Informal translation
With changes and amendment of July 28, 2015

Published: www.matsne.gov.ge 23/01/2012
Web-Site, Registration Code: 220080000.19.012.016021

FINANCIAL MONITORING SERVICE OF GEORGIA

DECREE №1

Tbilisi January 18, 2012

On Approving the Regulation on Receiving, Systemizing and Processing the Information by Currency Exchange Bureaus and Forwarding to the Financial Monitoring Service of Georgia

Pursuant to paragraph 4 (c) 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 Currency Exchange Bureaus and Forwarding to the Financial Monitoring Service of Georgia”.

2. Currency Exchange Bureaus operating for the moment of the effective date of this Decree, prior to April 1, 2012 shall ensure:

a) development of internal regulations on financial monitoring on the basis of requirements of the Regulation “On Receiving, Systemizing and Processing the Information by Currency Exchange Bureaus and Forwarding to the Financial Monitoring Service of Georgia”;

b) putting in action of e-mail and an electronic data base containing identification details of clients and the relevant persons and information on transactions subject to monitoring; ensure implementation of the relevant software for revealing operations of currency trading aimed at partition of the transaction.

3. Currency Exchange Bureaus which commence their operation from the effective date of this Decree shall ensure implementation of requirements of paragraph 2 of this Decree within 2 months from the registration at the National Bank of Georgia.

4. Currency Exchange Bureaus, which commence their operation from the effective date of this Decree shall submit in compliance with the Regulation “on Receiving, Systemizing and Processing the Information by Currency Exchange Bureaus and Forwarding to the Financial Monitoring Service of Georgia”; Form of Registration to the FMS within ten days following the registration at the National Bank of Georgia.

5. Decree # 96 of July 30, 2004 of the Head of the Financial Monitoring Service of Georgia "on Approving of the Regulation on Receiving, Systemizing and Processing the Information by Currency Exchange Bureaus and Forwarding to the Financial Monitoring Service of Georgia" shall become null and void from the effective date of this Decree.

6. This decree shall become effective upon promulgation.

M. Roinishvili

REGULATION

On Receiving, Systemizing and Processing the Information by Currency Exchange Bureaus and Forwarding to the Financial Monitoring Service of Georgia

Article 1. General Provisions

1. This Regulation has been developed on the basis of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization" and other relevant normative acts of Georgia.

2. This Regulation shall govern principles and rules of financial monitoring conducted for the purpose of facilitating the prevention of illicit income legalization and terrorism financing by Currency Exchange Bureaus (hereinafter referred to as – Currency Exchange Bureau) - entrepreneurial entities, registered according to current legislation and operating on the territory of Georgia.

3. Requirements of this Regulation shall apply to Georgian resident and non-resident persons, their representatives, agents and branches.

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

c) Monitoring – identification of clients and their representatives by the Currency Exchange Bureau; recording, systemizing and processing the information on currency trading transactions subject to monitoring, and forwarding to the Financial Monitoring Service of Georgia;

d) 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.

e) 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;

f) Person – any resident and non-resident natural persons and legal entities, as well as organizational formation considered under legislation, which does not represent a legal entity (unregistered union, partnership, partnership of apartment owners);

g) Clients of the Currency Exchange Bureau – natural persons and legal entities (as well as organizational formations considered under legislation, which do not represent legal entities), which apply to the Currency Exchange Bureau for implementing exchange trading transaction.

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

i) Non-cooperative or watch zone – a 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 such on the basis of the information provided by competent international organization, or if the grounded supposition exists that in such zone weak mechanisms for controlling illicit income legalization are effective;

j) 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;

k) Financial Monitoring Service of Georgia – legal entity of public law established pursuant to the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", which exercises its authority granted under this Law and the respective normative acts;

l) Employee in charge of monitoring – employee of the Currency Exchange Bureau, who on the basis of the legalized resolution of the owner of the Currency Exchange Bureau is charged with the responsibility to ensure conducting monitoring activities and the respective duties. If the owner of the Currency Exchange Bureau is a natural person, he/she may undertake activities related to monitoring. In such event the owner of the Currency Exchange Bureau shall be considered as an employee in charge of monitoring;

m) 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;

n) Control – exercising strong influence directly or indirectly, alone or in concert with others, through use of voting shares or otherwise;

o) Controlling person – Person exercising control;

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. Foreign Exchange Operations (Transactions) Subject to Monitoring

1. For purposes of this Regulation, subject to monitoring, shall be a foreign exchange trading operation implemented by the person or the series of operations aimed at partition of the operation amount if one or both of the following provisions exist:

a) Foreign exchange trading operation (or series of operations) is suspicious (regardless the amount) according to subparagraph "d", Article 2 of this Regulation;

b) The amount of the foreign exchange trading operation implemented by the person and / or the series of operations aimed at partition of operation amount exceeds GEL 30,000 or its equivalent in other currency.

2. Subject to monitoring by currency exchange bureaus shall be funds, defined under subparagraph (d), Article 2 of this Regulation, 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 or / and if supposition exists that person who performs foreign exchange trading operation is on the list of terrorists and persons supporting terrorism or may be related with terrorists and persons supporting terrorism or terrorist organization. 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 implement suspicious operation on foreign exchange trading or other fact (circumstance), which, according to the written instructions of the FMS, may be related to legalization of illicit income and /or financing terrorism.

4. Currency Exchange Bureau shall pay special attention to unusual transactions, which do not have the 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 Currency Exchange Bureau is required to undertake enhanced procedures of identification and verification provided for by Article 5^1 of this Regulation which is 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 the purposes of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", Currency Exchange Bureaus 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 Currency Exchange Bureaus with Respect to Implementation of Control

1. Rules and terms for exercising control by Currency Exchange Bureaus 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, Currency Exchange Bureau 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 on conducting of monitoring shall include:

a) Procedures for identification of clients of Currency Exchange Bureau, their beneficial owners and other relevant 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 procedure); Procedures for ascertaining of Politically Exposed Persons (PEPs);

b) Procedure for documenting, systemizing and filing the information related to monitoring;

c) Submission of reporting forms and other materials to the Financial Monitoring Service of Georgia;

d) Rules and procedures for conducting permanent monitoring on business relations with the client;

e) Functions, authority and responsibility of the employee in charge of monitoring;

f) Functions, authority and responsibility of other employees of the Currency Exchange Bureau with respect to the process of conducting monitoring;

f^{1}) Terms and procedure for carrying out the instruction of the Financial Monitoring Service on the suspension of implementation of the transaction;

f^{2}) Rights and responsibilities of the employee/employees authorized to confirm the receipt and to carry out the instruction of the Financial Monitoring Service on the suspension of implementation of the transaction;

g) Procedure for certification of copies of documents presented by clients and employee having certification authority pursuant to paragraph 3, Article 8 of this Regulation.

3. The owner of the Currency Exchange Bureau shall be obligated to:

a) Ensure fulfillment of norms set under the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", this Regulation, the normative act of the National Bank of Georgia, the FMS guidelines as well as other requirements set under the legislation by the Currency Exchange Bureau and create necessary conditions for this purpose (including equipping the Currency Exchange Bureau with appropriate technical facilities and software, means for safe retention of information and documents etc);

b) Ensure putting in action of e-mail and an electronic data base containing identification details of clients and the relevant persons and information on transactions subject to monitoring; ensure implementation of the relevant software for revealing operations on currency trading aimed at partition of the transaction;

c) Designate an employee in charge of monitoring on the basis of appropriately legalized resolution and assign him/her to fulfill the respective functions (if the owner is a natural person, he/she may perform these functions himself/herself);

d) Under the appropriately legalized resolution define issues related with considering foreign exchange trading operations as suspicious and / or aimed at partition of the operation as well as issues related with decision - making on submission of reporting forms to the FMS and granting the authority to fill reporting forms and sign them and other materials related to monitoring process;
e) Ensure conducting the monitoring process in a way that clients (their representatives) of the Currency Exchange Bureau are not aware that their activities are being monitored (with respect to operations (transactions) subject to monitoring).

f) Ensure respective training programs for employees of the Currency Exchange Bureau on issues related to prevention of illicit income legalization and terrorism financing.

Article 5. Obligations of Currency Exchange Bureau with respect to Identification of Clients

1. Currency Exchange Bureau shall identify the client (its representative and proxy, as well as the third person if the transaction is being concluded in favor of the third person) and take reasonable measures to verify their identity by means of reliable and independent source of information (documents) when:

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

b) Transaction is suspicious according to subparagraph (d), Article 2 of this Regulation;

c) There is suspicion regarding accuracy or / and compliance of clients identification data.

2. Currency Exchange Bureau shall identify the beneficial owner of the client, as well as to 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 client is. Identification procedures similar to those used for natural persons shall be applied against the beneficial owner.

3. In the course of the identification and/or verification of a client (its beneficial owner), the Currency Exchange Bureau 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 8 of this Regulation and is subject to the supervision and regulation as defined under the FATF

recommendations. The Currency Exchange Bureau 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 business relationship. Furthermore, the Currency Exchange Bureau 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 Currency Exchange Bureau. The Currency Exchange Bureau 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. Identification process shall be conducted in compliance with the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", this Regulation, normative acts issued by the National Bank of Georgia, the relevant internal regulation of the Currency Exchange Bureau and guidelines and recommendations of the Financial Monitoring Service of Georgia.

5. For purposes of this Regulation, Currency Exchange Bureau shall define themselves procedures required for identification of a person.

6. For the purpose of identifying the client (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 Currency Exchange Bureau 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.

7. Identification and verification of each client and its beneficial owner and obtaining of other information as it is defined by this Article, shall take place before carrying out of a transaction (foreign exchange trading operation), 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 client identification data (except for cases provided under paragraph 3, Article 5^1 of this Regulation).

8. Currency Exchange Bureau shall not be authorized to provide the client with services without preliminary identification of this person in cases provided for in paragraph 1, Article 1 of this Regulation.

9. Currency Exchange Bureau shall perform ongoing scrutiny of relations between existing clients and the Currency Exchange Bureau.

9^1. The Currency Exchange Bureau shall be required to obtain the information about the nature of business activity, 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.

9^2. The Currency Exchange Bureau shall be required to undertake the appropriate measures for obtaining the information about the purpose and intended nature of business relationship with the client.

10. Despite the assumed suspicious nature and the amount of operation (transaction), the Currency Exchange Bureau shall not suspend implementation of the operation (transaction) (providing services to the person having the business relationship with Currency Exchange Bureau (client)) except for the following cases:

a) Client of the Currency Exchange Bureau can not be identified;

b) Any person involved in the transaction is on the list of terrorists or persons supporting terrorism;

c) Upon receipt of refusal of the management on establishing business relations with the person in the event provided for in subparagraph (a), paragraph (2), Article 6 of this Regulation;

d) Upon receipt of the instruction of the Financial Monitoring Service on the suspension of implementation of the transaction as prescribed under Article 9^1 of this Regulation.

11. In cases indicated in subparagraphs (a) - (c), paragraph 10 of this Article the Currency Exchange Bureau shall be obligated not to serve the client (establish business relationship with the person) and shall immediately submit to the FMS the respective reporting form, all materials available and any other information on the operation (transaction) and persons involved in.

12. Through the standard identification process the following details shall be documented:

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 (Passport) 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 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 number of tax payer;

b.f) Identification details of persons authorized for management and representation (in conformance with subparagraph (a) of this paragraph);

b.g) Identification details of the person who represents legal entity in specific operation (transaction) subject to monitoring;

c) In case of organizational formation considered under the legislation, which does not represent a legal entity:

c.a) Full name;

c.b) Legal address;

c.c) Legal act or other document, based on which this formation has been established (or has been functioning);

c.d) Identification number of tax payer;

c.e) Identification details of persons authorized for management and representation (in compliance with subparagraph (a) of this paragraph);

c.f) Identification details of the person who represents such organizational formation in specific operation (transaction) subject to monitoring;

13. Documents necessary for identification process shall be:

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

b) if the natural person is 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 or organizational formation, which does not represent a legal entity - relevant act on establishment of the entity as determined by the Georgian legislation, or extract from the Registry of Entrepreneurs (or other relevant registry) and document proving authority for representation of the entity;

d) in case of non-resident legal entity – documents issued by respective bodies of the foreign state on establishing and registering the entity and document proving for representation of the entity.

14. Currency Exchange Bureau shall record the country and authority that issued documents submitted for identification of a person as well as date and validity period of such documents;

15. If documents (information) presented to or existing in the Currency Exchange Bureau allow, bank account details and actual address of the client shall be documented if different from the legal address (if the client is a legal entity or organizational formation not representing legal entity).

16. Currency Exchange Bureau shall exercise permanent monitoring of business relationships with their clients that includes:

a) Maintaining current information and records relating to the client 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 client, client's business or personal activity and risk profile and where necessary the source of property (including funds).

17. The Currency Exchange Bureau shall be required to have the appropriate risk management system for the identification and verification of clients 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 such clients as provided under Article 5^1 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 Currency Exchange Bureau 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.

17^1. Currency Exchange Bureau shall be authorized to use the simplified identification and verification procedure of a client (its beneficial owner) as provided under Article 5^1 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

Currency Exchange Bureau. 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 17 of this Article. A Currency Exchange Bureau 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.

18. Currency Exchange Bureau 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 5[1]. The enhanced and simplified identification and verification procedure

1. A Currency Exchange Bureau (authorized employee) shall be required, in addition to implementing the requirements provided under Article 5 of this Regulation, to apply the enhanced identification and verification procedure with respect to the client 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 client and 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 client (the beneficial owner) more frequently and verify the authenticity of the documents submitted by the client;

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 (operations);

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 Currency Exchange Bureau 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 Currency Exchange Bureau is authorized, in cases provided under paragraph 17^1, Article 5 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 client and the beneficial owner after the establishment of the business relationship;

b) Reduce the frequency of updates of the identification data of the client and the beneficial owner;

c) Reduce the frequency of implementing the requirements provided under subparagraph "c", paragraph 16 of Article 5 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 client about the transactions (operations) undertaken and/or the business relationship established.

4. A Currency Exchange Bureau shall not be exempted from the obligation of obtaining the data provided under paragraph 12 of this Article, and verifying the identity of the client and the beneficial owner when applying the simplified identification and verification procedure in cases provided under paragraph 17^1, Article 5 of this Regulation. A Currency Exchange Bureau 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 Currency Exchange Bureau 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 6. Obligations of Currency Exchange Bureau with respect to Politically Exposed Persons (PEPs)

1. Currency Exchange Bureau shall identify whether the client or his / her beneficial owner belongs to the category of Politically Exposed Persons (PEPs).

2. If the client 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" and this Regulation, the Currency Exchange Bureau (its authorized officer) shall take the following actions:

a) Obtain permission from the management of the Currency Exchange Bureau 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 client (his / her beneficial owner) becomes Politically Exposed Person (PEP) after establishing business relations with the Currency Exchange Bureau, the latter shall undertake measures provided for in paragraph 2 of this Article against such person upon availability of the aforementioned information.

4. Currency Exchange Bureau shall have respective procedures based on which it ensures obtaining respective information from its client, as well as from public sources or respective electronic databases for the purpose of ascertaining and verifying Politically Exposed Persons (PEPs).

Article 7. Obligations of Currency Exchange Bureau to Record Information (Documents) on Foreign Exchange Operations Subject to Monitoring

1. Pursuant to paragraph 6, Article 6 of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", the Currency Exchange Bureau shall record information on each implemented foreign exchange operation.

2. Currency Exchange Bureau shall document the following information on foreign exchange operation:

a) Content of the operation and date of implementation of operation;

b) Currencies in which foreign exchange trading operation is implemented and the corresponding amounts (by each currency);

c) Exchange rate (if the operation is implemented in several currencies, the exchange rate shall be recorded by types of currencies);

d) Purpose and/or grounds for implementing the operation.

3. Identification details (documents) on clients (their representatives) of the Currency Exchange Bureau, as well as information indicated in paragraph 2 of this Article shall be recorded and retained in electronic or documentary form.

Article 8. Obligations of Currency Exchange Bureau to Keep Information (Documents) Related to the Monitoring Process

1. A Currency Exchange Bureau shall be required to keep the information (documents) about a client (its beneficial owner) as provided for by Articles 5 and 5^1 of this Regulation (including information submitted in accordance with the procedure defined in paragraph 6, Article 5 of this Regulation) as well as business correspondence and written notes as provided under paragraph 4, Article 3of this Regulation in electronic or material form for at least 6 years from the moment of terminating business relationship with a client 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.
2. Currency Exchange Bureau shall be required to keep the second copies of foreign exchange trading receipts and other information (documents) on operation for at least 6 years from the day of implementing of operation, 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. The same period of keeping of documents applies to reporting forms submitted to the Financial Monitoring Service of Georgia in compliance with Article 9 of this Regulation.

3. Copies of documents defined under the first paragraph of this Article shall be certified by the authorized employee of Currency Exchange Bureau so that it is clear who and when certified the copy. In order to ensure fulfillment of this requirement, the owner of the Currency Exchange Bureau shall designate an employee (employees) under appropriately legalized resolution who will be authorized to certify the copy. Certification shall not be required for data presented for the identification of a person in conformity with the procedure set under paragraph 6, Article 5 of this Regulation and verified by the Currency Exchange Bureau on the basis of ID (Passport).

4. The information (documents) retained in the Currency Exchange Bureau shall fully reflect the implemented foreign exchange trading operation and identification details of the respective clients (their representatives). In addition, information shall be systemized, recorded and maintained in a way, that when needed (including, its use as an evidence in criminal, proceedings) it can be found and retrieved in a shortest period of time.

5. Currency Exchange Bureau shall ensure confidentiality of the retained documents and information.

Article 9. Obligations of Currency Exchange Bureau to Present Reporting Forms on Foreign Exchange Operations Subject to Monitoring

1. Pursuant to Article 9 of the Law of Georgia “on Facilitating the Prevention of Illicit Income Legalization”, the Currency Exchange Bureau shall submit notices to the Financial Monitoring Service of Georgia, related to foreign exchange trading operations subject to monitoring as well as if it has suspicion regarding authenticity of identification data or if identification of the client is not possible to be carried out.

2. Submission of the notice to the Financial Monitoring Service of Georgia shall imply completing and forwarding by the Currency Exchange Bureau 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. Report shall be completed and submitted 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 FMS 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 according to the procedure defined under this Regulation only if reporting forms are technically impossible to be sent in an electronic format.

4. The following time periods shall be set for submission of reporting forms to the Financial Monitoring Service of Georgia:

a) If the amount of foreign exchange trading operation exceeds GEL 30, 000 or its equivalent in other currency or series of operations (transactions) aimed at partition exceeds GEL 30,000 or its equivalent in other currency, the report shall be submitted within no later than five working days from the moment of implementing operation (transaction) or concluding the transaction (or receipt of information on such transaction, series of operations (transactions));

b) If the foreign exchange trading operation or identification information is considered as suspicious - the report shall be submitted on the day of origination of supposition;

c) If any person involved in the operation (transaction) is on the list of terrorists or persons supporting terrorism, or / and is likely to be connected with them or / and funds involved therein may be related to or used for terrorism, terrorist act or by terrorists or terrorist organization or persons financing terrorism, the report shall be submitted on the day the information is received. In addition, in the latter case all relevant materials and documents available to the Currency Exchange Bureau along with the reporting form shall be forwarded to the Financial Monitoring Service of Georgia.

5. In exceptional case provided for in paragraph 3 of this Article, printed (or hand filled) reporting form (and attached materials if necessary) shall be submitted to the Financial Monitoring Service of Georgia in a sealed envelope by the authorized employee of the Currency Exchange Bureau or by post as a registered mail. Name and address of the sender Currency Exchange Bureau 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 sent to the FMS in electronic form through the relevant web shell or / and web service of the web portal set on the official website of the FMS (www.fms.gov.ge).

7. Electronic form submitted to the Financial Monitoring Service of Georgia shall be subject to retention for the period not less than 6 years. In the event of keeping reporting forms electronically the Currency Exchange Bureau shall observe security measures. In cases provided for in paragraph 3 of this Article, when sending a hard copy of the report, two hard copies of the report shall be printed, of which each should be certified by the signature of the employee authorized under the appropriately formed decision of the owner of the Currency Exchange Bureau to sign reporting forms. One copy shall be

presented to the Financial Monitoring Service of Georgia and the other shall be retained in the Currency Exchange Bureau for not less than six years.

8. Reporting form shall be filled completely. The Currency Exchange Bureau shall maintain register of reporting forms submitted to the FMS.

9. If the client (his/her representative) of the Currency Exchange Bureau simultaneously performs purchase or sale of more than one kind of foreign currency and these operations are subject to monitoring, the part of the reporting form, which reflects information on purchase/sale (amount of currency exchanged and to be exchanged, type of currency, exchange rate etc.) of the currency shall be filled separately for exchangeable and/or exchanged currency (by components of currency purchase/sale operation).

10. In the event of revealing suspicious operation (transaction) and submitting related reporting form to the Financial Monitoring Service of Georgia, the Currency Exchange Bureau shall be obligated to indicate grounds of supposition and to focus special attention on other operations (transactions), implemented by persons involved in this particular operation (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 Currency Exchange Bureau and available documents (including confidential) in relation to any foreign exchange trading operation and clients (representatives) of the Currency Exchange Bureau, including those operations on which reporting forms have not been presented to the Financial Monitoring Service of Georgia. The Currency Exchange Bureau shall be obligated to submit requested information to the FMS within two working days from the moment of receiving the request.

12. If the Currency Exchange Bureau reveals any additional information, with respect to the relevant operation or clients of the Currency Exchange Bureau (or additional information becomes available) 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 operation (transaction) subject to monitoring shall be presented according to the procedure as it is defined under the User Manual.

13. Currency Exchange Bureau is obliged to strictly observe confidentiality of form completion, submission to the FMS and the related information. In case of suspicion regarding the foreign exchange trading operation, completion of the reporting form and submission to the FMS, the client (its representative) of the Currency Exchange Bureau or any other persons shall not be informed. The employee of the Currency Exchange Bureau, who reveals suspicious foreign exchange trading operation defined under Article 3 of this Regulation and/or completes the reporting form, shall disclose this information only to those persons (employees of the Currency Exchange Bureau and/or its owner) that are authorized to keep such information according to the appropriately legalized resolution of the owner of the Currency Exchange Bureau.

Article 9[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 Currency Exchange Bureau 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 Currency Exchange Bureau 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 Currency Exchange Bureau 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 Currency Exchange Bureau 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 Currency Exchange Bureau);

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 Currency Exchange Bureau'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 Currency Exchange Bureau.

4. Currency Exchange Bureau 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 Currency Exchange Bureau 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 Currency Exchange Bureau 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 Currency Exchange Bureau in the next 24 hours. The Currency Exchange Bureau 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. Currency Exchange Bureau 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. Currency Exchange Bureau 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 carrying out the instruction on the suspension of implementation of the transaction (if the owner of

Currency Exchange Bureau is a natural person, he/she can individually undertake these responsibilities).

9. The senior management and employees (both fixed and unspecified term employees) of the Currency Exchange Bureau 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 10. Obligation of the Currency Exchange Bureau to Submit the Form of Registration to the FMS

1. For the purpose of systemization and analysis of the information received by the FMS on foreign exchange trading operations subject to monitoring and pursuant to 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 an electronic database. For inputting the information to the database on each Currency Exchange Bureau, the Currency Exchange Bureau shall submit to the FMS the Form of Registration through the relevant web shall of the web portal set on the official web site of the FMS of Georgia (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 reporting forms shall be submitted to the Financial Monitoring Service of Georgia only if reporting forms are technically impossible to be sent according to this procedure.

2. In the event of changes of any information (as well as replacement of the employee in charge of monitoring) presented in the Form of Registration, the Currency Exchange Bureau shall be obligated to present completed form to the FMS containing renewed information within three working days from the moment these changes have taken place in compliance with paragraph 1 of this Article.

Article 11. Responsibilities Related to Monitoring

1. National Bank of Georgia shall supervise compliance of the Currency Exchange Bureau 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 shall be used against the Currency Exchange Bureau in compliance with procedure and at the amount set by the National Bank of Georgia.