Informal translation
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FINANCIAL MONITORING SERVICE OF GEORGIA

REGULATION

on Rule and Terms of Receiving, Systemizing and Processing the Information by Casinos and Forwarding to the Financial Monitoring Service of Georgia

Article 1. General Provisions

1. The present Regulation has been developed on the basis of the Law of Georgia "on Facilitating the Prevention of Illicit Income Legalization" and the other normative acts of Georgia (02.06.2010 #11).

2. This Regulation shall apply to Casinos operating on the territory of Georgia.

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

4. This Regulation shall regulate general principles and rules of financial monitoring conducted for the purpose of preventing illicit income legalization and terrorism financing by Casinos, specifically, terms and procedures for identification of the Casinos' clients and other relevant persons, and rules for receiving, systemizing, processing and filing the relevant information and forwarding to the Financial Monitoring Service of Georgia.

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; (25.12.2008 #11)

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 of clients by the Casinos, recording and 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", this Regulation and procedure prescribed by the other normative acts adopted on the basis of the Law;

e) Person – any resident or non-resident physical person;

f) Identification of a person – obtaining information on the person, which, when necessary, allows tracing such person and distinguishing from the other person; (25.12.2008 #11)

g) Transaction – expression of unilateral, bilateral or multilateral will aimed at origination, changing or termination of the legal relationship, including extension of winning in monetary or in kind form, issuance of property right as well as receipt of monetary amount by the casino;

h) Person involved in a transaction – client of Casino, participating in a game or drawing organized by the Casino;

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; (06.02.12 #13)

j) Employee in charge of monitoring – employee of the Casino, who on the basis of the appropriately legalized decision of the administration of Casino is charged with the responsibility to ensure conducting monitoring activities and whose duties under the guidelines developed by Casinos according to Article 8 of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" and this Regulation include the following: decision-making with respect to considering transaction as suspicious, receiving the information from other structural units of the Casino, submission of the respective reporting forms and other materials to the FMS etc. If the special structural unit for performing monitoring activities is established in the Casino, head of such unit shall be the employee responsible for conducting monitoring;

k) Non-cooperative area or watch zone – a country or a part of the territory thereof defined by the National Bank of Georgia on the basis of proposition of the Financial Monitoring Service of Georgia (FMS). The country or territory thereof shall be identified as such on the basis of the information provided by competent international organization, or if the grounded supposition

exists that in such zone weak mechanisms for controlling illicit income legalization are effective; (06.02.12 #13)

l) 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; (25.12.2008 #11)

m) Competent international organizations - Council of Europe, Financial Action Task Force (FATF), and other organizations recognized as such by the International Community. (25.12.2008 #11)

n) 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 (06.02.12 #13)

o) Control – exercising strong influence directly or indirectly, alone or in concert with others, through use of voting shares or otherwise. (02.06.2010 #11)

p) Controlling person – Person exercising control. (02.06.2010 #11)

q) 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. Politically exposed persons (PEPs) shall be: Head of State or of government, member of government, their deputies, senior official of government institution, member of parliament, member of the supreme court and constitutional court, senior military official, member of the central (national) bank's council, ambassador, senior executive of state owned corporation, important political party (union) official and member of executive body of the political party (union), other prominent politician, their family members as well as person having close business relations with them; a person shall be considered as a politically exposed during a year following his / her resignation from the foregoing positions. (02.06.2010 #11)

r) Family member – spouse of a politically exposed person (PEP), his / her parents, siblings, children (including step – children) and their spouses. (02.06.2010 #11)

s) Person having close business relationship with the politically exposed person (PEP) – natural person who owns or / and controls a share or voting stock of that legal entity, in which a share or voting stock is owned or / and controlled by the Politically Exposed Person (PEP); also, a person having other type of close business relationship with the Politically Exposed Person (PEP). (02.06.2010 #11)

t) User Manual – Instruction for using of web-portal set on the official website of the FMS (www.fms.gov.ge). (06.02.12 #13)

Article 3. Transactions Subject to Monitoring (25.12.2008 #11)

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

a) Transaction is suspicious according to subparagraph (i), Article 2 of this Regulation (regardless its amount);

b) The amount of winning (in monetary as well as in kind form) received by the person exceeds GEL 30,000 (or its equivalent in other currency), including the amount of such winning that exceeds GEL 30,000 after several winnings in the same Casino or the total amount paid by the person for participation in a game or drawing in the same Casino exceeds GEL 30,000 or its equivalent in other currency.

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 newspaper - "Sakartvelos Sakanonmdeblo Macne. (06.02.12 #13)

3. In addition to transactions noted in paragraph 1 of this Article, subject to monitoring shall be any transaction (operation), regardless its amount, implemented by the person operating or registered in watch or suspicious zone.

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

5. 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 Gambling Business Institution.

Article 4. Obligations of Casinos with Respect to Implementation of Internal Control

1. For preventing cases of illicit income legalization, Casinos shall exercise internal control in accordance with Article 8 of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization".

2. Implementation of internal control shall include the following:

a) Identification of clients of casinos, as well as their beneficial owners as it is provided under this Regulation; exercising measures provided for in the legislation against Politically Exposed Persons (PEP) (02.06.2010 #11);

b) Analyzing the information obtained through identification process and revealing transactions subject to monitoring; documenting, systemizing and filing such information;

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

d) Implementation of training programs for the employees of the Casino with respect to avoiding legalization of illicit income and financing terrorism.

3. For ensuring fulfillment of obligations defined under paragraph 2 of this Article, Casinos operating in Georgia shall develop on the basis of paragraph 2, Article 8 of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" guidelines (internal control procedures) that shall be approved with the appropriately legalized decision.

4. Regulation of the Casino shall define:

a) Terms and procedure for ascertaining clients of the Casino and their beneficial owners as well as Politically Exposed Persons (PEP); (02.06.2010 #11)

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

c) Person who makes decision on considering transaction as suspicious and/or aimed at partition of the transaction and forwarding the respective reporting form to the Financial Monitoring Service of Georgia (such person should be an employee in charge of monitoring; also according to the internal regulation of the Casino person taking the final decision may be a representative of management or other authorized person of the Casino);

d) Procedure for recording, systemizing and filing information related to monitoring process;

e) Procedure for submission of respective reporting form and other materials to the FMS (including issues of form completion, and other issues);

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

5. Employee (or special structural unit) in charge of monitoring shall follow the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", this Regulation, internal regulation of the Casino, FMS guidelines as well as the relevant normative acts issued by the FMS and the Ministry of Finance of Georgia.

6. Monitoring process shall be conducted in a way that the Casino's clients, persons involved in transactions and other relevant persons shall not be aware that their activities represent subject to monitoring (considered as suspicious).

7. Casinos 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 Casinos with respect to Identification and Registration and Filing of Information (Documents) on Transactions (06.02.12 #13)

1. For purposes of this Regulation Casino shall identify all persons involved in a transaction (operation), and take reasonable measures to verify their identity by means of reliable and independent source of information (documents) when:

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

b) Transaction is suspicious according to subparagraph (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

d) In other cases provided for in the legislation.

2. Casino shall identify the beneficial owner of all persons involved in the transaction 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 person involved in the transaction is. Identification procedures similar to those used for natural persons shall be applied against beneficial owner.

3. In the course of identification or / and verification of a person involved in the transaction (its beneficial owner) the Casino may rely on a third person / intermediary, who according to the international standards carry out identification and verification of identification of a person and its beneficial owner, maintaining of documents as it is defined under paragraph 15 of this Article and is subject to the respective supervision and regulation for the purpose of preventing illicit income legalization and terrorism financing. In addition, for ensuring immediate access to information (documents or copies thereof) required for identification Casino shall take respective action. In such a case an ultimate responsibility for identification and verification of the person according to the procedure set by this Regulation should remain with the Casino.

4. Identification process shall be conducted in compliance with the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization", this Regulation, the relevant normative acts issued by the Ministry of Finance of Georgia and guidelines and recommendations of the FMS.

5. Casino shall not be authorized to allow the person's participation in the game or drawing, as well as to pay the winnings either in monetary form or in kind without conducting identification process pursuant to paragraph 1 of this Article.

6. In spite of supposition on equivocacy and amount of the transaction, the Casino shall not suspend its service (does not prevent the person to participate in the game or drawing) except for the following cases:

a) Person (client) willing to establish business relationship with the Gambling Business Institution can not be identified;

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

c) If there is refusal on establishing business relations with the person in case specified in subparagraph (a), paragraph 2, Article 5^1 of the present Regulation.

7. In cases indicated in subparagraphs (a) – (c), paragraph 6 of this Article, Casino shall be obligated to submit immediately the respective reporting form, available materials and any other relevant information on transaction and persons participating therein to the Financial Monitoring Service of Georgia.

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

a) First name, last name;

b) Citizenship;

c) Date of birth;

d) Permanent (registered) place of residence;

e) Personal Number according to ID (Passport);

f) Number of ID (Passport).

9. Documents required for identification 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;

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

10. According to Article 3 of this Regulation, Casino shall be obligated to record the following information (documents) on transactions subject to monitoring:

a) Type of transaction (operation) (what type of transaction is carried out – e.g. payment of winning (or receiving the property right) or receiving the amount for the purpose of participation in drawing etc);

b) Date of concluding transaction, amount of winning and currency, amount of corresponding value of the prize or full description of the prize;

c) Information (documents) presented for identification of the person involved in a transaction.

11. Casino 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).

12. Casino shall have in place the appropriate risk management system for identification and verification of such person (client) whose activity may pose a high risk of legalization of illicit income and /or terrorism financing and shall exercise enhanced identification, verification and enhanced monitoring procedures with respect to them; Identification and verification procedure shall be conducted on a risk sensitive basis depending on the type and nature of the client, business relationship, product/service risk or the transaction. Casino shall determine high risk category of clients for legalization of illicit income and / or terrorism financing. Casino is authorized to apply requirements set under Article5^1 of this Regulation against such clients.

13. Casino 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. Casino 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 before implementation of transaction (operation).

14. For the purpose of revealing suspicious transaction (operation) and transaction (operation) aimed at partition Casino shall be obligated to develop electronic data base (system).

15. Casino shall be obligated to keep information (documents) presented for identification of a person and business correspondence as well as information on transaction 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. Document presented for identification of a person shall be retained as a notarized copy or a copy certified by the authorized employee of the Casino. The Casino 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 Casino.

Article 5[1]. Obligations of Casinos with respect to Politically Exposed Persons (PEP) (02.06.2010 #11)

1. Casino shall identify whether the person willing to establish business relations with the Casino (client) and his/her beneficial owner belongs to the category of Politically Exposed Persons (PEP).

2. If the person willing to establish business relations with the Casino (client) or / and his/ her beneficial owner represents a Politically Exposed Person (PEP), in addition to the steps stipulated under the Law and the Regulation, the Casino shall take the following actions:

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

b) Take reasonable measures to ascertain the origin of funds, property of such person as well as the identity of the beneficiary of the account;

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

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

Article 6. Obligations of Casinos to Present Reports on Transactions Subject to Monitoring (06.02.12 #13)

1. Casino shall submit to the FMS information on transaction (operation) 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 Casino of the respective reporting form on transaction as well as

confirmation of its submission by the Financial Monitoring Service of Georgia according to the procedure set by the present Regulation. Notices submitted to the Financial Monitoring Service of Georgia shall be compiled through the web portal of the Financial Monitoring Service of Georgia. Casino shall complete and submit the report to the FMS according to the User Manual published on the website of the FMS. Confirmation of receipt 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 Financial Monitoring Service of Georgia:

a) If the amount of transaction or series of transactions aimed at partition 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 or concluding transaction (or from the moment of receiving information on such transaction(s);

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

c) If any person involved in a 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 Casino, along with the reporting form, shall be forwarded to the Financial Monitoring Service of Georgia.

4. In exceptional case when electronic submission of reporting form is not possible, hard copy of the reporting form (and attached materials if necessary) shall be submitted to the Financial Monitoring Service of Georgia in a sealed envelope by the authorized employee of the Casino or by post as a registered mail. Name and address of the sender Casino shall be written on the envelope, as well as the addressee – Financial Monitoring Service of Georgia. Delivery address: 6 V. Beridze St., Tbilisi 0108, 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 server of the web portal set the official web site of the FMS of Georgia (www.fms.gov.ge).

6. Reporting form shall be filled completely. One copy of the reporting form completed electronically shall be retained within the Casino 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 of the Casino. One copy of the report is to be sent to the Financial Monitoring Service, while the other copy is to be retained at the Casino 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 Financial Monitoring Service of Georgia shall

be authorized to request additional information from the Casino 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. Casino shall be obligated to submit requested information to the Financial Monitoring Service within two working days from the moment of receiving the request.

8. If the Casino reveals (becomes available) any additional information, with respect to the transaction or parties thereto, after the report is sent, it shall immediately forward this information to the Financial Monitoring Service of Georgia. 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 Casino, reasons shall be filled in the reporting form.

Article 7. Obligation of Casinos to Submit the Form of Registration to the Financial Monitoring Service of Georgia (06.02.12 #13)

1. Casino 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.
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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, Casino 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 8. Responsibilities Related to Monitoring

1. Ministry of Finance of Georgia shall supervise compliance of the Casino with norms and requirements of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" and this Regulation.

2. For violation of norms and requirements of the Law of Georgia "On Facilitating the Prevention of Illicit Income Legalization" and this Regulation, the sanctions shall be used against the Casino in compliance with procedure set by the Ministry of Finance of Georgia.

Annex 1 is rescinded (06.02.12 #13)
Annex 2 is rescinded (06.02.12 #13)