessment and managing of money laundering and terrorism financing risks.

7. The obliged entity shall, upon request, demonstrate to the supervisory authority that money laundering and terrorism financing risks were appropriately assessed and effective measures were taken to manage those risks.

### Article 9. Low-risk service/product

1. The obliged entity may be exempted, through the regulation of FMS, from certain provisions of this Law when rendering services with low money laundering and terrorism financing risks.

2. The exemption referred to in paragraph 1 of this Article shall be appropriately grounded, and be applicable in strictly defined circumstances and to particular types of obliged entities or activities.

3. The financial institution may be exempted from certain provisions of this Law, as provided by paragraphs 1 and 2 of this Article, when rendering payment services through the electronic money instrument if all of the following conditions are met:

a) the instrument is used exclusively to pay for the purchase of goods or services;

b) the maximum amount stored electronically, at any given moment, does not exceed GEL 500 or its equivalent in foreign currency;

c) the instrument has a maximum monthly payment operations limit of GEL 500, which can be used only in Georgia, or the instrument is not reloadable;

d) the instrument cannot be loaded with anonymous electronic money;

e) the issuer of the instrument conducts ongoing monitoring of a business relationship to detect a suspicious transaction.

4. The maximum amount referred to in subparagraph "b" of paragraph 3 of this Article may be increased to GEL 1,500 for the instrument, which can be used only in Georgia.

5. The exemption referred to in paragraph 3 of this Article shall not be applicable to the electronic money instrument in the case of redemption in cash or cash withdrawal when the amount of cash exceeds GEL 150 or its equivalent in foreign currency.

## Chapter III
## Due Diligence Measures

### Article 10. Due diligence measures

1. The obliged entity shall undertake the following due diligence measures in circumstances provided by paragraphs 1-4 of Article 11:

a) identifying the customer and verifying that customer's identity on the basis of a reliable and independent source;

b) identifying the beneficial owner and taking reasonable measures to verify that person's identity on the basis of a reliable source;

c) ascertaining the purpose and intended nature of a business relationship;

d) conducting ongoing monitoring of a business relationship.

2. When undertaking the due diligence measures referred to in subparagraph "a" of paragraph 1 of this Article, the obliged entity shall identify the person purporting to act on behalf of a customer and verify that person's identity on the basis of a reliable and independent source, and shall also obtain the duly certified letter of authority.

3. When undertaking the due diligence measures referred to in subparagraph "b" of paragraph 1 of this Article in relation to legal persons, non-registered organizational entities, or trusts or similar legal arrangements, the obliged entity shall understand the ownership and control (management) structure of a customer.

4. When undertaking the due diligence measures referred to in subparagraph "c" of paragraph 1 of this Article, the obliged entity shall understand the nature of the customer's business, and shall obtain information about the nature, size and frequency of expected transactions.

5. When undertaking the due diligence measures referred to in subparagraph "d" of paragraph 1 of this Article, the obliged entity shall examine transactions prepared, concluded and/or carried out in the course of a business relationship to ensure that those transactions are consistent with the obliged entity's knowledge of a customer, its commercial or professional activity and risk level, and as required, the source of wealth and the source of funds, and shall ensure that identification data and other information (documents) obtained through the due diligence measures are updated at appropriate times.

6. The obliged entity shall be prohibited from establishing or continuing a business relationship or concluding/carrying out an occasional transaction if unable to undertake the due diligence measures in circumstances referred to in Article 11(1-4) of this Law. In such situations, the obliged entity shall consider submitting a report to FMS as provided by Article 25(1) of this Law.

7. The obliged entity shall be prohibited from establishing or continuing a business relationship or concluding/carrying out an occasional transaction if there are reasonable grounds to suspect that a customer or any other party to a transaction is one of the persons referred to in subparagraphs "a"-"c" of Article 41(5). In such situations, the obliged entity shall submit a report to FMS as provided by Article 25(1) of this Law.

8. The Revenue Service shall identify a person(s) transporting and/or sending/receiving cash or securities in circumstances referred to in Article 11(7) of this Law.

### Article 11. Grounds for due diligence measures

1. The obliged entity (except for those referred to in subparagraphs "b.b" and "b.f" the Article 3(1) of this Law) shall undertake the due diligence measures referred to in Article 10(1) of this Law in the following circumstances:

a) establishing a business relationship;

b) carrying out an occasional transaction above GEL 15,000 or its equivalent in foreign currency whether carried out in a single transaction or in several linked transactions;

c) carrying out an occasional transfer of funds above GEL 3,000 or its equivalent in foreign currency whether carried out in a single transaction or in several linked transactions;

d) there are doubts about the veracity or adequacy of identification data obtained as provided by Article 10(1) of this Law.

2. Dealers in precious metals and stones shall undertake the due diligence measures referred to in Article 10(1) of this Law if they carry out a cash transaction above GEL 30,000 or its equivalent in foreign currency whether carried out in a single transaction or in several linked transactions.

3. Organizers of lotteries, gambling or other commercial games shall undertake the due diligence measures referred to in Article 10(1) of this Law in the following circumstances:

a) accepting of funds, or payment of winnings or funds above GEL 5,000 or its equivalent in foreign currency whether carried out in a single transaction or in several linked transactions;

b) registration of customers - establishing a business relationship where lotteries, gambling and other commercial games are organized via systemic-electronic means.

4. The obliged entity shall undertake the due diligence measures referred to in Article 10(1) of this Law if there is a suspicion of money laundering or terrorism financing regardless of monetary thresholds provided by paragraphs 1-3 of this Article or any other exemption.

5. The obliged entity may be required, through the regulation of FMS, to identify a customer and/or the person purporting to act on behalf of a customer and verify their identity on the basis of a reliable and independent source regardless of monetary thresholds provided by paragraphs 1-3 of this Article.

6. NAPR shall undertake the due diligence measures referred to in subparagraph "a" of Article 10(1) of this Law if it registers the transfer of ownership of real estate on the basis of a transaction of buying, selling or gifting of that real estate.

7. The Revenue Service shall undertake the due diligence measures referred to in Article 10(9) of this Law if the value of cash or securities being transported across the customs border of Georgia is above GEL 30,000 or its equivalent in foreign currency.

### Article 12. Procedure for due diligence measures

1. The obliged entity shall undertake the due diligence measures referred to in Article 10(1) of this Law, consistent with the risk level of a customer, before concluding an occasional transaction or establishing a business relationship, and also at appropriate times in the course of a business relationship and when there are significant changes in circumstances of a customer.

2. The obliged entity may complete the due diligence measures referred to in subparagraphs "a" and "b" of Article 10(1) of this Law for the purpose of verifying a customer's or beneficial owner's identity after the establishment of a business relationship provided that money laundering and terrorism financing risks are low and if essential so as not to interrupt normal conduct of business. In such situations, the verification must be completed as soon as reasonably practicable.

3. The obliged entity shall be prohibited from opening or maintaining an anonymous account or an account in a fictitious name. The financial institution may, as provided by the regulation of the supervisory authority, open an account before completing the due diligence measures referred to in subparagraphs "a" and "b" of Article 10(1) of this Law for the purpose of verifying a customer's or beneficial owner's identity provided that operations on behalf, or at the direction of, a customer shall be prohibited before completing the verification.

4. The obliged entity may, as provided by the regulation of the supervisory authority, undertake the due diligence measures referred to in subparagraphs "a"-"c" of Article 10(1) of this Law for the purposes of establishing a business relationship or carrying out an occasional transaction through electronic means and without a face-to-face contact with a customer and/or the person purporting to act on behalf of a customer based on operational/technical procedures that have been agreed with the supervisory authority and ensure that money laundering and terrorism financing risks are effectively managed.

5. FMS shall adopt a regulation that provides for identification data, which shall be obtained by the obliged entity for the purpose of identifying a customer and/or the person purporting to act on behalf of a customer, and also documents required for their verification.

### Article 13. Beneficial owner

1. For the purposes of this Law, the beneficial owner shall mean a natural person who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is prepared, concluded or carried out.

2. For the purposes of this Law, the beneficial owner of a legal person shall mean a natural person who owns directly or indirectly 25 percent or more of voting shares or ownership interest in that legal person or a natural person who is exercising ultimate control over that legal person through other means.

3. Ownership of 25 percent or more of voting shares or interest in an enterprise by a natural person shall be an indication of direct ownership referred to in paragraph 2 of this Article, while ownership of 25 percent or more of voting shares or interest in an enterprise by another enterprise, which is under the control of a natural person(s), or by multiple enterprises, which are under the control of same natural person(s), shall be an indication of indirect ownership referred to in paragraph 2 of this Article.

4. If, after having exhausted all possible means, the obliged entity is satisfied that no beneficial owner of a legal person exists as provided by paragraphs 2 and 3 of this Article, the obliged entity shall undertake the due diligence measures referred to in subparagraph "b" of Article 10(1) of this Law in relation to a person(s) with managing authority of a legal person.

5. In case of a trust or similar legal arrangement, the obliged entity shall undertake the due diligence measures referred to in subparagraph "b" of Article 10(1) of this Law in relation to the following persons or persons holding equivalent positions:

a) the trustee;

b) the settlor;

c) the protector (if any);

d) the beneficiary;

e) other natural person exercising ultimate effective control over a trust or similar legal arrangement (if any).

6. Where the beneficiary referred to in subparagraph "d" of paragraph 5 of this Article has yet to be determined, the obliged entity shall obtain sufficient information concerning a group of persons in whose benefit a trust or similar legal arrangement is set up or operates in order to satisfy the obliged entity that it will be able to undertake the due diligence measures referred to in paragraph "b" of Article 10(1) of this Law before the payout or before the exercise by the beneficiary of its vested rights.

### Article 14. Life insurance beneficiary

1. In addition to the due diligence measures referred to in Article 10(1) of this Law, the insurance organization and the insurance/reinsurance broker shall undertake the following measures in relation to the beneficiary of life insurance:

a) identifying the specifically named beneficiary;

b) where the beneficiary is not specifically named, obtaining sufficient information concerning a potential group of beneficiaries to satisfy the insurance organization and the insurance/reinsurance broker that they will be able to identify the beneficiary before the payout of insurance proceeds.

2. In case of assignment, in whole or in part, of life insurance to a third party, the financial institution, aware of the assignment, shall identify that party as soon as reasonably practicable.

3. The insurance organization and the insurance/reinsurance broker shall verify the identity of the beneficiary of life insurance before the payout of insurance proceeds.

4. The insurance organization and the insurance/reinsurance broker shall consider the beneficiary of life insurance as a risk factor and, where high money laundering or terrorism financing risks are identified, shall undertake the enhanced due diligence measures as provided by Article 18 of this Law, which should include undertaking the due diligence measures referred to in subparagraph "b" of Article 10(1) of this Law in relation to a beneficial owner of the beneficiary before the payout of insurance proceeds.

### Article 15. Member of a non-state pension scheme

1. In addition to the due diligence measures referred to in Article 10(1) of this Law, the founder of a non-state pension scheme shall, before establishing a business relationship, identify members of a pension scheme and verify their identity on the basis of a reliable and independent source.

2. The founder of a non-state pension scheme may complete the verification of the member of a pension scheme after establishing a business relationship provided that money laundering and terrorism financing risks are low and if essential so as not to interrupt the normal conduct of business. In such situations, the verification must be completed as soon as reasonably practicable

3. The founder of a non-state pension scheme shall consider the member of a pension scheme as a risk factor and, where high money laundering or terrorism financing risks are identified, shall undertake the enhanced due diligence measures as provided by Article 18 of this Law, which should include undertaking the due diligence measures referred to in subparagraph "b" of Article 10(1) of this Law in relation to a beneficial owner of the member of a pension scheme before the payout.

### Article 16. Third party/intermediary

1. The obliged entity may rely on a third party/intermediary to undertake the due diligence measures referred to in subparagraphs "a"-"c" of Article 10(1) of this Law provided that a third party/intermediary carries out the due diligence measures, keeps information

(documents) and is regulated/supervised as provided by the FATF Recommendations. The ultimate responsibility for undertaking the due diligence measures as provided by this Law by a third party/intermediary shall remain with the obliged entity.

2. When selecting a third party/intermediary as provided by paragraph 1 of this Article, the obliged entity shall have regard to information available on money laundering and terrorism financing risks in the jurisdiction where a third party/intermediary is located. The obliged entity shall be prohibited from relying on a third party/intermediary, which is located in the high-risk jurisdiction.

3. The prohibition referred to in paragraph 2 of this Article shall not apply to a subsidiary enterprise (organization) or branch of the obliged entity located in the high-risk jurisdiction if a group-wide compliance system ensures that money laundering and terrorism financing risks are effectively managed.

4. The obliged entity shall obtain immediately from a third party/intermediary identification data and other information (documents) obtained through the due diligence measures referred to in subparagraphs "a"-"c" of Article 10(1) of this Law. The obliged entity shall also ensure that copies of identification data and other documents will be made available from a third party/intermediary immediately upon request.

5. Requirements referred to in paragraphs 1-4 of this Article shall not apply to an agent or outsourcing service provider, which is acting on behalf of the obliged entity and whose obligations are provided by contract. The responsibility for observing requirements of this Law by an agent or outsourcing service provider shall remain with the obliged entity.

6. The obliged entity, when acting as a third party/intermediary, shall be authorized, if a customer consents, to provide information, including confidential data, and copies of documents referred to in paragraph 4 of this Article to other entity that carries out the due diligence measures, keeps information (documents) and is regulated/supervised as provided by the FATF Recommendations.

7. The obliged entity, and an agent or outsourcing service provider acting on its behalf, shall be authorized, in circumstances referred to in this Law and without the consent from the person concerned, to use electronic databases of the Legal Person of Public Law under the Ministry of Justice of Georgia - the Public Service Development Agency for the purpose of identifying, verifying the identity of and/or updating previously obtained identification data on a customer, the person purporting to act on behalf of a customer, or a beneficial owner.

### Article 17. Transfer of funds

1. For the purposes of this Law, the transfer of funds shall mean a payment operation carried out through electronic means and by or with the consent of a payer with a view to making funds available to a payee, including without opening accounts on a payer's and a payee's names. When carrying out the transfer of funds, a payer and payee may be the same person, or the same financial institution may be rendering payment services to both.

2. The financial institution of a payer shall ensure that the transfer of funds is accompanied by identification data of a payer and a payee as prescribed by the supervisory authority.

3. The financial institution of a payee and the intermediary financial institution shall consider filing a report to FMS as provided by Article 25(1) of this Law if the transfer of funds lacks identification data of a payer or a payee.

## Chapter IV
## Enhanced and Simplified Due Diligence Measures

### Article 18. Enhanced due diligence measures

1. In addition to the due diligence measures referred to in Article 10(1) of this Law, the obliged entity shall, consistent with the risks identified, undertake enhanced due diligence measures in relation to high-risk customers, which shall include:

a) obtaining additional information on the assets and business of a customer and/or a beneficial owner;

b) increasing the frequency of updates of identification data of a customer and/or a beneficial owner;

c) obtaining additional information on the intended nature of a business relationship, including the purpose and grounds of transactions prepared, concluded, carried out or expected;

d) obtaining the approval of senior management to establish or continue a business relationship;

e) taking reasonable measures to determine the source of wealth and the source of funds of a customer;

f) conducting enhanced ongoing monitoring of a business relationship, including, by increasing the number and/or timing of controls applied to a customer, and selecting patterns of transactions that need further examination.

2. In addition to enhanced due diligence measures referred to in paragraph 1 of this Article, the obliged entity shall undertake other effective measures in relation to high-risk customers to manage the risks identified.

### Article 19. High-risk jurisdiction

1. For the purposes of this Law, the high-risk jurisdiction shall mean a country or territory, which has serious deficiencies in its anti-money laundering and countering the financing of terrorism system. The National Bank of Georgia, at the proposal of FMS, shall approve and, as required, update the list of high-risk jurisdictions.

2. In circumstances referred to in paragraphs 1-4 of Article 11 of this Law, the obliged entity shall undertake enhanced due diligence measures as provided by Article 18 of this Law, if:

a) a customer is a legal person, which is registered in the high risk jurisdiction or its branch registered in Georgia;

b) a customer is a natural person whose legal and/or actual address is in the high-risk jurisdiction;

c) a transaction is concluded or carried out through the financial institution, which is located in the high-risk jurisdiction.

3. Enhanced due diligence measures referred to in paragraph 2(b) of this Article need not be invoked automatically if the customer is a citizen of Georgia or a foreigner with the residence permit in Georgia.

4. Enhanced due diligence measures referred to in paragraph 2(c) of this Article need not be invoked automatically if the financial institution located in the high-risk jurisdiction is a subsidiary enterprise (organization) or branch of a Georgian-registered financial institution provided that a group-wide compliance system ensures that money laundering and terrorism financing risks are effectively managed.

### Article 20. Unusual transaction

1. For the purposes of this law, the unusual transaction shall mean a complex, unusually large transaction or unusual patterns of transactions, which have no apparent economic (commercial) or lawful purpose.

2. The obliged entity shall examine an unusual transaction, its purpose and grounds, and as required, shall conduct enhanced ongoing monitoring of a business relationship as provided by subparagraph “f” of Article 18(1) of this Law to identify a suspicious transaction.

3. The obliged entity shall, upon request, demonstrate to the supervisory authority that an unusual transaction was examined as provided by paragraph 2 of this Article and that reasonable measures were taken to detect a suspicious transaction.

### Article 21. Politically exposed person

1. For the purposes of this Law, the politically exposed person shall mean a natural person who has been entrusted with prominent public or political functions (except for middle or low ranking officials) and shall include:

a) heads of State, heads of government, members of government (ministers) and deputies, heads of government institutions;

b) members of legislative bodies (parliament);

c) heads and members of governing bodies of political parties;

d) members of supreme courts, constitutional courts and other high-level judicial bodies, the decisions of which are not subject to further appeal save in exceptional circumstances;

e) general auditors and deputies, members of courts of auditors;

f) members of boards of central (national) banks;

g) ambassadors, chargés d'affaires;

h) high-ranking officers in defense (armed) forces;

i) heads and members of governing bodies of State-owned enterprises;

j) heads, deputies and members of governing bodies of international organizations.

2. In circumstances referred to in paragraphs 1-4 of Article 11 of this Law, the obliged entity shall determine, through an appropriate risk management system, if a customer and/or a beneficial owner is a politically exposed person.

3. The obliged entity shall undertake the following measures if a customer or a beneficial owner is a politically exposed person:

a) obtaining the approval of senior management to establish or continue a business relationship;

b) taking reasonable measures to establish the source of wealth and the source of funds of a politically exposed person;

c) conducting enhanced ongoing monitoring of a business relationship as provided by subparagraph 'f' of Article 18(1).

4. Where a customer or beneficial owner is no longer entrusted with prominent public or political functions, the obliged entity shall take effective measures to manage continuing risks specific to a politically exposed person.

5. The obliged entity shall also undertake the measures referred to in this Article in relation to the following persons:

a) family members of the politically exposed person - the spouse, sister, brother, parent, children/step-children and their spouses;

b) a natural person who has the joint beneficial ownership of a legal person, non-registered organizational entity, or trust or similar legal arrangement, or any other close business relations, with a politically exposed person;

c) a natural person who is the actual (informal) beneficial owner of a legal person, non-registered organizational entity, or trust or similar legal arrangement, which has been set up for the benefit of a politically exposed person.

6. The obliged entities referred to in subparagraphs "a.b", "a.c" and "a.i" of Article 3(1) of this Law shall take reasonable measures to determine if the member of a pension scheme or the beneficiary of life insurance and, in circumstances referred to in Articles 14(4) and 15(3) of this Law, also their beneficial owners are politically exposed persons. Where high money laundering or terrorism financing risks have been identified, in addition to the due diligence measures referred to in Article 10(1) of this Law, the following measures shall be undertaken:

a) informing senior management about the risks identified before the payout;

b) conducting enhanced ongoing monitoring of an entire business relationship;

c) considering whether a report should be filed to FMS as provided by Article 25(1) of this Law.

### Article 22. Correspondent relationship

1. For the purposes of this Law, the correspondent relationship shall mean rendering of banking services by one bank (correspondent) to another bank (respondent) by providing a correspondent account and carrying out related banking operations, and a similar business

relationship between financial institutions, which involves transfers of funds or securities transactions.

2. In addition to the due diligence measures referred to in subparagraphs "a"-"c" of Article 10(1) of this Law, the financial institution shall undertake following measures before establishing a cross-border correspondent relationship:

a) determining from publicly available sources the respondent's reputation and quality of supervision, including whether it has been subject to a money laundering or terrorism financing investigation or a supervisory action for violating anti-money laundering and countering the financing of terrorism legislation;

b) assessing effectiveness of the respondent's compliance system;

c) obtaining the approval of senior management to establish a correspondent relationship;

d) clearly determining the obligations of both respondent and correspondent financial institutions.

3. In the course of a cross-border correspondent relationship, the financial institution shall take reasonable measures to detect a suspicious transaction, and shall undertake the measures referred to in subparagraphs "a" and "b" of this Article(2) at appropriate times and consistent with the risk level of the respondent.

4. The financial institution shall be prohibited from establishing or continuing a correspondent relationship with a shell bank or the respondent, which permits its accounts to be used by a shell bank.

5. The financial institution shall be prohibited from establishing or continuing a correspondent relationship with the respondent, which permits a correspondent account to be used directly by customers for transacting on their own behalf (payable-through account).

6. The financial institution shall be authorized, before establishing and/or in the course of a correspondent relationship, to provide the correspondent with information (documents), including confidential data, which is necessary to take the measures referred to in paragraphs 2 and 3 of this Article.

### Article 23. Reinsurance

1. In addition to the due diligence measures referred to in subparagraphs "a"-"c" of Article 10(1) of this Law, when fully or partially assuming insurance risk, the reinsurance company and the reinsurance broker shall undertake following measures before establishing a business relationship with the insurer registered in a foreign jurisdiction:

a) determining from publicly available sources the insurer's reputation and quality of supervision, including whether it has been subject to a money laundering or terrorism financing investigation, or a supervisory action for violating anti-money laundering and countering the financing of terrorism legislation;

b) assessing effectiveness of the insurer's compliance system;

c) obtaining the approval of senior management to establish a business relationship;

d) clearly determining the obligations of both the insurer and the reinsurance company or the reinsurance broker.

2. In the course of a business relationship, the reinsurance company and the reinsurance broker shall take reasonable measures to detect a suspicious transaction, and shall undertake the measures referred to in subparagraphs "a" and "b" of this Article(1) at appropriate times and consistent with the risk level of the insurer.

### Article 24. Simplified due diligence measures

1. The obliged entity may, consistent with the risks identified, undertake the simplified due diligence measures in relation to low-risk customers, which may include:

a) verifying the identity of a customer and/or a beneficial owner after the establishment of a business relationship as provided by Article 12(2) of this Law;

b) reducing the frequency of updates of identification data of a customer and/or a beneficial owner;

c) reducing the frequency and degree of scrutinizing transactions in the course of ongoing monitoring of a business relationship, based on a reasonable monetary threshold;

d) inferring the purpose and intended nature of a business relationship from the type of business relationship or transactions.

2. In the course of undertaking simplified due diligence measures, the obliged entity shall obtain sufficient information to determine the reasonableness of considering a customer as low-risk.

3. The obliged entity shall be prohibited from undertaking simplified due diligence measures when there is suspicion of money laundering or terrorist financing.

## Chapter V
## Reporting to FMS

### Article 25. Reporting obligation

1. The obliged entity shall report to FMS a suspicious transaction or an attempt to prepare, conclude or carry out a suspicious transaction.

2. In addition to a transaction referred to in paragraph 1 of this Article, FMS shall be authorized, through its regulation, to determine the types of transactions that shall be reported by obliged entities to FMS. Those types of transactions shall be determined based on information disseminated by international organizations or available to FMS, which indicates the probability of their use for money laundering or terrorism financing purposes.

3. FMS shall be authorized, through its regulation, to require obliged entities to file a report to FMS in circumstances referred to in paragraphs 'a'-'c' of Article 19(2) of this Law.

4. NAPR shall be required to report to FMS the registration of transfer of ownership of real estate in circumstances determined through the regulation of FMS.

5. The Revenue Service shall be required to report to FMS the transportation of currency or securities across the customs border of Georgia if their value exceeds GEL 30,000 or its

equivalent in foreign currency. FMS shall also be notified concerning the transportation of currency and securities secretly from or bypassing the customs control or through false declaration.

6. The obliged entity shall be required, at the request of FMS, to provide any information (documents) concerning transactions or person(s) involved therein, which was obtained as provided by this Law or any other information (documents) that is necessary for FMS to perform its functions.

7. A lawyer shall submit a report or other information (documents) referred to in this Article if this does not contradict the principle of professional secrecy as defined by the Law of Georgia on Lawyers.

### Article 26. Reporting procedure and time limits

1. A report and other information (documents) referred to in Article 25 of this Law shall be submitted to FMS electronically or in writing as provided by the regulation of FMS.

2. The report referred to in Article 25(1) of this Law shall be submitted to FMS on the day when a reasonable suspicion is formed.

3. A report referred to in paragraphs 2-4 of Article 25 of this Law shall be submitted to FMS within a time limit provided by the regulation of FMS.

4. The report referred to in Article 25(5) of this Law shall be submitted to FMS no later than 5 working days from the transportation of cash or securities across the customs border of Georgia.

5. The information (documents) referred to in Article 25(6) of this Law shall be submitted to FMS no later than 2 working days upon request.

6. A lawyer may submit a report and other information (documents) referred to in Article 25 of this Law to the supervisory authority, instead of FMS, within time limits provided by this Article. The supervisory authority shall submit a relevant report and other information (documents) to FMS unaltered and no later than the following working day.

## Chapter VI
## Record-Keeping and Confidentiality

### Article 27. Record-keeping procedure and time limits

1. The obliged entity shall maintain information (documents) obtained and results of analyses undertaken as provided by this Law, and also account files and business correspondence for five years following the termination of a business relationship or the conclusion of an occasional transaction.

2. The obliged entity shall maintain information (documents) on transactions as provided by the regulation of FMS, which permits the reconstruction of individual transactions, for 5 years following the preparation, conclusion or carrying out of those transactions.

3. The obliged entity shall maintain a report and other information (documents) submitted to FMS as provided by Article 25 of this Law, and also written instructions and records referred to in Article 36 of this Law for 5 years.

4. Time limits referred to in paragraphs 1-3 of this Article may increase based on a grounded request of FMS or the supervisory authority, but should not exceed additional 5 years.

5. Information (documents) referred to in this Article shall be maintained in such a form that permits its submission to a competent authority in due course and its use as evidence in a prosecution.

6. The obliged entity shall, consistent with the nature and size of its business, set up an electronic data-processing system for maintaining information (documents) as provided by this Article, and for detecting linked, unusual and suspicious transactions.

### Article 28. Prohibition of disclosure

1. The obliged entity, its management and employees shall be prohibited from disclosing to a customer or any other person that measures are being or will be undertaken to examine an unusual transaction and/or detect a suspicious transaction as provided by Article 20 of this Law, or that a report or other information (documents) is being or will be submitted to FMS as provided by Article 25 of this Law, or that measures referred to in Article 36 of this Law are being or will be undertaken.

2. The prohibition referred to in paragraph 1 of this Article shall not prevent:

a) the obliged entity to submit relevant information (documents) to a competent authority as provided by the legislation of Georgia;

b) the disclosure of information between members of the group where a group-wide compliance system exists as provided by Article 30 of the Law;

c) the disclosure of information between the obliged entities referred to in subparagraphs 'b.a', 'b.c' 'b.d' and 'b.e' of Article 3(1) of this Law, or between those obliged entities and similar entities located in foreign jurisdictions who perform their professional activities on behalf of the same legal person, or on behalf of legal persons that operate under a common system (structure) of ownership, management or compliance control;

d) the disclosure of information between the obliged entities referred to in subparagraphs 'a', 'b.a', 'b.c', 'b.d' and 'b.e' of Article 3(1) of this Law, or between those obliged entities and similar entities located in foreign jurisdictions that belong to the same professional category in cases relating to the same customer and the same transaction;

e) the obliged entities referred to in paragraphs 'b.a', 'b.c', 'b.d' and 'b.e' of Article 3(1) of this Law to seek to dissuade a customer from engaging in illegal activity.

3. The disclosure of information concerning measures referred to in paragraph 1 of this Article and in circumstances provided by subparagraphs "b"-'d' of paragraph 2 of this Article shall be permitted if all of the following conditions are met:

a) the purpose of disclosure is to examine an unusual transaction, detect a suspicious transaction and/or assess and manage money laundering and terrorism financing risks;

b) the obliged entity takes reasonable measures to ensure confidentiality of information and its use for purposes referred to in subparagraph "a" of paragraph 3 of this Article;

c) legislation of a foreign jurisdiction imposes requirements equivalent to or stricter than those provided by this Law and relevant regulations.

4. The disclosure of information in circumstances referred to in subparagraphs "b"-"d" of paragraph 2 of this Article, where this concerns the request for information (documents) as provided by subparagraph "a" of Article 35(1) of this Law or undertaking measures referred to in Article 36 of this Law, may be restricted through the instruction of FMS.

5. The obliged entity, its management and employees shall not incur any liability for breaching the duty of confidentiality provided by legislation or contract when submitting a report or other information (documents) as provided by Article 25 of this Law in good faith.

6. The obliged entity, its management and employees shall be prohibited, unless otherwise provided by legislation, from disclosing the identity of employees who examine unusual transactions and/or detect suspicious transactions as provided by Article 20 of this Law, or who submitted a report or other information (documents) as provided by Article 25 of this Law, or who undertake measures referred to in Article 36 of this Law at the instruction of FMS. The obliged entity shall make sure that those employees are protected from threats, discriminatory action or other unlawful interference.

## Chapter VII
## Compliance

### Article 29. Compliance system

1. To fulfil requirements of this Law, the obliged entity shall implement internal policies, procedures, systems and mechanisms (hereinafter referred to as "compliance system"), which are consistent with the nature and size of its business, and associated money laundering and terrorism financing risks.

2. To implement a compliance system, the obliged entity shall adopt an internal regulation, which shall be approved by a governing body or a person with managing authority of the obliged entity and shall *inter alia* provide for:

a) rights and responsibilities of a person or a head and employees of the designated structural unit responsible for managing of a compliance system;

b) employee screening procedures to ensure that individuals with high standards of competence and reputation are hired;

c) ongoing training program that provides employees with knowledge on requirements of this Law and relevant regulations;

d) independent audit function to test the effectiveness of a compliance system.

3. The obliged entity shall ensure that persons referred to in subparagraph "a" of paragraph 2 of this Article have an effective possibility to promptly obtain information

(documents) required to perform their functions, and to independently decide on filing of a report to FMS as provided by Article 25(1) of this Law.

4. A person or a head of the designated structural unit responsible for managing of a compliance system shall be accountable to a person referred to in paragraph 5 of this Article.

5. The obliged entity shall designate a member of its governing body or a person with managing authority as the person responsible for the effectiveness of a compliance system.

6. An individual entrepreneur or a natural person who independently perform professional activities may be exempted from certain requirements referred to in paragraphs 2-5 of this Article by the supervisory authority, which shall have regard to the nature and size of business of the obliged entity, and associated money laundering and terrorism financing risks.

### Article 30. Group-level compliance system

1. The obliged entity, a parent enterprise (organization) registered in Georgia, shall implement a group-wide compliance system which, in addition to requirements referred to in Article 29 of this Law, shall provide for:

a) procedures for sharing information (documents) between members of the group for the purpose of undertaking the due diligence measures and/or assessment and managing of money laundering and terrorism financing risks;

b) procedures for providing customer, beneficial ownership and transaction information (documents) and results of analyses undertaken to a person or structural unit responsible for managing of a group-level compliance system and members of the group for the purpose of examining an unusual transaction, detecting a suspicious transaction and/or assessment and managing of money laundering and terrorism financing risks;

b) mechanisms for ensuring confidentiality of information (documents) provided and its use for purposes referred to in subparagraphs “a” and “b” of paragraph 1 of this Article.

2. A subsidiary enterprise (organization) or branch of the obliged entity located in a foreign jurisdiction shall apply provisions of this Law and relevant regulations if anti-money laundering and countering the financing of terrorism legislation in a host jurisdiction provides for less strict requirements.

3. If a host jurisdiction of a subsidiary enterprise (organization) or branch of the obliged entity restricts the implementation of provisions of this Law and relevant regulations in circumstances referred to in paragraph 2 of this Article, the obliged entity shall ensure that the supervisory authority is promptly informed and additional measures are applied for the purpose of managing money laundering and terrorism financing risks.

4. If the application of additional measures as provided by paragraph 3 of this Article is insufficient for managing money laundering and terrorism financing risks, the supervisory authority shall undertake appropriate supervisory measures and, as required, shall be authorized to require the obliged entity to restrict or terminate the activity of its subsidiary enterprise (organization) or branch.

## Chapter VIII
## FMS

### Article 31. Status

1. FMS is a legal person of public law, which is established on the basis of this Law and discharges its powers accorded by this Law and other legal acts for the purpose of facilitating the suppression of money laundering and financing of terrorism.

2. FMS is independent in its activity and guided by the legislation of Georgia. Attempt to influence FMS or interfere in its activity shall be prohibited. Requiring FMS to obtain any information or undertake other actions shall also be prohibited.

3. FMS shall be accountable to the Government of Georgia and shall submit the annual activity report. Provisions of Article 11 of the Law of Georgia on Legal Persons of Public Law shall not apply to FMS.

4. FMS shall have its own seal depicting the state emblem of Georgia and its name, and also an independent balance sheet and account in the State Treasury. FMS may also open a bank account in circumstances referred to in the legislation of Georgia.

5. Matters related to management, structure, powers and rules of procedure of FMS shall be determined on the basis of its statute, which shall be approved by the Government of Georgia.

### Article 32. Management

1. FMS shall be managed by the Head of FMS who shall be authorized to adopt a normative act (regulation) and an individual legal act as provided by the legislation of Georgia.

2. The Head of FMS shall be appointed for a four-year term and dismissed by the Prime Minister of Georgia.

3. Grounds for early dismissal of the Head of FMS include:

a) termination of Georgian citizenship;

b) serious misconduct in office;

c) inability to perform duties for four consecutive months;

d) entry into force of a judgment of conviction;

e) recognition by the court as a missing or deceased person, or as a beneficiary of support, unless otherwise stipulated in a court decision;

f) acceptance of an incompatible office or carrying out an incompatible activity;

g) personal statement;

h) decease.

4. The Head of FMS shall be authorized to appoint and dismiss deputies.

### Article 33. Funding

1. The sources of funding of FMS shall include funds allocated from the state budget of Georgia and other forms of funding permitted by the legislation of Georgia.

2. The funds allocated to FMS from the state budget of Georgia may be reduced only with prior consent of the Head of FMS.

3. The salaries of employees of FMS shall correspond to the pay in the Georgian banking sector.

4. The staff list and salaries of employees of FMS shall be approved by the Prime Minister of Georgia at the proposal of the Head of FMS.

### Article 34. Functions

1. FMS shall analyze reports and other information (documents) received from obliged entities and other sources and, if there are reasonable grounds to suspect money laundering, terrorism financing or other criminal activity, shall disseminate results of analysis to the General Prosecutor's Office of Georgia, the State Security Service of Georgia, the Revenue Service and/or the Ministry of Internal Affairs of Georgia.

2. FMS shall inform obliged entities whether their reports comply with provisions of this Law and regulations of FMS, and shall provide feedback on the results of analysis undertaken based on those reports.

3. FMS shall analyze the methods of money laundering and terrorism financing employed in Georgia and internationally, and shall develop suspicious transaction indicators for obliged entities.

4. FMS shall issue guidance and methodological recommendations on compliance with provisions of this Law and regulations of FMS by obliged entities.

5. FMS shall participate in the development and examination of legal acts and policy documents in the field of combating money laundering and terrorism financing.

6. FMS shall represent Georgia, within its competence, in international organizations and fora, and also cooperate with financial intelligence units of foreign jurisdictions as provided by this Law.

### Article 35. Rights and responsibilities

1. To perform functions provided by this Law, FMS shall be authorized to:

a) request and obtain from obliged entities information (documents) referred to in Article 25(6) of this Law;

b) request and obtain from public bodies confidential information and, as required, access directly, if technically possible, databases containing such information.

2. FMS shall protect the confidentiality of information (documents) received as provided by this Law. FMS shall be prohibited from disseminating that information (documents) to any other person absent a court order, except for circumstances provided by this Law.

3. The management and employees of FMS shall protect the confidentiality of information (documents) referred to in paragraph 2 of this Article while performing their duties and afterwards, except for circumstances provided by this Law.

4. FMS, its management and employees shall be prohibited from disclosing to any other person that FMS received a report or other information (documents) as provided by Articles 25 and 37 of this Law, or measures referred to in Article 34(1), 36 and 37 of this Law are being taken for the purpose of facilitating the suppression of money laundering and terrorism financing, except for circumstances provided by this Law.

### Article 36. Suspension of transactions

1. If there are reasonable grounds to suspect money laundering, terrorism financing or other criminal activity, regardless of the amount of funds involved in a transaction, the Head of FMS shall be authorized to issue a written instruction to the obliged entity to suspend preparation, conclusion or carrying out of that transaction or any other transaction related to that transaction and/or to persons involved therein for no more than 72 hours. In such situations, the information (documents) available to FMS shall be promptly disseminated to the General Prosecutor's Office of Georgia, the Ministry of Internal Affairs of Georgia and/or the State Security Service of Georgia.

2. The Head of FMS or a person authorized therein may, in urgent circumstances, issue an instruction referred to in paragraph 1 of this Article verbally or through electronic means, which shall be entered on the records as provided by the regulation of FMS.

3. An instruction referred to in paragraph 2 of this Article shall be followed by a written instruction of the Head of FMS within 24 hours. If a written instruction is not issued within 24 hours, the obliged entity may continue preparation, conclusion or carrying out of a relevant transaction.

4. The obliged entity shall acknowledge the receipt of an instruction referred to in paragraphs 1-3 of this Article as provided by the regulation of FMS and shall take necessary measures for its immediate execution.

5. The time limit of 72 hours referred to in paragraph 1 of this Article shall start running from the moment of receipt of an instruction by the obliged entity. Non-working days and public holidays shall be excluded from the time limit. An instruction may be revoked before the time limit expires if reasonable grounds to suspect money laundering, terrorism financing or other criminal activity were not ascertained or, if needed for investigative purposes, at the written request of the General Prosecutor's Office of Georgia, the Ministry of Internal Affairs of Georgia or the State Security Service of Georgia.

6. The decision to revoke an instruction as provided by paragraph 5 of this Article shall be taken by the Head of FMS or a person authorized therein. The decision must be promptly communicated to the obliged entity verbally or through electronic means, which shall be entered on the records as provided by the regulation of FMS.

7. FMS shall be authorized to issue an instruction referred to in paragraphs 1 and 2 of this Article at the request of a financial intelligence unit of a foreign jurisdiction (hereinafter referred to as "foreign FIU") or to send a similar request.

8. FMS shall execute the request of a foreign FIU referred to in paragraph 7 of this Article if satisfied that there are reasonable grounds to suspect money laundering, terrorism financing or other criminal activity.

### Article 37. International cooperation

1. FMS shall be authorized to send a request for confidential information to a foreign FIU and respond to a similar request, or to spontaneously disseminate such information for the purpose of prevention, detection and suppression of money laundering, terrorism financing or other criminal activity.

2. If a request for confidential information is grounded, describes underlying facts and specifies how that information will be used, FMS shall promptly provide the available information or any other confidential information which can be obtained as provided by Article 35(1) of this Law to a requesting foreign FIU. FMS shall use protected means of communication when providing confidential information.

3. FMS shall refuse the execution of a request for information of a foreign FIU if this is likely to prejudice an ongoing investigation or prosecution, or to infringe lawful interests of a person, or interests of state security, public safety or other public interests. The refusal shall be grounded and promptly explained to a requesting foreign FIU.

4. FMS shall protect the confidentiality of information received from a foreign FIU as provided by paragraphs 2-4 of Article 35 of this Law and shall use that information only for analysis referred to in Article 34(1) of this Law or other purpose specified in a request. FMS shall be prohibited from disclosing confidential information to a third party without prior consent of a supplying foreign FIU.

5. FMS shall take reasonable measures to ensure that a foreign FIU protects the confidentiality of information provided and uses that information only for the purpose permitted by FMS.

6. FMS shall, upon request and so far as reasonably practicable, provide feedback to a supplying foreign FIU on the use of information received or results of analysis undertaken therein.

7. FMS shall be authorized to independently conclude an agreement with a foreign FIU to regulate the exchange of information and other types of bilateral cooperation for the purpose of prevention, detection and suppression of money laundering, terrorism financing or other criminal activity.

## Chapter IX
## Supervision and Interagency Cooperation

### Article 38. Functions of the supervisory authority

1. The supervisory authority shall ensure that provisions of this Law and relevant regulations are implemented by obliged entities through off-site and/or onsite inspections.

2. The nature and frequency of inspections referred to in paragraph 1 of this Article shall be determined based in the nature and size of business of the obliged entity, and associated money laundering and terrorism financing risks (hereinafter referred to as "risk level").

3. For the purposes of inspection or determining of risk level referred to in paragraph 1 of this Article, the supervisory authority shall be authorized to request and obtain required information (documents) (including confidential information) from the obliged entity.

4. The supervisory authority shall determine the risk level at appropriate times and when significant changes occur in ownership or control (management) structure or activity of the obliged entity. The supervisory authority shall have regard to the NRA Report and Action Plan when determining the risk level of the obliged entity.

5. The supervisory authority shall issue guidance and methodological recommendations on compliance with provisions of this Law and relevant regulations by obliged entities.

6. The supervisory authority shall prescribe and, where provisions of this Law or relevant regulations are violated, shall undertake appropriate supervisory measures.

### Article 39. Cooperation and information-exchange

1. Competent authorities shall, within their competence, cooperate by exchanging information and experience for the purpose of facilitating the suppression of money laundering and terrorism financing.

2. The supervisory authority shall promptly inform FMS concerning violations of this Law and relevant regulations, which were identified during an inspection. FMS shall also be immediately informed concerning potential facts of money laundering or terrorism financing identified by the supervisory authority.

3. The supervisory authority shall cooperate and exchange appropriate information with a relevant supervisory authority of a foreign jurisdiction where a parent or subsidiary enterprise (organization) or branch of the obliged entity is located for the purpose of undertaking or facilitating an effective group-wide supervision.

4. FMS shall promptly inform the supervisory authority concerning potential violations of this Law and relevant regulations.

5. The General Prosecutor's Office of Georgia, the State Security Service of Georgia, the Revenue Service and the Ministry of Internal Affairs of Georgia shall, upon request and within a reasonable timeframe, provide feedback to FMS on the use of results of analysis and other information (documents) received from FMS and the outcome therein.

6. FMS shall be authorized, at the grounded request of the General Prosecutor of Georgia, Head of the State Security Service of Georgia or the Minister of Internal Affairs of Georgia or their authorized deputies, to submit to the General Prosecutor's office of Georgia, the State Security Service of Georgia or the Ministry of Internal Affairs of Georgia the confidential information (documents) available to FMS, which is necessary for achieving the purpose of an ongoing investigation under Articles 194, 1941 or $331^1$ or Chapter XXXIII of the Criminal Code of Georgia.

7. A competent authority shall receive from FMS a document with evidentiary power as provided by the Criminal Procedure Code of Georgia.

## Chapter X
## Enforcement of UNSCRs

### Article 40. Governmental Commission and Task Force

1. The Governmental Commission on Matters of Enforcement of UNSCRs (hereinafter referred to as "Governmental Commission") is the main contact point for a UN sanctions committee and other UN structures when undertaking measures referred to in this Chapter for the purpose of prevention, detection and suppression of financing of terrorism and proliferation of weapons of mass destruction.

2. Matters related to management, structure, powers, composition and rules of procedure of the Governmental Commission shall be determined on the basis of its regulation, which shall be approved by the Government of Georgia.

3. The Governmental Commission shall, within its competence, cooperate and exchange information with competent authorities and international organizations.

4. The Task Force shall operate under the Governmental Commission to collect, process and disseminate information required for the performance of its duties by the Governmental Commission.

### Article 41. Enforcement of sanctions

1. The Governmental Commission shall apply to the court as provided by the legislation of Georgia for freezing of assets of a person included in the list of sanctioned persons by a UN sanctions committee.

2. The Governmental Commission shall operate *ex parte*, and shall promptly examine a request of a competent authority on the application of measures referred to in the UNSCR 1373 (2001).

3. Upon a request referred to in paragraph 2 of this Article and provided that there is a reasonable suspicion that a person meets the appropriate criteria referred to in the UNSCR 1373 (2001), the Governmental Commission shall apply to the court as provided by the legislation of Georgia and request the freezing of assets of that person.

4. In circumstances referred to in paragraphs 1 and 3 of this Article, the Governmental Commission shall operate *ex parte*, and shall take necessary measures to immediately apply to the court concerning the freezing of assets.

5. The assets referred to in this Chapter shall include all tangible or intangible assets and proceeds generated therein that are owned or controlled, directly or indirectly, wholly or jointly by:

a) a person included in the list of sanctioned persons or a person referred to in paragraph 3 of this Article;

b) a person acting on behalf, or at the direction of, a person referred to in subparagraph "a" of this paragraph;

c) a person owned or controlled, directly or indirectly, by a person referred to in subparagraph "a" of this Paragraph.

6. The Governmental Commission shall be authorized to request a public body to undertake measures provided by a UNSCR in relation to persons referred to in subparagraphs "a"-"c" of paragraph 5 of this Article, including the restriction of free movement on the territory of Georgia and the prevention of acquiring of arms, related material and spare parts. Requests of the Governmental Commission shall be binding.

7. The Governmental Commission shall ensure that interested parties are informed about a UN mechanism, which is responsible for examining, as provided by a UNSCR, petitions on lifting the restriction of free movement on the territory of Georgia referred to in paragraph 6 of this Article.

### Article 42. Full or partial unfreezing

1. The Governmental Commission shall, at appropriate times, but at least once a year or upon a grounded request of an interested party, examine if sufficient grounds for a suspicion referred to in paragraph 3 of Article 41 of this Law still exist.

2. The Governmental Commission shall apply to the court for lifting the freezing order, if a person has been removed from the list of sanctioned persons by a UN sanctions committee or if sufficient grounds no longer exist for a suspicion referred to in paragraph 3 of Article 41 of this Law.

3. In circumstances referred to in paragraph 2 of this Article, the Governmental Commission shall take necessary measures to immediately apply to the court for lifting the freezing order.

4. The Governmental Commission shall be authorized, upon a grounded request of an interested party and as provided by a UNSCR, to apply to the court for partially lifting the freezing order on assets, which are necessary for basic expenses, including payments for foodstuffs, rent, mortgage, medicines and other medical treatment, taxes and public utility charges, legal aid and maintenance of frozen assets. The Governmental Commission shall apply to the court following the notification to a UN sanctions committee of the intention to partially lift the freezing order and in the absence of a negative decision by a UN sanctions committee within 3 working days of such notification.

5. The Governmental Commission shall be authorized, upon a grounded request of an interested party and as provided by a UNSCR, to apply to the court for partially lifting the freezing order on assets, which are necessary for extraordinary or unforeseen expenses. The Governmental Commission shall apply to the court following the notification to a UN sanctions committee of the intention to partially lift the freezing order and receiving approval.

6. The Governmental Commission shall be authorized, upon a grounded request of an interested party and as provided by a UNSCR concerning the prevention, detection and

suppression of the financing of proliferation of weapons of mass destruction, to apply to the court for lifting the freezing order on assets, which are necessary for fulfilling obligations due under a contract that arose prior to the date on which a person was included in the list of sanctioned persons.

### Article 43. Proposal to a UN sanctions committee

1. The Governmental Commission shall be authorized to operate *ex parte* and propose a person to a UN sanctions committee for the inclusion in the list of sanctioned persons if there is a reasonable suspicion that the appropriate criteria referred to in a UNSCR are met.

2. The proposal referred to in paragraph 1 of this Article shall be made as provided by a UNSCR and using standard forms for listing. The proposal shall be grounded and include sufficient information to identify the person.

3. The Governmental Commission shall, at appropriate times, but at least once a year or upon a grounded request of an interested party, examine if sufficient grounds for a suspicion referred to in paragraph 1 of this Article still exist.

4. The Governmental Commission shall submit the proposal to a UN sanctions committee on removing a person from the list of sanctioned persons if sufficient grounds no longer exist for a suspicion referred to in paragraph 1 of this Article.

5. In circumstances referred to in paragraph 4 of this Article, the Governmental Commission shall take necessary measures to immediately submit the proposal to a UN sanctions committee.

6. The Governmental Commission shall ensure that interested parties are informed about a UN mechanism, which is responsible for examining, as provided by a UNSCR, petitions on removing a relevant person from the list of sanctioned persons.

## Chapter XI
## Transitional and Final Provisions

### Article 44. Transitional provisions

1. The obliged entity shall, in due course, but no later than November 1, 2020, implement requirement provided by Chapters III and IV of this Law in relation to existing customers.

2. When determining the appropriate timeframe referred to in paragraph 1 of this Article, the obliged entity shall have regard to a customer risk level and materiality, and also to the date when the due diligence measures were previously undertaken and adequacy of the obtained identification data and other information (documents).

### Article 45. Annulled legal acts

1. The Law of Georgia on Facilitating the Prevention of Illicit Income Legalization of June 6, 2003 (Legislative Herald of Georgia, №17, 16.06.2003, Art.113) shall be declared void with the entrance into force of this Law.

2. The regulations adopted based on the Law of Georgia on Facilitating the Prevention of Illicit Income Legalization of June 6, 2003 (Legislative Herald of Georgia, №17, 16.06.2003, Art.113) shall be in force until relevant regulations referred to in this Law are adopted.

**Article 46. Entry into force**

This Law shall enter into force on the date of publication.

**President of Georgia** **Salome Zurabishvili**

Tbilisi,
October 30, 2019
№5266-Ilს