Published: Legislative Herald of Georgia
www.matsne.gov.ge 09/09/2013
Registration Code: 010240040.19.012.016037

FINANCIAL MONITORING SERVICE OF GEORGIA
DECREE #2

Tbilisi September 5, 2013

On Approving the Regulation on Receiving, Systemizing and Processing the Information by Leasing Companies and Forwarding to the Financial Monitoring Service of Georgia

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

1. Approve the Regulation "On Receiving, Systemizing and Processing the Information by Leasing Companies and Forwarding to the Financial Monitoring Service of Georgia".

2. Companies conducting leasing activity for the date of entry into force of this Decree shall ensure submission of the Form of Registration to the Financial Monitoring Service of Georgia within two months from the effective date of this Decree in compliance with the procedure defined under the Regulation "on Receiving, Systemizing and Processing the Information by Leasing Companies and Forwarding to the Financial Monitoring Service of Georgia".

3. Companies which commence their leasing activity after the effective date of this Decree shall submit within one month following the beginning of their leasing activity as it is defined under the effective legislation the Form of Registration to the Financial Monitoring Service of Georgia according to the procedure established under the Regulation "on Receiving, Systemizing and Processing the Information by Leasing Companies and Forwarding to the Financial Monitoring Service of Georgia".

4. Leasing companies within two months after submission of the Form of Registration to the Financial Monitoring Service of Georgia shall ensure implementation and operation of an electronic data base containing identification details of clients and other relevant persons and information on transactions (operations) subject to monitoring; as well as implementation and operation of the relevant software for revealing suspicious, unusual and partitioned transactions.

5. This Decree shall become effective upon promulgation.

M. Roinishvili

Head of the Financial Monitoring
Service of Georgia

REGULATION

On Receiving, Systemizing and Processing the Information by Leasing Companies and Forwarding to the Financial Monitoring Service of Georgia

Article 1. General Provisions

1. The present Regulation shall apply to persons conducting leasing activity in compliance with the rule established under the Georgian legislation, except the cases when the lessee uses the property transferred to leasing for non-entrepreneurial purposes.

2. This Regulation shall regulate the terms and procedure for receiving, systemizing, processing and submitting the information by Leasing Companies 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 in ownership or possession of a person;

b) Property – property as considered under the Civil Code of Georgia:

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 or owner, or/and property rights or attempt to commit such an action;

d) Monitoring – identification by a Leasing Company of persons involved in the transactions; recording, systemizing the information on transactions subject to monitoring and forwarding to the Financial Monitoring Service of Georgia in compliance with the law of Georgia “on Facilitating the Prevention of Illicit Income Legalization“, the present Regulation and the procedure prescribed by the other normative acts adopted on the basis of the Law;

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

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

g) Leasing company – legal entity conducting leasing activity in compliance with the Tax Code of Georgia and other relevant legislation (lessor);

h) Unusual transaction - complex, unusually large transaction (operation) and/or unusual patterns of a transaction (operation) that does not have the visible economic (commercial) content or lacks lawful purpose, and/or is inconsistent with the ordinary business activity of a person involved therein;

i) 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;

j) Employee in charge of monitoring – employee or structural unit of the Leasing Company who on the basis of the relevant document is charged with duties and responsibilities related to the monitoring process, including to make a decision on considering transaction as suspicious, as well as other duties and responsibilities related to submission of reporting forms and other materials to the Financial Monitoring Service of Georgia;

k) 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. 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;

l) Competent international organizations - Council of Europe, Financial Action Task Force (FATF), and other organizations recognized as such by International Community;

m) Beneficial owner – a natural person representing an ultimate owner or controlling person 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 of 25% or more of such entity's share or voting stock, or natural person 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) Politically Exposed Person (PEP) - a foreign citizen, who has been entrusted with a prominent public function in a respective country or / and carries out significant public and political activities. The PEPs are as follows: the head of the state, the head of the government and members of the government, their deputies, a senior official of a government institution, a member of the parliament, a member of the supreme court, a member of a constitutional court, a senior military official, a member of the central (national) bank's council, an ambassador, a senior executive of state owned corporation, an important political party (union) official, a member of executive body of the political party (union), other prominent politician, his / her family members as well as a person 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;

q) Family member – a spouse of a person, his / her parents, siblings, children (including step – children) and their spouses;

r) Person having close business relationship with the politically exposed person (PEP) – a 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);

s) User Manual – Instruction for using of web-portal set on the official website of the FMS (www.fms.gov.ge);

t) Client – Lessee as it is defined under the Civil Code of Georgia;

u) Supplier – Person defined under the Civil Code of Georgia from which it is ensured the purchase of property subject to leasing or its transfer in other form;

w) 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 concluded or implemented by the person for the purpose to obtain the leasing 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 (value of property subject to leasing) exceeds GEL 30,000 (or its equivalent in other currency);

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

2. Any transaction (regardless its amount), other than transactions listed in paragraph 1 of this Article, shall be subject to monitoring, if there is a supposition that the person involved in the transaction is or may be related to terrorists or persons supporting terrorism or / and transaction funds, whether obtained legally or illegally, 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 by the Financial Monitoring Service of Georgia in the Legislative Herald of Georgia.

3. In addition to transactions indicated in this Article, subject to monitoring shall also be any transaction, regardless its amount, implemented by the person operating or registered in watch or suspicious zone.

4. Leasing Company 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 Leasing Company 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 (operation) is unusual or suspicious. .

5. For purposes of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", Leasing Company shall at own discretion determine principles for categorizing of transaction of business related person as unusual in compliance with the present Regulation and guidelines of the Financial Monitoring Service of Georgia.

6. Subject to monitoring shall also be an attempt to conclude suspicious transaction or any other fact (circumstance), which, according to the written instructions of the Financial Monitoring Service of Georgia, may be related to legalization of illicit income or terrorism financing.

7. Information on each transaction and persons involved therein, as well as the issue on considering transaction as aimed at partition of the transaction, shall be analyzed on the basis of details available to the Leasing Company.

Article 4. Obligations of Leasing Company with Respect to Implementation of Internal Control

1. Pursuant to Article 8 of the Law of Georgia on "Facilitating the Prevention of Illicit Income Legalization", for the purpose of averting facts of illicit income legalization and terrorism financing the Leasing Company shall exercise internal control function.

2. Main directions of internal control implementation shall include the following:

a) Identification of clients of the Leasing Company, their beneficial owners as well as other persons involved in the transaction as it is defined under the present Regulation (including the enhanced and simplified identification/verification procedure);

b) Undertaking measures established under the legislation against Politically Exposed Persons (PEPs);

c) Analyzing the information obtained through identification and revealing transactions subject to monitoring; Recording, systemizing and filing such information in a documentary form;

d) Submission of the information on transactions subject to monitoring to the Financial Monitoring Service of Georgia as it is defined under the present Regulation;

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

3. For the purpose of defining internal control rules and procedures, Leasing Company shall develop internal regulation on the basis of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization" and the present Regulation that sets:

a) Terms and procedures for identification of clients of Leasing Company as well as persons involved in the transaction;

b) Functions, authority and responsibility of the employee (or special structural unit) in charge of monitoring;

c) Recording, systemization and filing information subject to monitoring;

d) Completing of reporting forms and submission of respective forms and other materials to the Financial Monitoring Service of Georgia;

e) Functions, authority and responsibility related to monitoring process of other employees (structural units) of the Leasing Company, including administrators (as well as procedure for revealing transaction subject to monitoring and submission the respective information to the employee in charge of monitoring);

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

g) 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.

4. Employee (structural unit) in charge of monitoring shall follow the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", this Regulation, guidelines of the Financial Monitoring Service of Georgia as well as the relevant normative acts issued by the FMS and the Ministry of Finance of Georgia.

5. Monitoring process shall be conducted in a way that the clients of Leasing Company, persons involved in transactions and other relevant persons shall not be aware that their activities represent subject to monitoring.

6. Leasing Companies shall be obligated to ensure confidentiality of information obtained through monitoring process, as well as of information on completion of reporting forms related to transactions subject to monitoring and submission to the FMS.

Article 5. Obligations of Leasing Company with respect to Identification and Registration of Identification Information (Documents)

1. Leasing company 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) as well as the supplier and take reasonable measures to verify their identity by means of reliable and independent source of information (documents) when:

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

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

c) Doubts arise regarding the veracity and / or adequacy of previously obtained identification data on the person involved in the transaction.

2. Leasing Company 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.

3. In the course of the identification and/or verification of a client (its beneficial owner), the Leasing Company 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 15 of this Regulation, and is subject to the supervision and regulation as defined under the FATF recommendations. The Leasing Company 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 Leasing Company 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 Leasing Company. The Leasing Company 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, relevant normative acts issued by the Ministry of Finance of Georgia, and guidelines and recommendations of the Financial Monitoring Service of Georgia.

5. Leasing Company shall exercise permanent monitoring of business relationships with its clients.

5^1. Leasing Company 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 identification and verification procedure.

5^2. Leasing Company shall be required to undertake the appropriate measures for obtaining the information about the purpose and intended nature of business relationship with the client.

6. Leasing Company shall not be authorized to establish business relationship with the person without preliminary identification of this person.

7. Despite the assumed suspicious nature and the amount of the transaction, the Leasing Company shall not suspend implementation of the transaction, except for the following cases:

a) Person willing to establish business relationship with the Leasing Company (client) cannot be identified;

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

c) Upon receipt of refusal on establishing business relations with the person in case 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 7^1 of this Regulation.

8. In cases indicated in subparagraphs (a) – (c), paragraph 7 of this Article, Leasing Company shall immediately submit the respective reporting form, available materials and any other relevant information on transaction (on an attempt to conclude transaction) and persons participating therein to the FMS.

9. The following information 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;

a.f) If the natural person is registered as a sole trader – the relevant registration date, number, registering authority, identification number 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 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);

c) Organizational formation provided for in the legislation not representing a legal entity:

c.a) Full name;

c.b) Legal address;

c.c) Legal act based on which the given organizational formation was established (is functioning);

c.d) Identification details of persons authorized for management and representation (in conformance with Subparagraph (a) of this Paragraph);

10. The following information shall be obtained through the identification process on supplier:

a.a) First name, last name;

a.b) Citizenship;

a.c) Date of birth (only in case of the resident person);

a.d) Place of residence (only in case of the resident person);

a.e) Number of ID and citizen's personal number by ID;

a.f) If the natural person is registered as a sole trader – the relevant registration date, number, registering authority, identification number of tax payer (only in case of the resident person).

b) In case of legal entity:

b.a) Full name;

b.b) Business activity;

b.c) Legal address (in case of the branch the legal address of the head office also);

b.d) Registering authority, date and number of registration (only in case of the resident person);

b.e) Identification number of tax payer (only in case of the resident person);

c) Organizational formation provided for in the legislation not representing a legal entity:

c.a) Full name;

c.b) Legal address;

c.c) Legal act based on which the given organizational formation was established (is functioning) (only in case of the resident person).

11. 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 sole trader – 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 (or 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) as well as document confirming authority for representation of a legal entity;

d) in case of non-resident legal entity - foundation and registration documents issued by the competent authorities of foreign countries and document proving authority for representation of such entity shall be presented.

12. If documents presented for identification or information stored in the Leasing Company 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) Authority that issue the ID, the date of the issue;

a.d) Temporary (real) place of residence (in Georgia as well as abroad), if different from registered place of residence;

a.e) Main business activity and position held;

a.f) Bank account (accounts) details;

a.g) Tel/fax, e-mail.

b) In case of 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.

13. Leasing Company 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).

14. Leasing Company 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 Leasing Company 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.

14^1. Leasing Company shall be authorized to use the simplified identification and verification procedure 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 Leasing Company. 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 14 of this Article. A Leasing Company 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.

15. Leasing Company 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. Leasing Company should have in place such identification and verification policy and

procedures that reduces the risks associated with non-face to face service as it is considered under the Georgian legislation. Policy and procedures defined under this paragraph shall be used when establishing business relationship and when conducting permanent monitoring.

16. Leasing Company shall be required to keep information (documents) presented for identification of a client (its beneficial owner) and a supplier as well as the business correspondence and written notes as provided under paragraph 4, Article 3 of this Regulation for the period not less than 6 years from the moment of breaching business relationship with such person, unless the Georgian legislation sets a longer term for the retention of such information (documents).

16^1. Leasing Company shall be required to keep the information (documents) on a transaction for at least 6 years from the moment of concluding or implementing a transaction, except for the information (documents) provided under paragraph 16 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.

17. Document presented for identification of a person shall be retained as a notarized copy or a copy certified by the authorized employee of the Leasing Company. The Leasing Company shall designate the person (persons) authorized under the relevant decision to certify copies for purposes of this paragraph. Information and documents on transaction shall be registered and kept in such a way that the information contained therein fully reflects the implemented or concluded transaction and persons involved in and when needed can be used as an evidence in criminal proceedings. Electronic copy (in case of sending a hard copy – signed copy) of the report forwarded to the Financial Monitoring Service of Georgia shall be kept in the Leasing Company.

Article 5^1. The enhanced and simplified identification and verification procedure

1. A Leasing Company (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 Leasing Company 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 Leasing Company is authorized, in cases provided under paragraph 14^1, 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 13, 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 Leasing Company shall not be exempted from the obligation of obtaining the data provided under paragraphs 9 and 10 of Article 5, and verifying the identity of the client and the beneficial owner when applying the simplified identification and verification procedure in cases provided under paragraph 14^1, Article 5 of this Regulation. A Leasing Company 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.

6. A Leasing Company shall define the enhanced and simplified identification and verification procedure through its internal regulation on the basis of the requirements provided under this Article.

Article 6. Obligations of Leasing Company with respect to Politically Exposed Persons (PEPs)

1. Leasing Company shall identify whether a client and his / her beneficial owner belongs to the category of Politically Exposed Persons (PEPs).

2. If the client or his / her beneficial owner represents a Politically Exposed Person (PEP), in addition to the steps stipulated under the Law and this Regulation, the Leasing Company (its authorized officer) shall take the following actions:

a) Obtain permission from the management of the Company to establish business relationship with such person;

b) Take reasonable measures to ascertain the origin of funds, property of the client or its beneficial owner;

c) Perform enhanced monitoring over its business relations with the client.

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

Article 7. Obligations of Leasing Company to Present Reporting Forms on Transactions Subject to Monitoring

1. Leasing Company shall submit to the FMS information on transaction considered under Article 3 of this Regulation, as well as the respective notices when it has the suspicion regarding authenticity of identification data or identification of the client is not possible to be carried out in reporting form in compliance with the rule set by the present Regulation.

2. Submission of the notice to the Financial Monitoring Service of Georgia shall imply completing and forwarding by the Leasing Company of respective reporting form on transaction as well as confirmation of its submission by the FMS according to the procedure set by the present Regulation. Notices submitted to the FMS shall be compiled through the web portal of the Service. Report shall be completed and submitted to the FMS 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. The following time periods shall be set for submission of reporting forms to the FMS:

a) If the amount of transaction or series of transactions aimed at partition of the transaction (value of property subject to leasing) exceeds GEL 30 000 or its equivalent in other currency or transaction defined under paragraph 3, Article 3 of this Regulation is present - the report shall be submitted no later than five working days from the moment of implementing transaction or concluding of transaction (or from the moment of receiving information on such transaction or series of transactions);

b) If the transaction or identification data is considered as suspicious - the report shall be submitted on the day of origination of supposition;

c) If 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 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 Leasing Company along with the reporting form shall be forwarded to the FMS.

4. In exceptional case when electronic submission of reporting form is not possible, hard copy of the reporting form (as well as attached materials if necessary) shall be submitted to the FMS in a sealed envelope by the authorized employee of the Leasing Company or by post as a registered mail. Name and address of the sender – Leasing Company shall be written on the envelope, as well as the addressee – "Financial Monitoring Service of Georgia". Delivery address: 2, Sanapiro Str. Tbilisi, 0105, Georgia. The envelope shall be marked as confidential.

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

6. Reporting form shall be filled completely. One copy of the reporting form completed electronically shall be retained within the Leasing Company and be subject to retention for the period not less than 6 years. In cases provided for in paragraph 3 of this Article, hard copy of the form is to be printed in two copies and each shall be certified with the signature of the authorized employee and by the seal. One copy of the report is to be sent to the Financial Monitoring Service, while the other copy is to be retained at the Leasing Company for the period not less than 6 years.

7. Pursuant to subparagraph (a), paragraph 4, Article 10 of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", the FMS shall be authorized to request additional information from the Leasing Company 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 FMS. Leasing Company shall be obligated to submit requested information (documents) to the FMS no later than two working days from the moment of receiving the request.

8. If the Leasing Company reveals (or becomes available) any additional information, with respect to the relevant transaction or parties thereof, after the report is submitted, it shall forward this information to the FMS immediately. 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.
9. If the transaction is considered as suspicious by the Leasing Company reasons (circumstances) shall be filled in the reporting form.

Article 7^1. 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 Leasing Company 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 Leasing Company 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 Leasing Company 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 Leasing Company 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 Leasing Company);

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 Leasing Company'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 Leasing Company.

4. Leasing Company 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 Leasing Company 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 Leasing Company 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 Leasing Company in the next 24 hours. The Leasing Company 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 Leasing Company 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 Leasing Company 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 Leasing Company 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 8. Obligation of Leasing Company to Submit the Form of Registration to the Financial Monitoring Service of Georgia

1. Leasing Company 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 website 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 to the Financial Monitoring Service of Georgia shall be submitted only if reporting forms are technically impossible to be sent in an electronic format.

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, Leasing Company 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 this Regulation.

Article 9. Responsibilities Related to Monitoring

1. The Ministry of Finance of Georgia shall supervise compliance of the Leasing Company 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 set by the Ministry of Finance of Georgia, shall be used against the Leasing Company.