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FINANCIAL MONITORING SERVICE OF GEORGIA

DECREE №12

Tbilisi January 31, 2012

On Approving the Regulation on Receiving, Systemizing and Processing the Information by Persons Conducting Accountancy or/and Auditor Activity 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 Regulation "on Receiving, Systemizing and Processing the Information by Persons Conducting Accountancy or/and Auditor Activity and Forwarding to the Financial Monitoring Service of Georgia".

2. Persons Conducting Accountancy or/and Auditor Activity operating 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 Persons Conducting Accountancy or/and Auditor Activity and Forwarding to the Financial Monitoring Service of Georgia".

3. Persons Conducting Accountancy or/and Auditor Activity which commence their operation after the effective date of this Decree shall submit within one month from the receipt of the permit of activity as it is defined under the effective legislation the Form of Registration to the Financial Monitoring Service of Georgia in compliance with the procedure set by the Regulation "on Receiving, Systemizing and Processing the Information by Persons Conducting Accountancy or/and Auditor Activity and Forwarding to the Financial Monitoring Service of Georgia".

4. This Decree shall become effective upon promulgation.

M. Roinishvili

REGULATION

"On Receiving, Systemizing and Processing the Information by Persons Conducting Accountancy or/and Auditor Activity and Forwarding to the Financial Monitoring Service of Georgia"

Article 1. General Provisions

1. The present Regulation shall apply to Persons Conducting Accountancy or/and Auditor Activity in compliance with the rule established under the Georgian legislation.

2. This Regulation shall govern terms and procedure for receiving, systemizing and processing information by Persons Conducting Accountancy or/and Auditor Activity and forwarding to the Financial Monitoring Service of Georgia in accordance with the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization".

Article 2. Definition of Terms

For purposes of this Regulation, the following terms shall have the following meanings:
a) Illicit income – illicit or / and unjustified property possessed or owned by a person;
b) Property – property as considered under the Civil Code of Georgia: all property (movable as well as immovable) and immaterial property, which can be owned, used and disposed of by physical and legal persons;

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

d) Person Conducting Accountancy or/and Auditor Activity – a natural person and a legal entity conducting auditor activity (auditor, auditor firm) or / and accountancy independently as it is defined under the Georgian legislation;

e) Monitoring – identification by a Person Conducting Accountancy or/and Auditor Activity of clients and other persons defined under the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization"; recording, systemizing and processing the information on transactions subject to monitoring and forwarding to the Service in compliance with the Law and the present Regulation;

f) 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;

g) Unusual transaction – a 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; (06.03.15 №11)

h) 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 (non-registered union, partnership, partnership of apartment owners);

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

j|) Person involved in a transaction– all persons participating in a transaction including parties of the transaction, their representatives and agents;

k) Client – any person, which applies to the Person Conducting Accountancy or/and Auditor Activity for service defined under the Georgian legislation as the principal activity of the latter or / and uses such service;

l) 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 Service. 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;

n) 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.

o) Financial Monitoring Service of Georgia - legal entity of public law established under the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", which exercises authorities granted by this Law and other respective normative acts;

p) 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;

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

r) Politically Exposed Person (PEP) - foreign citizen, who has been entrusted with prominent state (public) functions 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, 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;

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

t) 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).

Article 3. Transactions Subject to Monitoring

1. Subject to monitoring shall be a transaction (operation) defined under subparagraph (f), Article 2 of the present Regulation when the Person Conducting Accountancy or/and Auditor Activity is engaged by order of the client (for the client) or on behalf of the client in the transaction (operation) related to the following activities:

a) Buying and selling of real estate;

b) Management of funds, securities or other assets;

c) Management of bank, savings or securities accounts;

d) Organization of contributions for creation, operation or management of legal entity;

e) Creation, operation or management of legal entity or organizational formation;

f) Buying and selling of legal entity (share).

2. Subject to monitoring shall also be an attempt to conclude or implement the transaction listed in paragraph 1 of this Article or other fact (circumstance), which, according to the written instruction of the Financial Monitoring Service, may be related to legalization of illicit income and /or terrorism financing.

3. Persons Conducting Accountancy or/and Auditor Activity shall pay special attention to unusual transactions, which do not have visible economic (commercial) content or lack lawful purpose, ascertain the purpose and grounds of such transactions to the reasonable extent possible

and document the results obtained in writing. In case of detecting the high risk of money laundering and terrorism financing, the Person Conducting Accountancy or/and Auditor Activity is required to undertake the 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 the business relationship must be enhanced in order to ascertain whether a transaction (operation) is unusual or suspicious. (06.03.15 №11)

4. For purposes of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", Persons Conducting Accountancy or/and Auditor Activity shall at own discretion determine principles for categorizing of transaction of business related person as unusual according to requirements of this Regulation and guidelines of the Financial Monitoring Service of Georgia.

5. Pursuant to paragraph 5, Article 5 of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", the Financial Monitoring Service of Georgia shall be entitled to define the list of specific transactions on which the Financial Monitoring Service of Georgia shall be informed in accordance with the procedure defined under the present Regulation.

6. Persons Conducting Accountancy or/and Auditor Activity shall submit reports on transactions subject to monitoring in a case when submission of the reporting form does not contradict to the principle of professional secrecy stipulated under the legislation regulating their activity.

Article 4. Obligations of the Person Conducting Accountancy or/and Auditor Activity 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 a Person Conducting Accountancy or/and Auditor Activity shall exercise internal control.

2. Main directions of internal control implementation shall include the cases defined under paragraph 1, Article 5 of this Regulation:

a) Procedures for identification of clients of a Person Conducting Accountancy or/and Auditor Activity, their representatives and agents, beneficial owner; if transaction is concluded in favor of the third person, identification of such person and other relevant persons determined under the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" (including the enhanced and simplified identification/verification procedures); (06.03.15 №11)

b) Exercising measures provided for in the present Regulation against Politically Exposed Persons (PEPs);

c) Exercising permanent monitoring of business relationships with the client in compliance with the procedure established under the present Regulation;

d) Analyzing the information obtained through identification and revealing transactions subject to monitoring;

e) Recording, systemization and filing such information in a documentary form;

f) Submission of the information on transactions subject to monitoring to the Financial Monitoring Service of Georgia in the reporting form;

Article 5. Obligations of Persons Conducting Accountancy or/and Auditor Activity with respect to Identification of a Person

1. Persons Conducting Accountancy or/and Auditor Activity 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 the Person Conducting Accountancy or/and Auditor Activity prepare and /or carry out transaction (operation) for the client in relation to one of the following activities:

a) Buying and selling of real estate;

b) Management of funds, securities or other assets;

c) Management of bank, savings or securities accounts;

d) Organization of contributions for creation, operation or management of legal entity;

e) Creation, operation or management of legal entity or organizational formation;

f) Buying and selling of legal entity (share).

2. In cases provided for in paragraph 1 of this Article a Person Conducting Accountancy or/and Auditor Activity 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 beneficial owner.

3. In the course of the identification and/or verification of a client (its beneficial owner), a Person Conducting Accountancy or/and Auditor Activity 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 Person Conducting Accountancy or/and Auditor Activity shall be required to immediately obtain from a third party/intermediary the information related to the identification and verification of a client (its beneficial owner), as well as the purpose and intended nature of the business relationship. Furthermore, the Person Conducting Accountancy or/and Auditor Activity shall be required to undertake the 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 the identification and verification of a client in accordance with the procedure provided for by this Regulation shall remain with the Person Conducting Accountancy or/and Auditor Activity. The Person Conducting Accountancy or/and Auditor Activity 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. (06.03.15 №11)

4. For the purpose of identifying the client (the 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 Person Conducting Accountancy or/and Auditor Activity shall be entitled to use the electronic databases of identification documents provided by State Services Development Agency – legal entity of public law of the Ministry of Justice of Georgia according to the procedure set by the Georgian legislation. (06.03.15 №11)

5. Persons Conducting Accountancy or/and Auditor Activity shall not be authorized to establish the business relationship with the person without preliminary identification of this person in cases provided for in paragraph 1 of this Article. Identification and verification of each client as well as its beneficial owner and obtaining of other information as it is defined by this Article, shall take place before carrying out of a transaction or establishing of another type of a business relationship, as well as prior further continuation of the business relationship if legalization of illicit income or terrorism financing is suspected or if doubts exist about the veracity or adequacy of previously obtained client identification data, except for cases provided for by paragraph 3, Article 5^1 of this Regulation. (06.03.15 №11)

6. Persons Conducting Accountancy or/and Auditor Activity prior to commencement of business relations with the client shall ascertain nature and purpose of relations the client intends to establish, and perform ongoing scrutiny of relations between existing clients and Persons Conducting Accountancy or/and Auditor Activity.

6^1. In cases provided under paragraph 1 of this Article, Persons Conducting Accountancy or/and Auditor Activity shall be required to obtain information about the nature of the business activity, the ownership and control structure of a legal entity (including an organizational formation (arrangement) not registered as a legal entity) when undertaking the identification and verification procedure. (06.03.15 №11)

6^2. In cases provided under paragraph 1 of this Article, Persons Conducting Accountancy or/and Auditor Activity shall be required to undertake the appropriate measures for obtaining the information about the purpose and intended nature of the business relationship with the client. (06.03.15 №11)

7. In spite of supposition on equivocacy of the transaction defined under paragraph 1, Article 3 of this Regulation and the amount of the transaction, Person Conducting Accountancy or/and Auditor Activity shall not suspend implementation of the transaction, except for the following cases:

a) Person willing to establish business relationship with the Person Conducting Accountancy or/and Auditor Activity cannot be identified in compliance with the present Regulation;

b) Any party of 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.

8. In cases indicated in subparagraphs (a) – (c), paragraph 7 of this Article, Person Conducting Accountancy or/and Auditor Activity shall be obligated not to establish business relationship

with the person and shall immediately submit the respective reporting form and the relevant information to the Financial Monitoring Service of Georgia.

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 (Passport) and citizen's personal number by ID (Passport);

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 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 accordance with subparagraph (a) of this paragraph);

b.g) Identification details of the person, nor representing a legal entity in a specific operation (transaction) subject to monitoring.

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

c.a) Full name;

c.b) Legal address;

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

c.d) Identification number of tax payer;

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

c.f) Identification details of the person not representing organizational formation in a specific operation (transaction) subject to monitoring.

10. Documents necessary for identification process shall be:

a) if the natural person is a Georgian citizen – a citizen identity card, or a citizen passport, or any other official document, which contains the relevant information and is equalized to them under the Georgian legislation; if the natural person is registered as 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, as well as certificate of registration (excerpt from entrepreneurial or any other relevant register) and 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;.

11. If documents (information) stored in or presented to Person Conducting Accountancy or/and Auditor Activity allow, in addition to the information listed in subparagraphs (a) - (c), paragraph 9 of this Article, the following details shall be documented:

a) In case of natural person:

a.a) Patronymic;

a.b) Place of birth;

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

a.d) Main business activity and position held;

a.e) Bank account (accounts) details;

a.f) 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

12. Persons Conducting Accountancy or/and Auditor Activity 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).

13. Person Conducting Accountancy or/and Auditor Activity shall be required to have the appropriate risk management system for the identification and verification of clients that may pose the 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 Person Conducting Accountancy or/and Auditor Activity shall be required to define the appropriate criteria (risk-factors) and assign the clients to the category of the high risk of illicit income legalization and/or terrorism financing. (06.03.15 №11)

13^1. Persons Conducting Accountancy or/and Auditor Activity 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 Person Conducting Accountancy or/and Auditor Activity. The use of the simplified procedure shall be prohibited when there is a suspicion of illicit income legalization and/or terrorism financing or in cases of the high risk of illicit income legalization and/or terrorism financing as provided under paragraph 13 of this Article. A Person Conducting Accountancy or/and Auditor Activity shall be authorized to use the simplified procedure once the appropriate criteria (risk-factors) are defined and the clients are assigned to the category of the low risk of illicit income legalization and/or terrorism financing. (06.03.15 №11)

14. Persons Conducting Accountancy or/and Auditor Activity 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. Persons Conducting Accountancy or/and Auditor Activity 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.

Article 5[1]. The enhanced and simplified identification and verification procedure (06.03.15 №11)

1. A Person Conducting Accountancy or/and Auditor Activity (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 (if such) 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 (operations) that need further examination.

2. A Person Conducting Accountancy or/and Auditor Activity is authorized, in addition to implementing the requirements provided under paragraph 1 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 Person Conducting Accountancy or/and Auditor Activity is authorized in cases provided under paragraph 13[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 12, 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 Person Conducting Accountancy or/and Auditor Activity shall not be exempted from the obligation of obtaining the data provided under paragraph 9 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 13^1, Article 5 of this Regulation. A Person Conducting Accountancy or/and Auditor Activity shall be required, when applying the simplified identification and verification procedure, to obtain the 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 Person Conducting Accountancy or/and Auditor Activity shall apply enhanced and simplified identification/verification procedures in cases provided under paragraph 1, Article 5 of this Regulation. A Person Conducting Accountancy or/and Auditor Activity shall define the enhanced and simplified identification and verification procedure on the basis of the requirements provided under this Article.

Article 6. Obligations of Persons Conducting Accountancy or/and Auditor Activity with respect to Politically Exposed Persons (PEPs)

1. In cases defined under paragraph 1, Article 5 of this Regulation, Person Conducting Accountancy or/and Auditor Activity shall identify whether a client or his / her beneficial owner belongs to the category of Politically Exposed Persons (PEPs).

2. If the client of the Person Conducting Accountancy or/and Auditor Activity 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", Person Conducting Accountancy or/and Auditor Activity (its authorized officer) shall take the following actions:

a) Obtain permission from the management of the Person Conducting Accountancy or/and Auditor Activity 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 Person Conducting Accountancy or/and Auditor Activity, the latter shall undertake measures provided for in paragraph 2 of this Article against such person upon availability of the aforementioned information.

4. Persons Conducting Accountancy or/and Auditor Activity shall have respective procedures based on which it ensures obtaining respective information from client, as well as from public sources or respective electronic databases for the purpose of ascertaining and verifying Politically Exposed Persons.

Article 7. Obligations of Persons Conducting Accountancy or/and Auditor Activity to Record Information (Documents)

1. Person Conducting Accountancy or/and Auditor Activity shall be obligated to record information (documents) on transactions subject to monitoring defined in Article 3 of this Regulation.

2. When recording information on transaction subject to monitoring Person Conducting Accountancy or/and Auditor Activity shall depict the following information (documents):

a) Content, nature and purpose of transaction;

b) Date and place of implementation of transaction as well as amount and currency in which transaction is implemented;

c) Identification details of a person involved in the transaction, information (documents) stipulated in paragraph 9, Article 5 of this Regulation.

3. Recording, systemizing and filing of information defined under paragraph 2 of this Article by Persons Conducting Accountancy or/and Auditor Activity shall be carried out according to the procedure defined under this Regulation and the effective legislation.

Article 8. Obligations of Persons Conducting Accountancy or/and Auditorial Activity to Keep Information (Documents) on Transaction

1. A Person Conducting Accountancy or/and Auditor Activity 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 the information submitted in accordance with the procedure defined in paragraph 4, Article 5 of this Regulation) as well as business correspondence and written notes as provided under paragraph 3, Article 3 of this Regulation in the electronic or material form for at least 6 years from the moment of terminating the 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 and written notes) is provided for by the Georgian legislation. In addition,

information recorded electronically (respective databases and etc.) as well as the documentary information (documents) shall be retained for the aforementioned period. (06.03.15 №11)

1^1. A Person Conducting Accountancy or/and Audit Activity shall be required to keep the information (documents) on a transaction (operation) for at least 6 years from the moment of preparing or implementing a transaction, except for the information (documents) provided under paragraph 1 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. (06.03.15 №11)

2. Information (documents) defined under paragraph 1 and 1^1 of this Article shall be kept in their original form, and where impracticable, a copy of such information (documents) confirmed by a notary or by the authorized employee of a Person Conducting Accountancy or/and Audit Activity shall be maintained. (06.03.15 №11)

3. In addition to the information indicated in paragraph 1 of this Article, subject to retention for the period of six years (if a requirement of retaining for a longer period is not set by the respective supervisory authority) shall be electronic reporting forms submitted to the Financial Monitoring Service of Georgia pursuant to Article 9 of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization" and Article 9 of this Regulation. When submitted hard copies of reports their certified and sealed copies shall be also subject to retention for the period of six years.
4. Information (documents) retained by Person Conducting Accountancy or/and Auditor Activity shall fully reflect the implemented transaction and persons involved therein. In addition, information shall be recorded, systemized and filed in a way, that when needed (timely submission to the supervision authorities as well as necessity to use as evidence in criminal cases) it can be found and retrieved in a shortest period of time.
5. Documents (information) shall be retained in a way that it is accessible only by persons authorized under the effective legislation.

Article 9. Obligations of Person Conducting Accountancy or/and Auditor Activity to Present Reporting Forms on Transactions Subject to Monitoring

1. If the Person Conducting Accountancy or/and Auditor Activity has suspicion regarding authenticity of identification data or identification of the client is not possible to be carried out or the transaction considered under Article 3 of this Regulation is present, it shall be obligated to send a notice to the Financial Monitoring Service of Georgia about this fact according to the rule and procedure set under the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization" and the present Regulation.

2. Submission of the notice to the Financial Monitoring Service of Georgia shall imply completing and forwarding by the Person Conducting Accountancy or/and Auditor Activity of respective reporting form on transaction as well as confirmation of its submission by the Financial Monitoring Service of Georgia. 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 to the Financial Monitoring Service of Georgia shall be submitted according to the procedure defined under this Regulation only if reporting forms are technically impossible to be sent in an electronic format.

4 The report shall be submitted to the Financial Monitoring Service of Georgia on the day of origination of suspiciousness on identification data or transactions subject to monitoring listed in Article 3 of the Regulation.

5. In exceptional case provided for in paragraph 3 of this Article hard copy of the reporting form (as well as attached materials if necessary) shall be submitted to the Financial Monitoring Service of Georgia in a sealed envelope by the authorized employee of the Person Conducting Accountancy or/and Auditor Activity, or where impracticable to sent the report in such a way - by post as a registered mail. Name and address of the sender - Persons Conducting Accountancy or/and Auditor Activity 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. (06.03.15 №11)

6. Reporting Forms as well as other confidential information on operations (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 of Georgia (www.fms.gov.ge)

7. Decision on completion of the reporting form and submission to the Service shall be made by the employee of the Person Conducting Accountancy or/and Auditor Activity, who, according to the resolution of the Person Conducting Accountancy or/and Auditor Activity, is authorized to conduct such activity.

8. Reporting forms completed electronically shall be subject to retention by Persons Conducting Accountancy or/and Auditor Activity for the period not less than six years. In exceptional cases defined under paragraph 3 of this Article, in the event of sending hard copy of the form it is to be printed in two copies and each is to be certified with the signature of the employee authorized by the Person Conducting Accountancy or/and Auditor. One copy of the report is to be sent to the Service, while the other copy shall be subject to retention by the Person Conducting Accountancy or/and Auditor Activity for the period not less than six years.

9. Reporting form shall be filled completely. Person Conducting Accountancy or/and Auditor Activity shall maintain register of reporting forms submitted to the Service.

10. In the event of revealing suspicious transaction and submitting related reporting form to the Financial Monitoring Service of Georgia, Person Conducting Accountancy or/and Auditor Activity shall be obligated to indicate grounds of suspicion and to focus special attention on other transactions, implemented by persons involved in this particular transaction.

11. Pursuant to subparagraph (a), paragraph 4, Article 10 of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization", the Financial Monitoring Service of Georgia shall be authorized to request additional information from the Person Conducting Accountancy or/and Auditor Activity and available documents (including confidential) in relation to any transaction and persons involved therein, including those transactions on which reporting forms have not been presented to the Financial Monitoring Service of Georgia. Person Conducting Accountancy or/and Auditor Activity shall be obligated to submit requested information (documents) to the Service within not later than two working days from the moment of receiving the request.

12. If the Person Conducting Accountancy or/and Auditor Activity 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 Financial Monitoring Service of Georgia 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.

13. Person Conducting Accountancy or/and Auditor Activity shall strictly observe confidentiality of information related to form completion and submission to the Financial Monitoring Service of Georgia and other related information. In case of suspicion regarding the transaction or parties thereof, and in the event of completion of the reporting form and submission to the Financial Monitoring Service of Georgia, the Person Conducting Accountancy or/and Auditor Activity shall not inform persons involved in the relevant transaction, their representatives and proxies and any other persons. The employee of the Financial Monitoring Service of Georgia, who reveals suspicious transaction or completes the reporting form, shall disclose this information only to those employees who are authorized to keep such information according to respective resolution of the Person Conducting Accountancy or/and Auditor Activity.

Article 10. Obligation of Person Conducting Accountancy or/and Auditor Activity to Submit the Form of Registration to the Financial Monitoring Service of Georgia

1. 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 Person Conducting Accountancy or/and Auditor Activity the latter 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 according to the procedure defined under this Regulation.

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

Article 11. Responsibilities Related to Monitoring (07.07.2016 #32)

1. The state subordinate agency under the Ministry of Finance of Georgia - Accounting, Reporting and Auditing Oversight Service shall supervise compliance of Persons Conducting Accountancy or/and Auditor Activity 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, sanctions shall be defined by the state subordinate agency under the Ministry of Finance of Georgia - Accounting, Reporting and Auditing Oversight Service.