

LEPL FINANCIAL MONITORING SERVICE OF GEORGIA

ANNUAL REPORT

2024

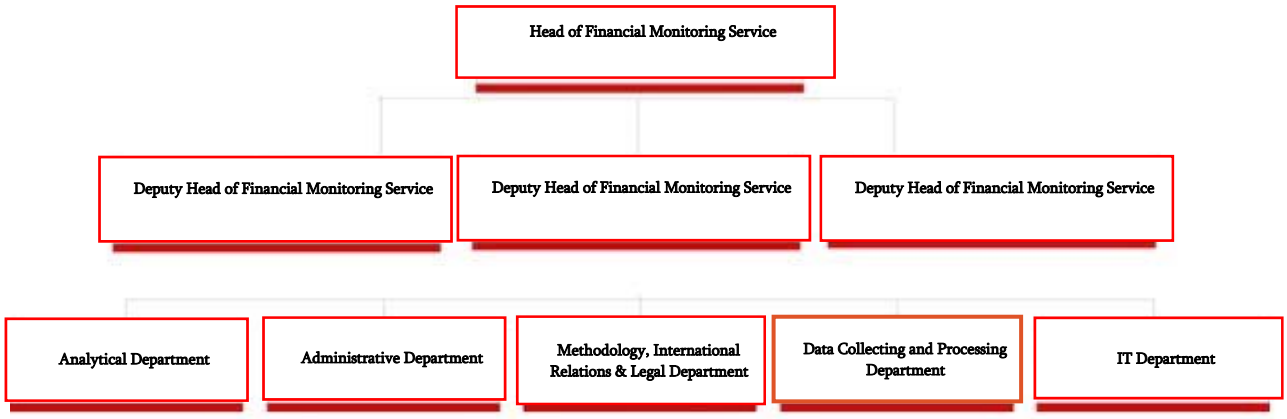
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Goals and Objectives, Main Areas of Activity

The Legal Entity of Public Law (LEPL) - Financial Monitoring Service of Georgia (FMS) - as the authority responsible for prevention of money laundering and terrorism financing, has been operated since 2004 and conducts its activities in accordance with the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing" along with other legislative acts and subordinate normative acts. For the purpose of detecting and preventing criminal offences, the Financial Monitoring Service of Georgia receives information on suspicious activities and other transactions from obliged entities as defined by the law, analyzes this information and upon establishing a reasonable suspicion that the transaction is suspicious and may be conducted for the purpose of money laundering, terrorism financing or/and other predicate offenses promptly forwards such data and case materials at its disposal to the law enforcement authorities (LEAs) without requiring prior consent from any other body or individual.

The objectives, functions and organizational structure of the structure of the LEPL - Financial Monitoring Service of Georgia are defined by the "Statute of the Legal Entity of Public Law-Financial Monitoring Service of Georgia" approved by the decree No. 658, of the government of Georgia dated December 26, 2019. The organizational structure of the Financial Monitoring Service of Georgia in 2024 was as follows:



FMS staff and amount of the salaries for the employees have been approved by the Prime Minister of Georgia, Decree No. 96, dated 29 February, 2024. There are 27 established staff positions within the FMS based on the aforementioned act.

Statistics

The list of the obliged entities under the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing" is as follows:[1]

The Financial Institutions: non-bank depository institution - credit union; founder of a non-state pension scheme; insurance broker; currency exchange bureau; commercial bank; microfinance organization; brokerage company; payment service provider; insurance organization; leasing company; loan issuing entity; securities registrar; investment fund without assigned asset management company; virtual asset service provider; microbank; asset management company; central depository licensed by the National Bank of Georgia.

The Non-Financial Institutions: lawyer/law firm; organizer of lotteries, gambling or other commercial games; notary; certified accountant; accountant providing professional services; accounting firm; auditor, audit firm; trader of precious stones and metals; the National Agency of Public Registry and the Revenue Service.

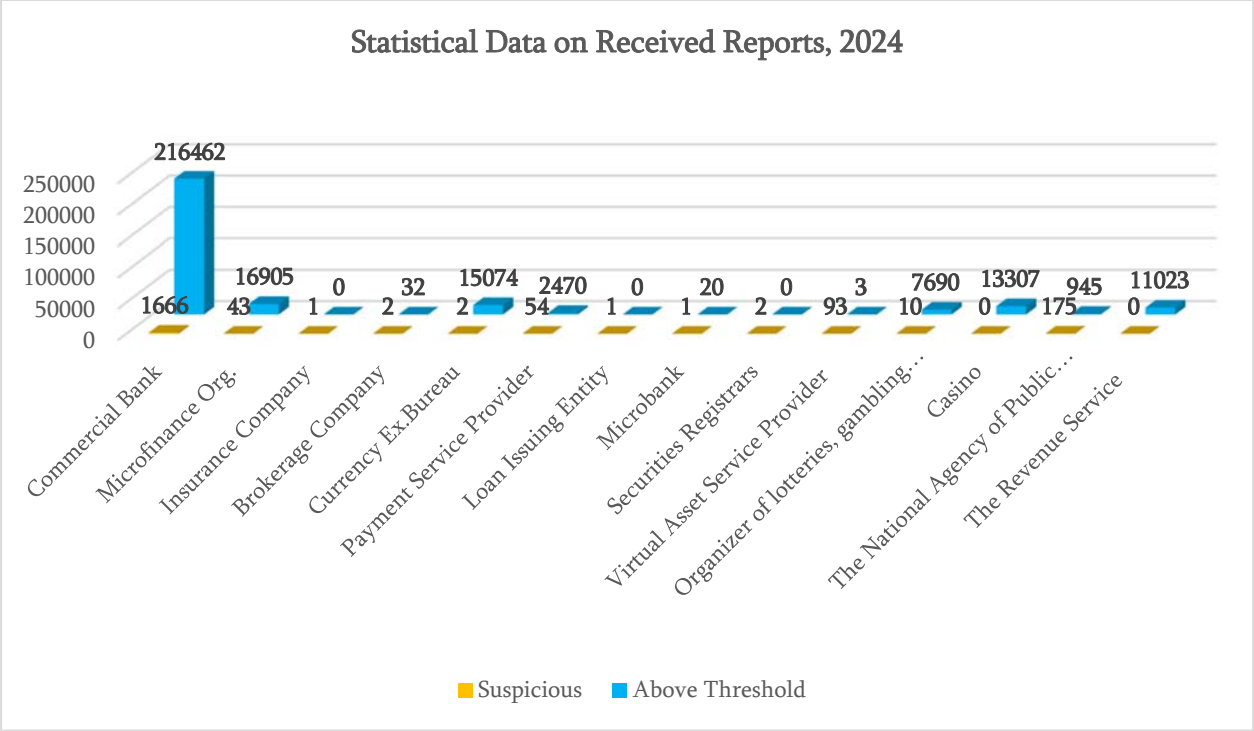
In accordance with the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing", the obliged entities are required to submit a report to the Financial Monitoring Service of Georgia regarding a suspicious transaction or an attempt to prepare, conclude or execute such transaction. In addition to suspicious transactions, pursuant to the law, the FMS, through a subordinate normative act, determines the types of transactions to be reported by the obliged entities to the FMS[2]. Taking the above into account, the statistical data concerning the information received by the FMS throughout 2024 is as follows:

Obliged Entities	A total Number of Reporting Forms	Threshold-Based Transaction Reports	Suspicious Transaction Reports	Among Them Terrorism Financing
Commercial Bank	218128	216462	1666	6

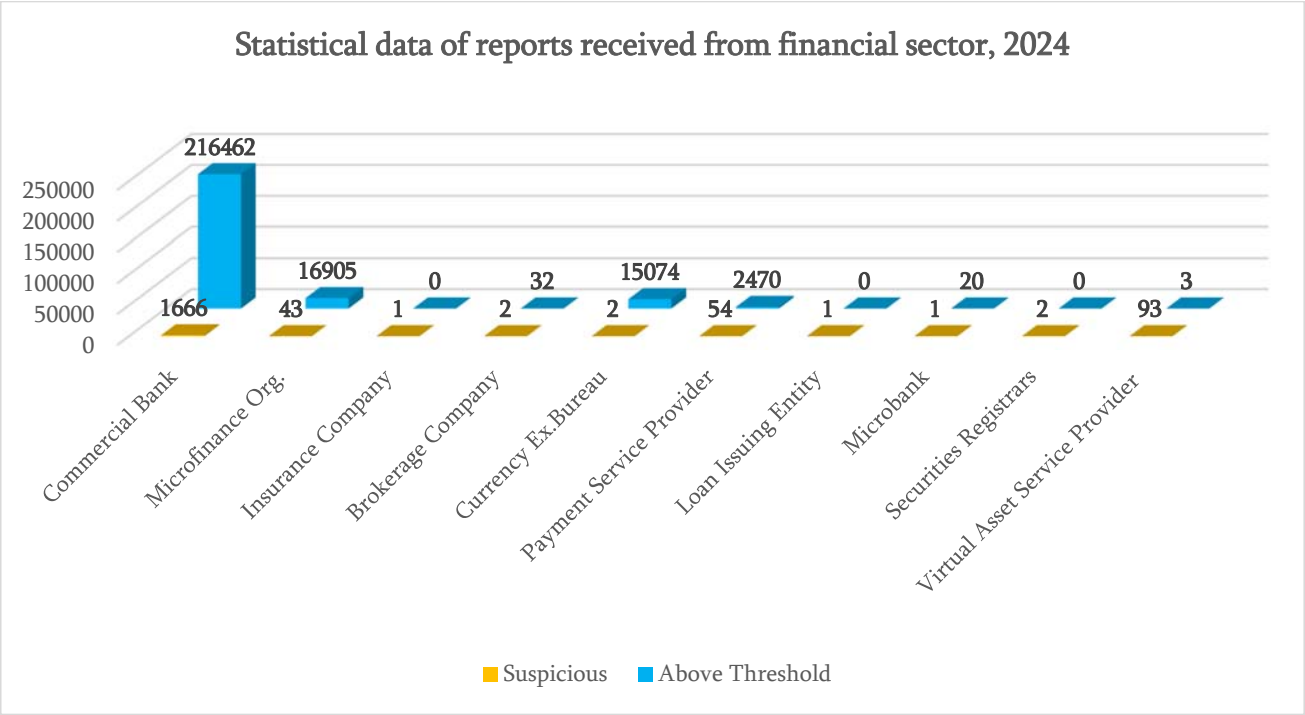
[1] Article 3 (30.05.2024 considering the amendment) of the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing".
[2] Article 25, Paragraph 2 of the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing".

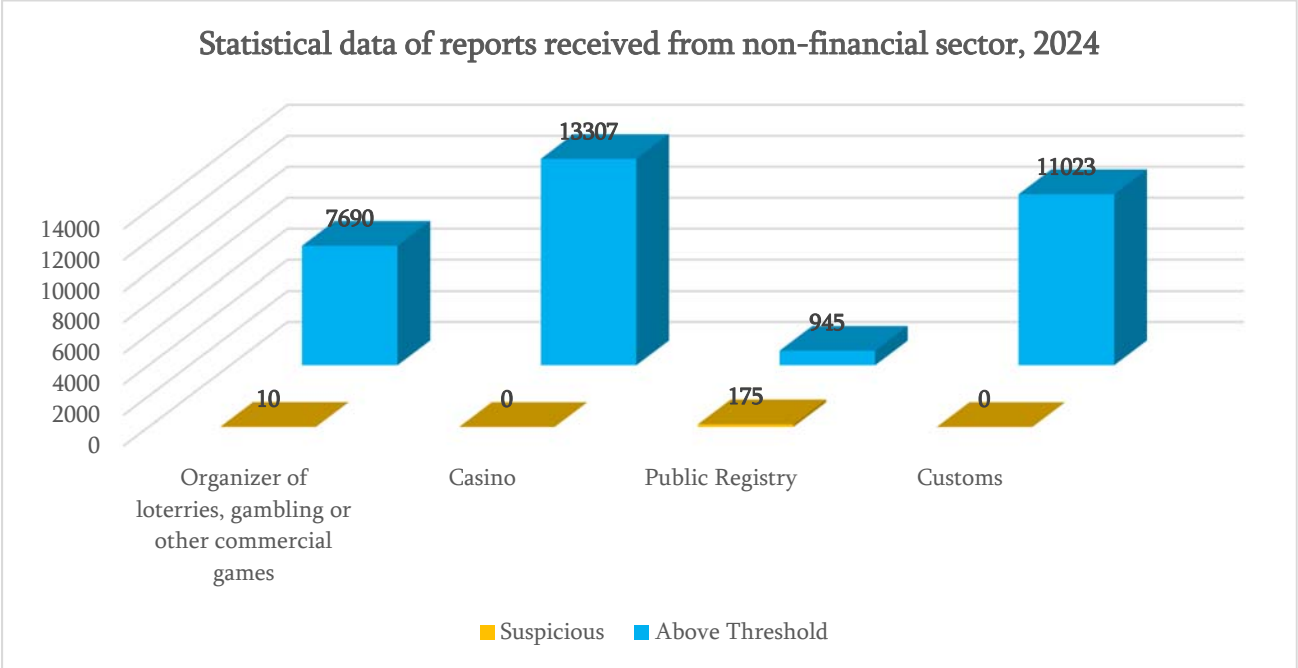
Microfinance Organization	16948	16905	43	1
Insurance Company	1	0	1	0
Brokerage Company	34	32	2	0
Securities Registrars	2	0	2	0
Currency Exchange Bureau	15076	15074	2	1
Payment Service Provider	2524	2470	54	1
Loan Issuing Entity	1	0	1	0
Microbank	21	20	1	0
Virtual Asset Service Provider	96	3	93	0
Organizer of lotteries, gambling or other commercial games	7700	7690	10	0
Casino	13307	13307	0	0
The National Agency of Public Registry	1120	945	175	0
The Revenue Service	11023	11023	0	0
Total	**285981**	**283931**	**2050**	**9**

A number of reports received by the FMS throughout 2024 is presented graphically as follows:



Accordingly, based on the systematization of statistical data, the number of reports received in 2024 from financial institutions (including commercial banks) and non-financial institutions is as follows:


Statistical data of reports received from financial sector, 2024
250000
200000
150000
100000
50000
0
216462
16905
0
32
15074
2470
0
20
0
3
1666
43
1
2
2
54
1
1
2
93
Commercial Bank
Microfinance Org.
Insurance Company
Brokerage Company
Currency Ex.Bureau
Payment Service Provider
Loan Issuing Entity
Microbank
Securities Registrars
Virtual Asset Service Provider
Suspicious
Above Threshold

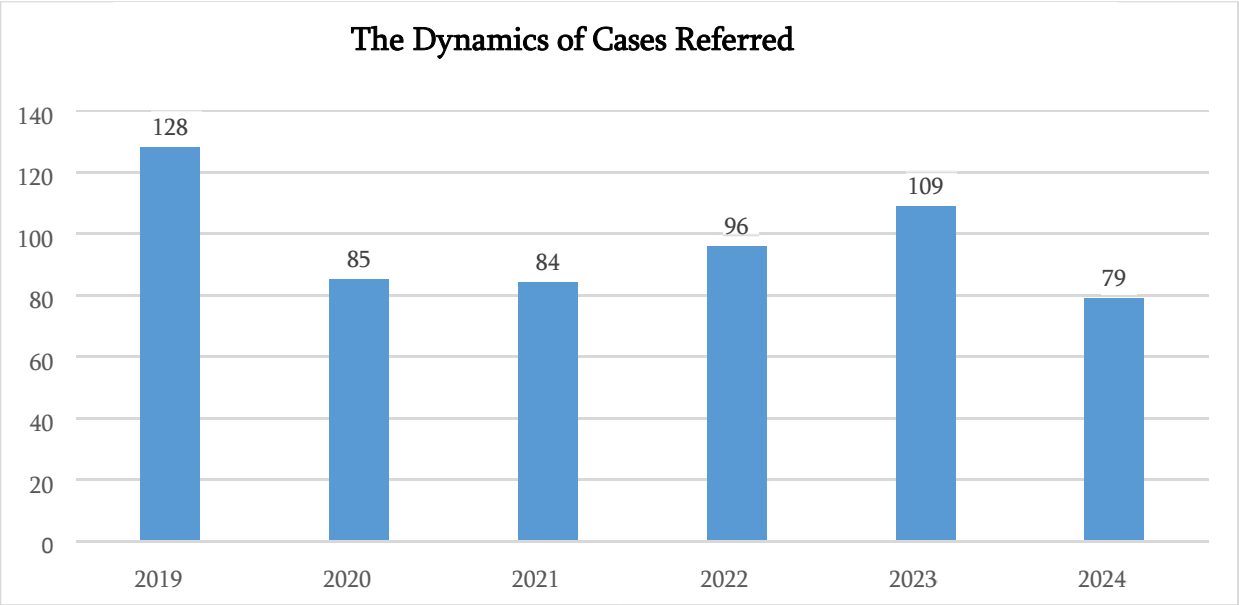

Statistical data of reports received from non-financial sector, 2024
14000
12000
10000
8000
6000
4000
2000
0
7690
13307
945
11023
10
0
175
0
Organizer of loterries, gambling or other commercial games
Casino
Public Registry
Customs
Suspicious
Above Threshold

In turn, as of December 31, 2024, obliged entities defined by the law and registered within the FMS, representing the financial sector of Georgia, included: 17 commercial banks, 1 credit union, 31 microfinance organizations, 20 insurance organizations, 2 founders of a non-state pension scheme, 13 brokerage companies, 24 insurance brokers, 3 securities registrars, 636 currency exchange bureaus, 17 leasing companies, 34 payment service providers, 104 loan issuing entities, 3 investment funds, 1 microbank, 7 asset management companies and 17 virtual asset service providers.

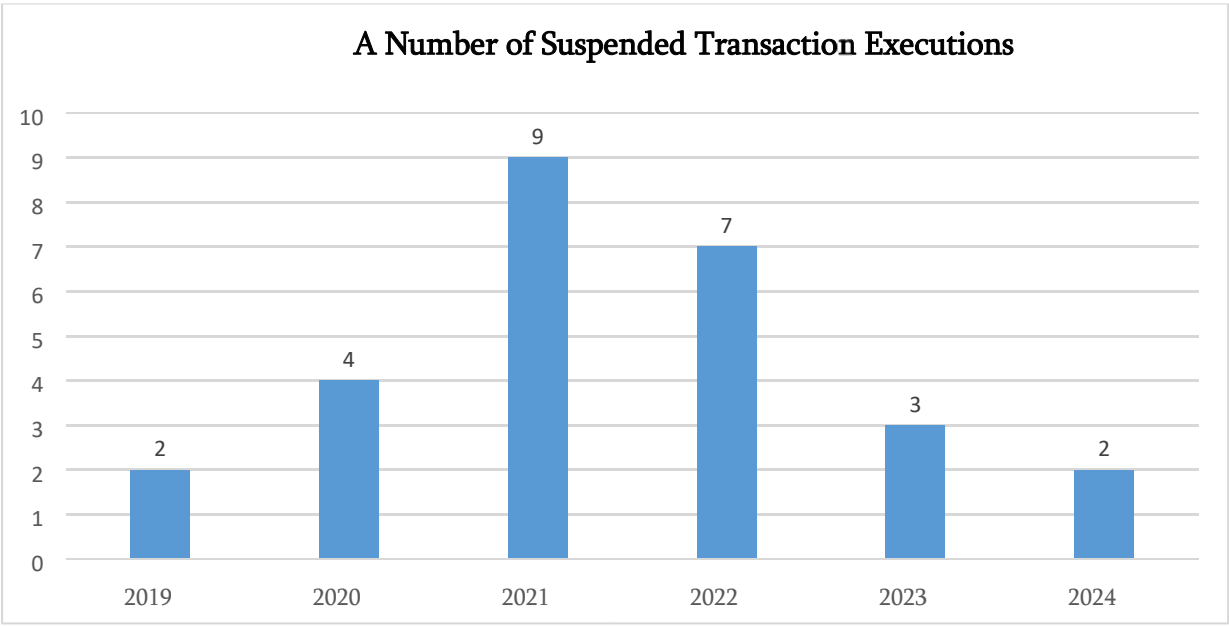
The obliged entities defined by the law, representing Georgia's non-financial sector and registered with the Financial Monitoring Service of Georgia, as of December 31, 2024, included: 363 notaries, 361 organizers of lotteries, gambling and other commercial games, 32 auditors, 458 auditing companies, 35 casinos, the National Agency of Public Register, the Revenue Service, 1 lawyer, 3 law firms, 40 certified accountants, 46 accountants providing professional services and 69 accounting firms.

As a result of analysis of the reporting forms received in 2024 and processing of information obtained by the FMS or received from foreign counterparts, the Financial Monotiling Service of Georgia identified and, in accordance with the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing", transferred 79 cases (including 6 cases related to alleged possible terrorism financing and 6 cases concerning suspected attempts to circumvent sanctions imposed on various countries) to the relevant structural units of the Prosecutor's Office of Georgia, the Ministry of Internal Affairs, the State Security Service and the Revenue Service.

The dynamics of the number of cases submitted by the Financial Monitoring Service of Georgia to the law enforcement authorities and the Revenue Service during 2019-2024 is presented graphically, as follows:



It is noteworthy, that in accordance with the procedure established by the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing", upon emergence of a reasonable suspicion of money laundering, terrorism financing or any other criminal offence, regardless of the transaction amount, Financial Monitoring Service of Georgia is authorized to issue a written instruction to the obliged entity to suspend the preparation, conclusion or execution of that transaction or any other transaction related to that transaction and/or individual involved therein within no more than 72 hours. The FMS exercised such authority and suspended the execution of transactions 2 times in 2024. The statistics of suspensions are as follows:



Typology

The analysis of reports submitted to the Financial Monitoring Service of Georgia along with additional information requested from the obliged entities, data received from foreign counterparts and information obtained from the open sources, as in previous years, showed that a significant portion of cases detected by the FMS during 2024 was related to different forms of fraud (falsification of identification documents, unauthorized use of data from stolen plastic cards, the so-called *Romance-scam*, the so-called Identity *theft*, the so-called Merchant-*scam* and etc.). For the movement of criminal assets traditional methods bank accounts and cash withdrawals were used along with electronic wallets through which transactions were carried out using cryptocurrency to cover the money trail.

Transactions conducted by the call centers were also observed in 2024. Such companies are established to target vulnerable potential clients abroad. They offer and persuade them to purchase different products, make investments, place bets on currency (cryptocurrency) rates and binary options etc. Naturally, the victim of the fraudulent call center either does not receive pre-agreed service at all or loses the funds used for the so-called investment.

During a reporting period, certain individuals continued to offer services and *investments* to customers through social media messaging and advertisements. Particularly noteworthy is the increased number of the so-called phishing cases. Obtaining of customers' confidential banking information through fake websites and social network platforms showed a growing trend in 2024. Taking advantage of the victims' unawareness criminals lure them with offers of *profitable investment* (when the supposedly *returns* on the invested money significantly exceed the market rate) and *interesting job opportunities* etc. The victim voluntarily gives access to their accounts after which the funds are transferred to the third parties. We suppose that the trend of committing this type of crime will still continue (it is worth noting that potential involvement of Russian speaking individuals was relatively common in such cases in 2024).

In the reporting year, there was a noticeable increase of cases where transactions related to company's activities were conducted through personal bank accounts of individual owners of legal entities. This primarily shows the attempts to avoid the tax obligations.

Attempts to circumvent the sanctions imposed on Russia and Belarus following Russia's invasion of Ukraine still continued in 2024. The typical typology is as follows: funds are transferred from abroad to the account of a legal entity registered in Georgia based on a purchase/sale agreement. A Georgian company appears as a seller while a foreign entity as a buyer. The subject of the contract is various product that, due to sanctions, are no longer imported into the buyer's country and become difficult to obtain. After transferring the money to the account, Georgian company tries to make a transaction to the relevant foreign entrepreneur naturally in exchange for a certain fee for facilitating the operation. Upon identifying transactions of such typology, the obliged entities promptly terminate businesses with their clients.

Domestic and International Cooperation

An Inter-Agency Standing Commission, established pursuant to Ordinance No. 235 of May 31, 2022, issued by the the Government of Georgia, "on the establishment of an Inter-Agency Standing Commission and approval of its Statute, for the Purpose of Supporting the Prevention, Detection and Suppression of Money Laundering, Terrorism Financing and Financing of the Proliferation of Weapons of Mass Destruction", continued its activities throughout the year 2023. The objective of the Commission is to facilitate Georgia's alignment with the international standards of the Financial Action Task Force (FATF), the recommendations of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Terrorism Financing (MONEYVAL), as well as the provisions of the Association Agreement between Georgia and the European Union concerning the prevention of the misuse of the financial system for the purposes of money laundering or terrorism financing. Furthermore, the Commission is tasked to ensure the implementation of MONEYVAL recommendations.

The work of the Commission is chaired by the Head of the Financial Monitoring Service of Georgia while the Secretariat of the Commission is composed of FMS employees. The Commission is staffed with the representatives of all relevant agencies. As a result of the Commission's activities, the Government of Georgia by the Resolution No. 813, dated June 4, 2024, approved the Addition to the National Risk Assessment Report on Money Laundering and Terrorism Financing in Georgia that became a basis for the MONEYVAL Committee to upgrade the rating with respect to the Recommendation 1.

The National Risk Assessment document is based on the standards of the Financial Action Task Force (FATF) and the expertise of other countries. The purpose of the document is to raise awareness among competent authorities and representatives of private sector regarding the risks of money laundering and terrorism financing present in Georgia. This, in turn, assists authorities and private sector in the risk management and effective allocation of resources. The Financial Monitoring Service of Georgia was actively involved in the working process of plenary sessions

of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL).

In December 2024 the Committee approved two reports concerning Georgia.

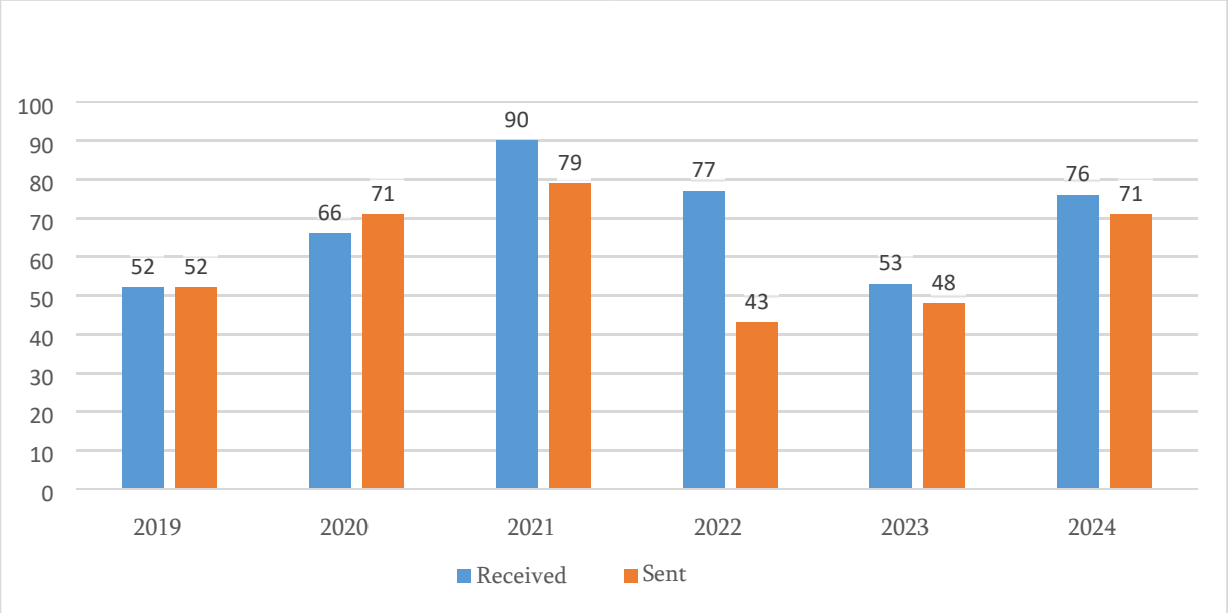
Based on the results of the 3rd Enhanced Follow-Up Report of Georgia, the country's rating was upgraded with respect to Recommendations 1 and 15.

Furthermore, the Committee discussed the issue of Georgia's compliance with the Voluntary Tax Compliance (VTC) program. The amendments introduced to the Law of Georgia on Tax Code of Georgia (commonly referred as the "Offshore Law") were reviewed in the context of money laundering and terrorism financing risks. MONEYVAL Committee accepted Georgia's report and issued a positive assessment specifically confirming that the above-mentioned law follows the international standards.

In 2024, representatives of the Financial Monitoring Service of Georgia also participated in the work of the Conference of the Parties to the Council of Europe Convention (C198-COP) on "Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism."

Within the reporting year the FMS of Georgia continued bilateral cooperation with foreign counterparts. In 2024, 76 requests were received from financial Intelligence Units (FIUs) of different countries, 71 of them were provided with appropriate answers. In turn, the FMS sent 20 requests to foreign counterparts of which 12 were responded. In 2024 the FMS of Georgia shared information with the relevant organizations in foreign countries about 5 potential cases of money laundering, in return the FMS of Georgia received 31 notifications about similar cases from foreign counterparts.

Received and Sent Questions 2019-2024



In 2024 the FMS of Georgia maintained active cooperation with supervisory bodies. Regarding the preparation for the verification of obliged entities and the outcomes of inspection, the FMS of Georgia regularly exchanges information with supervisory authorities on the monitoring of compliance with the requirements of legislative framework in the field of preventing money laundering and terrorism financing.

Legislative and Regulatory Framework

Following the publication of Mutual Evaluation Report of Georgia in 2020 by MONEYVAL Committee, the country has been placed under an enhanced follow-up evaluation procedure requiring the annual submission of a follow-up report about the implementation of recommendations 2 years after the publication of the evaluation report, along with rising a request to the Council of Europe to update the rating in respect with specific recommendations. Within 2024 Georgia was undergoing its third enhanced follow-up evaluation procedure.

For the effective conduct of the procedure, within the year 2024, the FMS of Georgia, as the secretariat of the Inter-Agency Standing Commission, elaborated the Addition to the National

Risk Assessment document. Moreover, a significant amendment has been proposed to the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing".

Through the amendments introduced on May 31, 2024, the Law of Georgia on "Facilitating the Suppression of Money Laundering and Terrorism Financing" was further aligned with the international standards and considered the MONEYVAL Recommendations. As a result, requirements related to the high-risk jurisdictions were clarified, along with the measures to be implemented by the obliged entities when carrying out preventive measures.

In 2024 the FMS of Georgia continued its work on normative-legislative framework regulating the Suppression of money laundering and terrorism financing focusing its further development and improvement of legal framework.

Trainings and Seminars

Within the year 2024, the FMS of Georgia maintained participation in various seminars and workshops aimed at raising awareness.

Over the reporting year, FMS employees took part in different international trainings and seminars, as well as attended appropriate meetings initiated by the international organizations. Specifically, in 2024 FMS employees participated:

- February 18-24, 2024 - Riga, training visit organized by the OSCE on Effective Management and Control of Virtual Assets Regulation.
- March 10-14, 2024 - Strasbourg, joint Council of Europe and Egmont Group course - Training of Trainers on Strategic Analysis.
- March 19-22, 2024 - Warsaw, conference organized by the Council of Europe - Strengthening the Strategic Analysis Function of Financial Intelligence Services - Experiences, Needs and Challenges.
- May 18-23, 2024 - Istanbul, Seminar on Financial Investigative Techniques organized by Egmont Center (ECOFEL) for the improvement and leadership of financial monitoring service.
- August 11-15, 2024 - Warsaw, training organized by the Organization for Security and Co-operation in Europe and the United Nations Office for Drugs and Crime - Investigating Methods for Concealing Traces on the Blockchain.
- September 15-20, 2024 - Vienna, training organized by the United Nations Office for Drugs and Crime.

- October 16-21, 2024 - Strasbourg, the 16th conference meeting of the parties of the Council of Europe Convention (C198-COP) on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on Terrorism Financing.

- November 24-27, 2024 - Chișinău, workshop organized by the Council of Europe - Establishing, Utilizing and Benefiting from Public-Private Partnerships Initiatives for the purposes of Identifying, Preventing and Combating Financial Crime.