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FINANCIAL MONITORING SERVICE OF GEORGIA
DECREE #2

Tbilisi January 18, 2012

On Approving the Regulation on Receiving, Systemizing and Processing the Information by Non-Bank Depository Institutions – Credit Unions and Forwarding to the Financial Monitoring Service of Georgia

Pursuant to subparagraph "c" paragraph 4 of Article 10 of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization" I Decree:

1. Approve the attached Regulation "On Receiving, Systemizing and Processing the Information by Non-Bank Depository Institutions – Credit Unions and Forwarding to the Financial Monitoring Service of Georgia".

2. Non-Bank Depository Institutions – Credit Unions shall:

a) Ensure adoption of internal regulations concerning conducting financial monitoring into compliance with requirements of the Regulation "On Receiving, Systemizing and Processing the Information by Non-Bank Depository Institutions – Credit Unions and Forwarding to the Financial Monitoring Service of Georgia" prior to March 1, 2012;

b) Prior to December 31, 2012 ensure extension of requirements of Article 6 of the Regulation approved under this Decree on those persons and their beneficial owners with whom the business relationship already exists for January 1st, 2012

3. Non-Bank Depository Institutions – Credit Unions which commence their operation from the effective date of this Decree shall submit to the Financial Monitoring Service of Georgia the Form of Registration in conformity with the Regulation "on Receiving, Systemizing and Processing the Information by Non-Bank Depository Institutions – Credit unions and Forwarding to the Financial Monitoring Service of Georgia" within twenty days from the receipt of the License from the National Bank of Georgia.

4. "Regulation on Receiving, Systemizing and Processing the Information by Non-Bank Depository Institutions – Credit Unions and Forwarding to the Financial Monitoring Service of

Georgia" approved under Decree #104 of the Head of Financial Monitoring Service of Georgia of August 3, 2004 shall become null and void from the effective date of this Decree.

5. This Decree shall become effective upon promulgation.

M. Roinishvili

REGULATION
On Approving the Regulation on Receiving, Systemizing and Processing the Information by Non-Bank Depository Institutions – Credit unions and Forwarding to the Financial Monitoring Service of Georgia

Article 1. General Provisions

1. This Regulation shall apply to Non-Bank Depository Institutions – Credit Unions of Georgia.

2. This Regulation shall regulate the terms and procedure for receiving, systemizing, processing and submitting the information by Non-Bank Depository Institutions – Credit Unions (hereinafter referred to as "Credit Union") to the Financial Monitoring Service in compliance with the Law of Georgia on Facilitating the Prevention of Illicit Income Legalization, as well as the procedure for carrying out the instruction of the Financial Monitoring Service on the suspension of implementation of the transaction.

Article 2. Definition of Terms

For purposes of this Regulation, the following terms shall have the following meanings:

a) Illicit income – illicit or / and unjustified property possessed or owned by a person;

b) Property – property as considered under the Civil Code of Georgia: all property (movable as well as immovable) and immaterial property, which can be owned, used and disposed of by physical and legal persons;

c) Legalization of illicit income – legalization of illicit income (acquisition, use, transfer or other action), as well as concealing or disguising its true origin, proprietor owner, or/and property rights or attempt to commit such an action;

d) Non-Bank Depository Institution – Credit union – enterprise registered under organizational-legal form of a cooperative, which accepts deposits from and underwrites loans only to its members, performs other banking activities as prescribed by the Law on "Non-Bank Depository Institutions – Credit unions" and does not aim at receiving profit.

e) Partner – member of Non-Bank Depository Institution – Credit union, who is charged with duties and responsibilities as defined under the Charter of Credit union.

f) Monitoring – identification of partners and their representatives by the Credit union, recording, systemizing and processing the information on transactions subject to monitoring and forwarding to the Financial Monitoring Service of Georgia;

g) Suspicious transaction – a transaction (regardless its amount and operation type) supported with reasonable grounds to suspect that it had been concluded or implemented for the purpose of legalizing illicit income or/and the property (including funds) on the basis of which the transaction had been concluded or implemented is the proceeds of criminal activity or/and the transaction had been concluded or implemented for the purpose of terrorism financing (person participating in the transaction or the transaction amount causes suspicion, or other reasons exist for considering transaction as suspicious), or any person involved in the transaction is on the list of terrorists or persons supporting terrorism, or / and is likely to be connected with them, or / and funds involved in the transaction may be related with or used for terrorism, terrorist act or by terrorists or terrorist organization or persons financing terrorism, or any involved person's legal or real address or place of residence is located in a non-cooperative zone or the transaction amount is transferred to or from such zone.

h) Unusual transaction - complex, unusually large transaction (operation) and/or unusual patterns of a transaction (operation) that does not have visible economic (commercial) content or lacks lawful purpose, and/or is inconsistent with the ordinary business activity of a person involved therein;
i) Person – any resident or non-resident natural person, legal entity as well as organizational formation considered under legislation, which does not represent a legal entity (non-registered union, partnership, partnership of apartment owners);

j) Identification of a person – obtaining information on the person, which, when necessary, allows tracing such person and distinguishing from the other person;

k) Person involved in a transaction – all persons participating in the transaction, including parties of the transaction, representatives, agents;

l) Non-cooperative or watch zone – country or a part of the territory thereof defined by the National Bank of Georgia on the basis of proposition of the Financial Monitoring Service of Georgia (FMS). The country or territory thereof shall be identified as non-cooperative or watch on the basis of the information provided by the competent international organization, or if the grounded supposition exists that in such zone weak mechanisms for controlling illicit income legalization are effective;

m) Suspicious zone –a country or a part of the territory thereof, identified as having weak mechanisms for controlling illicit income legalization, based on information available to the monitoring entity;

n) Financial Monitoring Service of Georgia - the legal entity of public law established pursuant to the law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" which independently exercises its powers under the Georgian legislation;

o) Beneficial owner – natural person(s) representing an ultimate owner(s) or controlling person(s) of a person or / and a person on whose behalf the transaction (operation) is being

conducted; beneficial owner of a business legal entity (as well as of an organizational formation (arrangement) not representing a legal entity, provided for in the Georgian legislation) shall be the direct or indirect ultimate owner, holder or / and controlling natural person(s) of 25% or more of such entity's share or voting stock, or natural person(s) otherwise exercising control over the governance of the business legal entity;

p) User Manual - instruction for using of web-portal set on the official website of the FMS (www.fms.gov.ge).

q) Politically Exposed Person (PEP) - a foreign citizen, who has been entrusted with prominent state (public) functions in a respective country or / and carry out significant public and political activities. The PEPs are as follows: the head of the state, the head of the government and member of the government, their deputies, a senior official of government institution, a member of the parliament, a member of the supreme court, a member of the constitutional court, a senior military official, a member of the central (national) bank's council, an ambassador, a senior executive of state owned corporation, important political party (union) official and member of executive body of the political party (union), other prominent politician, his / her family members as well as persons having close business relations with him / her; a person shall be considered as a politically exposed during a year following his / her resignation from the foregoing positions.

r) Family member – spouse of a politically exposed person (PEP), his / her parents, siblings, children (including step – children) and their spouses.

s) Person having close business relationship with the politically exposed person (PEP) – natural person who owns or / and controls a share or voting stock of that legal entity, in which a share or voting stock is owned or / and controlled by the Politically Exposed Person (PEP); also, a person having other type of close business relationship with the Politically Exposed Person (PEP).

t) Implementation of the transaction (operation) – Implementation of the transaction (including the registration of property) by the monitoring entity except for the monitoring entities listed in subparagraphs "f", "j" and "m" of Article 3 of the Law of Georgia on Facilitating the Prevention of Illicit Income Legalization.

Article 3. Transactions Subject to Monitoring

1. For purposes of this Regulation, subject to monitoring shall be a transaction implemented or concluded by the person and/or series of transactions aimed at partition of the transaction (its amount), if one or both of the following provisions exist:

a) The amount of the transaction or series of transactions exceeds GEL 30,000, (or its equivalent in other currency) in case of cash as well as non-cash settlement;

b) Transaction (regardless its amount) is suspicious according to subparagraph (g), Article 2 of this Regulation.

2. Any transaction (funds), other than transactions listed in paragraph 1 of this Article, shall be subject to monitoring, whether obtained legally or illegally, which may be related to or used for

terrorism, terrorist act or by terrorists or terrorist organization or persons financing terrorism. The list of terrorists and persons supporting terrorism shall be published in the Legislative Herald of Georgia.

3. Subject to monitoring shall also be an attempt to conclude or implement suspicious transaction or other fact (circumstance), which, according to the written instructions of the FMS, may be related to legalization of illicit income or terrorism financing.

4. Credit union shall pay special attention to unusual transactions which do not have visible economic (commercial) content or lack lawful purpose, ascertain the purpose and grounds of such transactions to the reasonable extent possible, and document obtained results in writing. In case of detecting the high risk of money laundering and terrorism financing, the Credit union is required to undertake enhanced procedures of identification and verification provided for by Article 6^1 of this Regulation, which are commensurate with the risk identified. In such cases, the monitoring of business relationship must be enhanced in order to ascertain whether a transaction is unusual or suspicious.

5. For purposes of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", Credit unions shall themselves set principles for defining a transaction of a person having business relations with them as unusual, according to requirements of this Regulation and guidelines of the Financial Monitoring Service of Georgia.

Article 4. Obligations of Credit union with Respect to Implementation of Control

1. Rules and terms for exercising control over enforcement of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" and normative acts adopted on its basis (including the present regulation) shall be defined under the normative act of the National Bank of Georgia adopted on the basis of paragraph 7, Article 8 of the same Law.

2. For the purpose of defining internal control rules and procedures, Credit union shall develop internal regulation on the basis of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" and this Regulation. Internal Regulation shall define:

a) Procedure for identification of partners of the Credit union, persons willing to establish business relation with the Credit union, their representatives and agents, as well as beneficial owners and other persons as it is defined under the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization" (including the enhanced and simplified identification/verification procedures);

b) Ascertaining of Politically Exposed Persons by the Credit union and carry out measures defined under the legislation against such persons;

c) Procedures for recording, systemizing and filing information related to the monitoring;

d) Rules for submission of reports and other relevant materials to the Financial Monitoring Service of Georgia;

e) Terms and procedures of conducting permanent monitoring of business relations;

f) Functions, authorities and responsibilities of an employee in charge of monitoring;

g) Functions, authority and responsibility of the Credit union's other employees, including administrator, with respect to monitoring (including rule for revealing transaction subject to monitoring and submission of information on such transaction to the employee in charge of monitoring);

h) Terms and procedure for carrying out the instruction of the Financial Monitoring Service on the suspension of implementation of the transaction;

i) Rights and responsibilities of the employee/employees authorized to confirm the receipt of and carry out the instruction of the Financial Monitoring Service on the suspension of implementation of the transaction.

3. Employee in charge of monitoring in his / her activities shall follow the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", this Regulation, FMS guidelines as well as the relevant normative acts issued by the National Bank of Georgia and the FMS

4. Monitoring process shall be conducted in a way that partners of the Credit union, persons willing to establish business relationship with the Credit union, as well as their representatives and agents shall not be aware that their activities represent subject to monitoring (are considered suspicious);

5. Credit union shall be obligated to ensure confidentiality of information obtained through monitoring process, as well as of information on completion of reporting forms related to suspicious transactions and submission to the FMS.

6. Credit union shall ensure the establishment of the electronic database of identification data of partners and other persons having business relations with the Credit union and transactions subject to monitoring as well as establishment of relevant program (system) for the purpose of revealing transactions aimed at partition.

7. Staff recruitment policy of the credit union (including investigation of qualification and reputation of employees) and rules and procedures established by the internal regulation shall facilitate preventing participation of employees of the Credit union in the processes of illicit income legalization and terrorism financing.

Article 5. Functions and Obligations of the Employee in Charge of Monitoring

1. For the purpose of conducting monitoring process, the Credit union shall designate an employee in charge of monitoring on the basis of appropriately legalized resolution. Position of the employee in charge of monitoring shall correspond to the senior hierarchy (management) level in the Credit union's organizational chart.

2. Functions, authority and responsibility of the employee in charge of monitoring shall be defined under the internal regulation of the Credit union. Employee in charge of monitoring shall follow the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization",

this Regulation, internal regulation of the Credit union, guidelines of the Financial Monitoring Service of Georgia, as well as the relevant normative acts issued by the FMS and the National Bank of Georgia.

3. Employee in charge of monitoring shall ensure organization of monitoring process and performance of tasks defined under the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", this Regulation and internal regulation.

4. Employee in charge of monitoring shall provide consultations to other employees of the Credit union with respect to issues of preventing illicit income legalization and terrorism financing and organize special training programs. Training process shall be regular in order to ensure acquaintance of employees with changes introduced into the Georgian legislation, internal regulation as well as with new techniques, methods and trends of money laundering and terrorism financing;

5. Pursuant to the internal regulation of the Credit union, employee in charge of monitoring shall be granted the authority to obtain from other employees of the Credit union any information necessary for fulfillment of his/her functions and shall be obligated to ensure observance of confidentiality of any information related to his/her activities.

6. In performing functions related to monitoring, the employee in charge of monitoring shall be subordinated and reporting only to the administrator of the Credit union, defined under the internal regulation.

7. If the employee in charge of monitoring reveals that any of the Credit union's employees does not observe rules set by the internal regulation and within his/her competence does not participate in the monitoring process, he/she shall immediately inform the administrator of the Credit union who supervises monitoring issues according to the internal regulation.

Article 6. Obligations of Credit union with respect to Identification of Persons

1. Credit union shall identify all partners as well as all persons willing to establish business relationship with the Credit union (their representatives and proxies, as well as the third person in whose favor transaction is concluded) and undertake reasonable measures to verify their identity by means of reliable, independent source when:

a) Transaction (operation) amount exceeds GEL 3 000 (or its equivalent in other currency);

b) The transaction represents a suspicious transaction according to subparagraph (g), Article 2 of this Regulation;

c) Doubts arise regarding the veracity and/or adequacy of previously obtained partner identification data.

2. Credit union shall identify beneficial owner of the partner (as well as person willing to establish business relations with the Credit union), as well as undertake reasonable measures to verify his/her identity by means of reliable, independent source and be satisfied that it knows

who the beneficial owner of the partner is. Identification procedures similar to those used for natural persons shall be applied against beneficial owner.

3. In the course of the identification and/or verification of a partner or a person willing to establish the business relations (their beneficial owners), the Credit union may rely on a third party/intermediary that carries out the identification and verification of a person in accordance with the FATF recommendations, keeps documents (their copies) as provided for by Article 9 of this Regulation, and is subject to the supervision and regulation as defined under the FATF recommendations. The Credit union shall be required to immediately obtain from a third party/intermediary the information related to the identification and verification of a client (its beneficial owner), as well as the purpose and intended nature of the business relationship. Furthermore, the Credit union shall be required to undertake necessary measures to ensure that it can access the identification data of a client (its beneficial owner) and other relevant documents related to the identification and verification of a client (its beneficial owner) held by a third party/intermediary immediately upon request. In such cases, the ultimate responsibility for identification and verification of a client in accordance with the procedure provided for by this Regulation shall remain with the Credit union. The Credit union shall take into account the information available about the risk of illicit income legalization and terrorism financing in the host country of a third party/intermediary, when selecting a third party/intermediary.

4. For the purpose of identifying the client (its representative or proxy, as well as the third person, if the transaction is being concluded in favor of the third person) and its beneficial owner in conformity with the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" and the present Regulation, the Credit union shall be entitled to use the electronic databases of identification documents provided by State Services Development Agency – legal entity of public law at the Ministry of Justice of Georgia according to the procedure set by the Georgian legislation.5. Credit union shall not be authorized to establish business relationship with the person without preliminary identification of this person as it is stipulated in paragraph (1) of this Article. Identification and verification of partner (person willing to establish business relations) as well as its beneficial owner and obtaining of other information shall take place before carrying out of a transaction or establishing of another type of a business relationship, as well as prior further continuation of the business relationship if legalization of illicit income or terrorism financing is suspected or if doubts exist about the veracity or adequacy of previously obtained identification data, except for cases provided under paragraph 3, Article 6^1 of this Regulation.
6. Credit Union prior to commencement of business relations with the person shall ascertain nature and purpose of relations the person intends to establish, and perform ongoing scrutiny of relations between existing partners and the Credit union.

6^1. The Credit Union shall be required to obtain the information about the nature of business activity, the ownership and control structure of a legal entity (including an organizational formation (arrangement) not registered as a legal entity) when undertaking the identification and verification procedure.

6^2. The Credit Union shall be required to undertake appropriate measures for obtaining the information about the purpose and intended nature of the business relationship with the client.

7. Despite the assumed suspicion and the amount of the transaction, the Credit union shall not suspend implementation of the transaction, except for the following cases:

a) Person willing to establish business relationship with the Credit union cannot be identified;

b) Any party of the transaction is on the list of terrorists or persons supporting terrorism.

c) Upon receipt of refusal from the administration to establish business relationship with the person in case provided for in subparagraph (a), paragraph 2, Article 7;

d) Upon receipt of the instruction of the Financial Monitoring Service on the suspension of implementation of the transaction as prescribed under Article 10^1 of this Regulation.

8. In cases indicated in subparagraphs (a) - (b), paragraph 7 of this Article, the Credit union shall be obligated not to establish business relationship with the person and immediately submit the reporting form and other relevant information to the FMS.

9. The following information, on all persons taking part in the transaction, shall be obtained through the identification process:

a) in case of natural person:
a.a) First name, last name;
a.b) Citizenship;
a.c) Date of birth;
a.d) Place of residence;
a.e) Number of ID and citizen's personal number by ID (Passport);
a.f) If the natural person is registered as an individual entrepreneur – the relevant registration date, number, registering authority, identification code of tax payer.

b) In case of a legal entity:
b.a) Full name;
b.b) Business activity;
b.c) Legal address (in case of the branch or representation the legal address of the head office also);
b.d) Registering authority, date and number of registration;
b.e) Identification code of tax payer;
b.f) Identification details of persons authorized for management and representation (in accordance with subparagraph "a" of this paragraph).

c) In case of organizational formation considered under the legislation, which does not represent legal entity:
c.a) Full name;
c.b) Legal address;
c.c) Legal act, based on which this formation has been established (or has been functioning);
c.d) Identification details of persons authorized for management and representation (in accordance with subparagraph "a" of this paragraph).

10. Documents necessary for identification process shall be:

a) if the natural person is a Georgian citizen – a citizen identity card, or a citizen passport, or any other official document, which contains the relevant information and is equalized to them under the Georgian legislation; if the natural person is registered as an individual entrepreneur – document confirming registration;

b) if the natural person is a foreign citizen – passport issued by the competent authority of the relevant State or other official document containing relevant data, equalized to the passport according to the Georgian legislation;

c) in case of resident legal entity (as well as organizational formation which does not represent a legal entity) – respective act as determined by the Georgian legislation on establishing the entity or certificate of registration (excerpt from entrepreneurial or any other relevant register) and document confirming authority for representation of a legal entity;

d) Documents issued by the relevant authorities of foreign countries, presented by non-resident legal person for identification, shall be legalized in compliance with the procedure set under the Georgian legislation.

11. If documents (information) stored in or presented to the Credit union allow, in addition to the information listed in subparagraphs (a) - (c), paragraph 9 of this Article, the following details shall be documented:

a) In case of natural person:
a.a) Patronymic;
a.b) Place of birth;
a.c) Temporary (real) place of residence (in Georgia as well as abroad), if different from registered place of residence;
a.d) Main business activity and position held;
a.e) Account (accounts) details in the bank and in the credit union;
a.f) Tel/fax, e-mail.

b) In case of a legal entity (or organizational formation not representing a legal entity):
b.a) Date of appointing persons authorized for management and representation;
b.b) Bank account (accounts) details.

12. Credit union shall exercise permanent monitoring of business relationships with their partners that includes:

a) Maintaining current information and records relating to the partner and its beneficial owner;

b) Updating periodically existing identification data and ensuring their conformity with current norms;

c) Scrutiny of transactions in order to establish that the conducted transaction is consistent with their knowledge of the partner, partner's business and personal activity or risk profile and where necessary the source of property (including funds).

13. A Credit union shall be required to have the appropriate risk management system for the identification and verification of such partner (person willing to establish business relations) that may pose high risk of illicit income legalization and/or terrorism financing, and shall apply the enhanced identification and verification, and the enhanced monitoring procedure with respect to this partner (person willing to establish business relations) as provided under Article 6^1 of this Regulation. The identification and verification procedure shall be carried out through the risk-based approach having regard to the type of the clients (the beneficial owners), their location (place of registration), geographic area or field of operation, as well as the nature and intensity of the business relationship, the type or size of transactions (operations) or products/services or other factors. A Credit union shall be required to define the appropriate criteria (risk-factors) through its internal regulations and assign the clients to the category of the high risk of illicit income legalization and/or terrorism financing.

13^1. Credit union shall be authorized to use the simplified identification and verification procedure as provided by Article 6^1 of this Regulation that is commensurate with the low risk of illicit income legalization and/or terrorism financing identified through the appropriate risk assessment by a Credit union. The use of the simplified procedure shall be prohibited when there is a suspicion of illicit income legalization and/or terrorism financing or in cases of the high risk of illicit income legalization and/or terrorism financing as provided under Paragraph 13 of this Article. A Credit union shall be authorized to use the simplified procedure once the appropriate criteria (risk-factors) are defined through its internal regulations and the clients are assigned to the category of the low risk of illicit income legalization and/or terrorism financing.

14. Credit union should pay special attention to any threats that may arise from new technologies, products and service that might favor anonymity during the service and take all measures, to prevent their use in legalization of illicit income and terrorism financing.

Article 6^1. The enhanced and simplified identification and verification procedure

1. A Credit union (authorized employee) shall be required, in addition to implementing the requirements provided under Article 6 of this Regulation, to apply the enhanced identification and verification procedure with respect to the partner or person willing to establish business relations that may pose the high risk of illicit income legalization and terrorism financing, in particular to:

a) Verify the existing and/or obtain additional information about the partner or the beneficial owner (income, assets and activity), and to ensure, where appropriate, the immediate access to such information;

b) Update the identification data of the partner (the beneficial owner) more frequently and verify the authenticity of the documents submitted by the partner;

c) Verify the existing and/or obtain additional information about the purpose and intended nature of the business relationship;

d) Take reasonable measures to obtain the information about the source of funds or wealth of the client (the beneficial owner);

e) Verify the existing and/obtain additional information about the reasons and grounds for performed (intended) transactions;

f) Obtain the approval of senior management to enter into and/or continue the business relationship;

g) Conduct the enhanced monitoring of the business relationship, which includes increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

2. A Credit union is authorized, in addition to implementing the requirements provided under the first paragraph of this Article, to carry out other measures and/or obtain additional information to ensure that the risk identified is effectively managed, including, by determining the expected type and size of future transactions (operations).

3. A Credit union is authorized, in cases provided under paragraph 13^1, Article 6 of this Regulation, to use the simplified identification and verification procedure that is commensurate with the low risk of illicit income legalization and terrorism financing, including to:

a) Verify the identity of the partner or person willing to establish business relations and their beneficial owner after the establishment of the business relationship;

b) Reduce the frequency of updates of the identification data of such person and its beneficial owner;

c) Reduce the frequency of implementing the requirements provided under subparagraph “c”, paragraph 12, Article 6 of this Regulation, based on the reasonable monetary threshold;

d) Establish the purpose and intended nature of the business relationship based on the information provided by the partner about the transactions (operations) undertaken and/or the business relationship established.

4. A Credit union shall not be exempted from the obligation of obtaining the data provided under paragraph 9 of this Article, and verifying the identity of the partner and the beneficial owner when applying the simplified identification and verification procedure in cases provided under Paragraph 13^1, Article 6 of this Regulation. A Credit union shall be required, when applying the simplified identification and verification procedure, to obtain sufficient information for determining the reasonableness of assigning the client to the category of the low-risk of illicit income legalization and terrorism financing.

5. A Credit union shall define the enhanced and simplified identification and verification procedure through its internal regulations on the basis of the requirements provided under this Article.

Article 7. Obligations of Credit union with respect to Politically Exposed Persons (PEPs)

1. Credit union shall identify whether the person having business relations with them (partner) and his / her beneficial owner belongs to the category of Politically Exposed Persons (PEPs).

2. If a person having the business relationship with the Credit union or / and his / her beneficial owner represents a Politically Exposed Person (PEP), in addition to the steps stipulated under the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", the Credit union (its authorized officer) shall take the following actions:

a) Obtain permission from the management of the Credit union to establish business relationship with such person

b) Take reasonable measures to ascertain the origin of funds, property of such person;

c) Perform enhanced monitoring over its business relations with such person.

3) If the person (his / her beneficial owner) becomes Politically Exposed Person (PEP) after establishing business relations with the Credit union, the latter shall undertake measures provided for in Paragraph 2 of this Article against such person upon availability of the aforementioned information.

4. Credit union shall have respective procedures based on which it ensures obtaining respective information from the person having the business relations with the credit union (partner), as well as from public sources or respective electronic databases for the purpose of ascertaining and verifying Politically Exposed Persons (PEPs).

Article 8. Obligations of Credit union to Record Information (Documents) on Transactions Subject to Monitoring

1. Pursuant to paragraph 6, Article 6 of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", the Credit union shall be obligated to record information on transaction subject to monitoring.

2. In the process of recording information on transaction, the Credit union shall document the following information:

a) Type of transaction (e.g. extension of loans, taking deposits, placing investments etc);

b) Form of transaction (e.g. written agreement, verbal transaction etc);

c) Purpose of transaction (e.g. debt payment, receiving profit etc.);

d) Identification details of persons involved in a transaction;

g) Place of concluding of transaction, date of concluding or implementation of transaction, date of completion, amount and currency in which transaction has been implemented (shall be implemented);

h) If the transaction is subject to registration (certification) – name of the registering authority of the transaction, registration date, place and number (e.g. in case of notarial certification);

i) Identification details of a partner, based on whose order the Credit union implements transaction, including type, and number of the account in the Credit union, which is used for implementation of the specific operation.

3. Identification details (copies of documents) of the Credit union's partners (their representatives) and information indicated in paragraph 2 of this Article shall be recorded and retained in an electronic or in a documentary form.

Article 9. Obligations of Credit unions to Keep Information (Documents) Related to the Monitoring Process

1. Credit Union shall be required to keep the information (documents) about a partner (its beneficial owner) as provided for by Articles 6 and 6^1 of this Regulation (including information submitted in accordance with the procedure defined in paragraph 4, Article 6 of this Regulation) as well as business correspondence and written notes as provided for by paragraph 4, Article 3 of this Regulation in electronic or material form for at least 6 years from the moment of terminating business relationship with this person unless the respective supervisory or other competent authority requests retention of such information (documents) for a longer period and/or a longer period for keeping such information (documents) is provided for by the Georgian legislation. In addition, information recorded electronically (respective databases and etc.) as well as documentary information (documents) shall be retained for the aforementioned period.

1^1. Credit Union shall be required to keep the information (documents) on transaction (operation) from the moment of concluding or implementing a transaction, except for the information (documents) provided under the first paragraph of this Article, unless the respective supervisory or other competent authority requests the retention of such information for a longer period and/or a longer period for keeping such information (documents) is provided for by the Georgian legislation.

2. Information (documents) on transactions, including those presented for the identification of a person, shall be kept in their original form, and where impracticable, a copy of such information (documents) confirmed by a notary or authorized employee of the Credit union shall be maintained. For the purpose of complying with this requirement the Credit union shall designate the employee (employees) authorized under the relevant legal act to certify copy. The copy shall be certified in a way that it is clear who and when certified the copy. Information submitted according to the procedure provided for in paragraph 4, Article 6 of the present Regulation for identification of the person and information verified by the credit union does not require notarization (certification).

3. In addition to the information indicated in Paragraph 1 of this Article, subject to retention for the period of six years shall be reporting forms submitted to the Financial Monitoring Service of Georgia pursuant to Article 10 of this Regulation. When retaining reporting forms electronically the Credit union shall observe security measures. Responsibility for retaining the reporting forms in an electronic format shall be determined by the Credit union's internal regulation. Also, hard copies of reports retained in the Credit union shall be certified with the signature of an authorized employee, and if provided under the credit union's internal regulation by the seal of the Credit union.

4. The information (documents) retained in the Credit union shall fully reflect details of transactions subject to monitoring and identification data of respective partners (their representatives). In addition, information shall be systemized and maintained in a way, that when needed (to be used as an evidence in criminal proceedings) it can be found and retrieved in a shortest period of time.

Article 10. Obligations of Credit union to Present Reporting Forms on Transactions Subject to Monitoring

1. If the Credit Union has the suspicion regarding authenticity of identification data or identification of the client is not possible to be carried or the transaction (operation) considered under Article 3 of this Regulation is present, it shall be obligated to send a notice to the Financial Monitoring Service of Georgia about this fact according to the rule and procedure set by the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" and the present Regulation.

2. Submission of the notice to the Financial Monitoring Service of Georgia shall imply completing and forwarding by the Credit union of respective reporting form on transaction as well as confirmation of its submission by the Service according to the procedure set by the present Regulation. Notices submitted to the Financial Monitoring Service of Georgia shall be compiled through the web portal of the FMS of Georgia. Credit union shall complete and submit the report to the Service according to the User Manual published on the website of the FMS. Confirmation of receiving of information by the FMS means to assign electronically, through the web portal status "confirmed" to the report.

3. Reporting forms shall be submitted to the Financial Monitoring Service of Georgia in an electronic form (online form) pursuant to the procedure defined under paragraph 6 of this Article. Hard copies of reporting forms shall be submitted to the Financial Monitoring Service of Georgia only if reporting forms are technically impossible to be sent in an electronic format.

4. The following timeframes shall be set for submission of reporting forms to the Service:

a) If the amount of transaction(s) or series of transactions exceeds GEL 30,000 or its equivalent in other currency, the report shall be submitted no later than five working days from the moment of implementing or concluding transaction (or from the moment of receiving information on such transaction or group of transactions);

b) If the transaction or identification data is considered as suspicious - on the day of origination of supposition

c) If any person involved in a transaction is included in the list of terrorists or persons supporting terrorism or/and is likely to be related to terrorists or persons supporting terrorism, or/and funds involved in the transaction may be used for or related to terrorism, terrorist act or by terrorists or terrorist organization or person financing terrorism, the report shall be submitted on the day the information is received. In the latter case, in addition to the reporting form, all

relevant materials and documents available to the Credit union shall be forwarded to the Service.

5. In case provided for in paragraph 3 of this Article hard copy of the reporting form (as well as attached materials if necessary) shall be submitted to the Service in a sealed envelope by the authorized employee of the Credit union, or if it is impossible - by post as a registered mail. Name and address of the sender – Credit union shall be written on the envelope, as well as the addressee – "Financial Monitoring Service of Georgia". Delivery address: 2 Sanapiro St., Tbilisi 0105, Georgia. The envelope shall be marked as confidential.

6. Reporting Forms as well as other confidential information on transactions subject to monitoring shall be submitted in electronic form through the relevant web shell and/or web service of the web portal set on the official web site of the FMS of Georgia (www.fms.gov.ge).

7. Decision on completion of the reporting form and submission to the FMS shall be made by the employee of the Credit union who, is in charge of monitoring. Reporting forms shall be completed only by that employee of the Credit union who is authorized under the relevant resolution of the Credit union.

8. Reporting form sent electronically to the Financial Monitoring Service of Georgia shall be subject to retention by the Credit union for the period defined under Article 9 of the present Regulation. In the event of sending hard copy of the form it is to be printed in two copies, each is to be certified with the signature of the employee designated under the internal regulation of the Credit union and if provided in the internal regulation, by the seal of the credit union. One copy of the report is to be sent to the Financial Monitoring Service of Georgia, while the other copy is to be retained at the Credit union and be retained in conformity with the procedure and period defined under Article 9 of this Regulation

9. Reporting form shall be filled completely. Credit union shall maintain register of reporting forms submitted to the FMS.

10. In the event of revealing suspicious transaction and submitting related reporting form to the FMS, the Credit union shall be obligated to indicate grounds of suspicion and to focus special attention on other transactions, implemented by persons involved in this particular transaction.

11. Pursuant to subparagraph "a", paragraph 4, Article 10 of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", the Financial Monitoring Service of Georgia shall be authorized to request additional information from the Credit union and available documents (including confidential) in relation to any transaction and persons involved therein, including those transactions on which reporting forms have not been presented to the Financial Monitoring Service of Georgia. The Credit union shall be obligated to submit requested information to the FMS no later than two working days from the moment of receiving the request.

12. If the Credit union reveals any additional information, with respect to the relevant transaction or parties thereof, after the report is sent, it shall immediately forward this information to the Financial Monitoring Service. Also, the additional information shall contain number and submission date of the reporting form, to which the information should be added.

Additional information on transaction subject to monitoring shall be presented according to the procedure as it is defined under the User Manual.

13. Credit union is obliged to strictly observe confidentiality of form completion, submission to the FMS and the related information. In case of suspicion regarding transaction or parties thereof, and in the event of completion of reporting form and submission to the FMS, persons involved in the relevant transaction, their representatives and any other persons shall not be informed. The employee of the Credit union, who reveals suspicious transaction or completes the reporting form, shall disclose this information only to those employees of the Credit union that are authorized to keep such information.

Article 10^1. The instruction of the Financial Monitoring Service on the suspension of implementation of the transaction (operation)

1. The Head of the Financial Monitoring Service shall be authorized, if the transaction is believed to be suspicious and irrespective of the amount of funds, to issue the written instruction to the Credit Union on the suspension of implementation of the transaction (operation) or any other related transaction (operation) for no more than 72 hours (non-working days and public holidays shall not be considered in the time limit). The case materials shall be immediately disseminated to the respective authorities of the Chief Prosecutor's Service, the Ministry of Internal Affairs and/or the State Security Service of Georgia.

2. The Head of the Financial Monitoring Service or the person designated therein shall be authorized, in case of urgency, to verbally (directly or through electronic means) or in writing through electronic means issue the instruction referred to in paragraph 1 of this Article that shall be confirmed by the written instruction of the Head of the Financial Monitoring Service and handed over to the Credit Union in the next 24 hours (non-working days and public holidays shall not be considered in the time limit). If within this time limit the written instruction is not handed over to the Credit Union the instruction of the Financial Monitoring Service shall not be observed. The protocol shall be drawn up as provided for by subparagraph 3 of this Article when the instruction referred to in this paragraph is issued.

3. The protocol shall be drawn up separately by the Financial Monitoring Service of Georgia on the one hand and the authorized employee of the Credit Union on the other hand immediately upon the issuance of the instruction of the Financial Monitoring Service on the suspension of implementation of the transaction as prescribed under subparagraph 2 of this Article. The protocol shall include:

a) First name, last name and the position of the issuer of the instruction (authorized employee of the Financial Monitoring Service) and the recipient (authorized employee of the Credit Union);

b) Exact time of issuance/receipt of the instruction (specifying the hour and minute);

c) The form of issuance/receipt of the instruction (verbal, including through means of electronic communication, or written, including through electronic mail or other means of electronic communication);

d) The substance of the instruction, including the data enabling the identification of the transaction (transactions) and/or the person carrying out the transaction (transactions);

e) The period of the suspension of implementation of the transaction;

f) The confirmation of the receipt of the instruction by the Credit Union's authorized employee;

g) The exact time and date of drawing up the protocol;

h) The signature of authorized employees of the Financial Monitoring Service and the Credit Union.

4. Credit Union shall be required to immediately confirm the receipt of the instruction referred to in paragraphs 1 and 2 of this Article to the Financial Monitoring Service through the same means used to communicate the instruction, and to undertake all necessary measures for its implementation. The confirmation of the receipt of the instruction on the suspension of implementation of the transaction under paragraph 2 of this Article shall be included in the protocol referred to in paragraph 3 of this Article.

5. The time limit referred to in paragraph 1 of this Article shall start to run from the moment of receipt by the Credit Union of the written instruction issued by the Head of the Financial Monitoring Service, or the instruction issued by the Head of the Financial Monitoring Service or the designated person as provided by paragraph 2 of this Article.

6. The instruction referred to in paragraphs 1 and 2 of this Article can be revoked before the expiry of the time limit provided for in paragraph 1 of this Article if the suspicious nature of the transaction could not be ascertained or if this is required for the interests of investigation based on the written request of the respective authorities of the Chief Prosecutor's Service, the Ministry of Internal Affairs or the State Security Service of Georgia. The Financial Monitoring Service shall immediately notify the Credit Union about the revocation of the instruction through the procedure referred to in paragraph 2 of this Article, which shall be confirmed by the written instruction of the Head of the Financial Monitoring Service and handed over to the Credit Union in the next 24 hours. The Credit Union shall be required to immediately confirm the receipt of the notice on the revocation of the instruction referred to in paragraphs 1 and 2 of this Article to the Financial Monitoring Service through the same means used to communicate the notice.

7. The Credit Union shall be required to keep the written instructions of the Head of the Financial Monitoring Service (including written instructions issued through electronic means) referred to in paragraphs 1 and 2 of this Article for no less than 6 years unless the respective supervisory authority requests to keep the instructions for a longer period. The protocols referred to in paragraph 3 of this Article shall also be retained for 6 years.

8. The Credit Union shall be required to designate an employee (employees) based on formal decision who shall be authorized: to receive/accept the instruction on the suspension of implementation of the transaction issued by the Head of the Financial Monitoring Service or the person designated therein as provided for by paragraphs 1 and 2 of this Article and the instruction revocation notice; to confirm the receipt of the instruction on the suspension of

implementation of the transaction and the instruction revocation notice to the Financial Monitoring Service; to draw up the protocol referred to in paragraph 3 of this Article and undertake all necessary measures for the implementation of the instruction on the suspension of implementation of the transaction.

9. The senior management and employees (both fixed and unspecified term employees) of the Credit Union shall not be authorized to notify the parties to a transaction or other persons about the implementation of measures provided for by this Article.

Article 11 .Obligation of Credit Union to Submit the Form of Registration to the Financial Monitoring Service of Georgia

1. For the purpose of systemization and analysis of the information received by the FMS on transactions subject to monitoring and in compliance with subparagraph "a", paragraph 5, Article 10 of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" the Financial Monitoring Service of Georgia shall establish electronic data base. For inputting information on Credit union to the data base the Credit union shall submit the Form of Registration to the Financial Monitoring Service of Georgia through the relevant web shell of the web portal set on the official web site of the FMS (www.fms.gov.ge). The Form of Registration shall be considered as submitted only after sending the relevant electronic message by the FMS. Hard copies of the Form of Registration to the Financial Monitoring Service of Georgia shall be submitted only if Forms of Registration are technically impossible to be sent in an electronic format according to the procedure defined under this Regulation.

2. In case of change of any information (as well as replacement of the employee in charge of monitoring) in the Form of Registration submitted to the FMS, the Credit union shall present not later than three working days from the moment the relevant change have taken place completed form with renewed information to the Financial Monitoring Service of Georgia according to the procedure defined under paragraph 1 of this Article.

Article 12. Responsibilities Related to Monitoring

1. National Bank of Georgia shall supervise compliance of the Credit union with norms and requirements of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" and this Regulation.

2. For violation of norms and requirements of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization" and this Regulation, the sanctions, according to the procedure and amount set by the National Bank of Georgia, shall be used against the Credit union.