

COMMITTEE OF EXPERTS ON THE EVALUATION
OF ANTI-MONEY LAUNDERING MEASURES AND
THE FINANCING OF TERRORISM (MONEYVAL)



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Anti-money laundering and counter-terrorist financing measures

Georgia

**3rd Enhanced Follow-up Report &
Technical Compliance Re-Rating**

October 2024

Follow-up report



The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

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The 3rd Enhanced Follow-up Report and Technical Compliance Re-Rating on Georgia was adopted by the MONEYVAL Committee through written procedure 28 October 2024.

Georgia: 3rd Enhanced Follow-up Report

I. INTRODUCTION

1. The mutual evaluation report (MER) of Georgia was adopted in September 2020.¹ Given the results of the MER, Georgia was placed in enhanced follow-up.² Its 1st Enhanced Follow-up Report (FUR) was adopted in November 2022.³ The 2nd FUR was adopted in December 2023.⁴ The report analyses the progress of Georgia in addressing the technical compliance (TC) deficiencies identified in its MER or subsequent FURs. Re-ratings are given where sufficient progress has been made. Overall, the expectation is that countries will have addressed most if not all TC deficiencies by the end of the third year from the adoption of their MER.

2. The assessment of the request of Georgia for eight technical compliance re-rating and the preparation of this report were undertaken by the following Rapporteur teams (together with the MONEYVAL Secretariat):

- Czechia
- Estonia
- Malta

3. Section II of this report summarises Georgia's progress made in improving technical compliance. Section III sets out the conclusion and a table showing which recommendations have been re-rated.

II. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

4. This section summarises the progress made by Georgia to improve its technical compliance by addressing the technical compliance deficiencies identified in the MER and applicable subsequent FURs for which the authorities have requested a re-rating (Recommendation (R.)1, R.6, R.7, R.15, R.22, R.23, R.28, R.35).

5. For the rest of the recommendations rated as partially compliant (PC) (R.24, R.25) or non-compliant (NC) (R.8) the authorities did not request a re-rating.

6. This report takes into consideration only relevant laws, regulations or other anti-money laundering and combating the financing of terrorism (AML/CFT) measures that are in force and effect at the time that Georgia submitted its country reporting template – at least six months before the FUR is due to be considered by MONEYVAL.⁵

II.1 Progress to address technical compliance deficiencies identified in the MER and applicable subsequent FURs

7. Georgia has made progress to address the technical compliance deficiencies identified in the MER and applicable subsequent FURs. As a result of this progress, Georgia has been re-rated on R.1,

1. Report, available at <https://rm.coe.int/moneyval-2020-20-5th-round-mer-georgia/1680a03271>.

2. Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up involves a more intensive process of follow-up.

3. First enhanced follow-up report, available at <https://rm.coe.int/moneyval-2022-12-fur-ge/1680a92f17>.

4. 2nd enhanced follow-up report, available at <https://rm.coe.int/moneyval-2023-25-ge-5thround-2ndenhfur/1680ae8b8b>.

5. This rule may be relaxed in the exceptional case where legislation is not yet in force at the six-month deadline, but the text will not change and will be in force by the time that written comments are due. In other words, the legislation has been enacted, but it is awaiting the expiry of an implementation or transitional period before it is enforceable. In all other cases, the procedural deadlines should be strictly followed to ensure that experts have sufficient time to do their analysis.

and R.15. The country asked for a number of re-ratings for R.6, R.7, R.22, R.23, R.28, and R.35 which are also analysed but no re-rating has been provided.

8. Annex A describes the country’s compliance with each recommendation that is reassessed, set out by criterion, with all criteria covered. Annex B provides the consolidated list of remaining deficiencies of the re-assessed recommendations.

III. CONCLUSION

9. Overall, in light of the progress made by Georgia since its MER, 1st enhanced FUR and 2nd enhanced FUR were adopted, its technical compliance with the Financial Action Task Force (FATF) recommendations has been re-rated as follows.

Table 1. Technical compliance with re-ratings, October 2024

| | | | | |
|---|---|--|--|---|
| R.1 LC (FUR3 2024) PC (FUR2 2023) PC (MER) | R.2 LC (MER) | R.3 C (MER) | R.4 LC (MER) | R.5 LC (MER) |
| R.6 PC (FUR3 2024) PC (FUR2 2023) PC (MER) | R.7 PC (FUR3 2024) PC (FUR2 2023) PC (MER) | R.8 NC (MER) | R.9 C (MER) | R.10 LC (MER) |
| R.11 LC (MER) | R.12 C (FUR 2023) PC | R.13 C (MER) | R.14 LC (MER) | R.15 LC (FUR3 2024) PC (FUR2 2023) PC (MER) |
| R.16 LC (MER) | R.17 LC (MER) | R.18 LC (MER) | R.19 LC (MER) | R.20 LC (MER) |
| R.21 C (MER) | R.22 PC (FUR3 2024) PC (FUR2 2023) PC (FUR1 2022) PC (MER) | R.23 PC (FUR3 2024) PC (FUR2 2023) PC (MER) | R.24 PC (MER) | R.25 PC (MER) |
| R.26 LC (MER) | R.27 LC (MER) | R.28 PC (FUR3 2024) PC (FUR2 2023) PC (MER) | R.29 LC (FUR 2022) PC (MER) | R.30 C (MER) |
| R.31 LC (MER) | R.32 LC (MER) | R.33 LC (MER) | R.34 LC (MER) | R.35 PC (FUR3 2024) PC (FUR2 2023) PC (FUR1 2022) PC (MER) |
| R.36 LC (MER) | R.37 LC (MER) | R.38 LC (MER) | R.39 C (MER) | R.40 LC (MER) |

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

10. The following “big six” recommendation⁶ remains PC: R.6. Accordingly, in line with Rule 23 of the rules of procedure for the 5th Round of Mutual Evaluations, Georgia will be placed into compliance

6. The “big six” recommendations are R.3, R.5, R.6, R.10, R.11 and R.20.

enhancing procedures. The plenary is asked to confirm that step 1 of the Compliance Enhancing Procedure should apply.

11. Georgia has not reached the threshold⁷ of addressing most, if not all, deficiencies, and so the plenary may decide in line with Rule 25 of the Rules of Procedure for the 5th round of mutual evaluations to apply compliance enhancing procedures to the following non-“big six” recommendations that remain: (i) PC - R.7, R.22, R.23, R.24, R.25, R.28 and R.35; and (ii) NC - R.8.

12. In line with the Rules of Procedure,⁸ the Chair will send a letter to the head of delegation for Georgia drawing their attention to non-compliance with the reference documents and requiring the country to provide a report on recommendation(s) placed under compliance enhancing procedures before the next MONEYVAL plenary meeting.

13. Georgia will remain under the enhanced Follow-up process and is expected to report back to the plenary in one year’s time on the progress made in relation to recommendations remaining rated as PC and NC.

7. In line with Rule 30 paragraph 8 of the rules of procedure for the 5th Round of Mutual Evaluations, the “threshold” is 36 recommendations at LC/C level. This minimum number may be increased where appropriate to the context of the country.

8. Rule 25, paragraph 4.

Annex A: Reassessed Recommendations

Recommendation 1 – Assessing risks and applying a risk-based approach

| | Year | Rating |
|------|------|--|
| MER | 2020 | PC |
| FUR1 | 2022 | PC (no upgrade requested) |
| FUR2 | 2023 | PC (upgrade requested, maintained at PC) |
| FUR3 | 2024 | ↑ LC (upgrade requested) |

1. These requirements were added to the FATF recommendations when they were revised in 2012 and therefore were not assessed under the 4th Round mutual evaluation of Georgia, which occurred in 2012.
2. Georgia was rated PC in the 5th round of evaluations. Since then, Georgia introduced amendments to the AML/CFT Law (adopted on 16 May 2023) in order to enhance compliance with R.1, conducted a national risk assessment (NRA) in 2023 and an additional risk assessment of some sectors in 2024.
3. **Criterion 1.1** – Georgia adopted its first NRA in October 2019 (NRA 2019) (see the analysis in Mutual Evaluation Report of Georgia from 2019 p.175). This was followed by a revision of money laundering and terrorist financing (ML/TF) risks within the scope of the second iteration of the NRA in October 2023 (NRA 2023) and an addition to the NRA in June 2024 (NRA 2024). Georgia revisited its ML/TF risks assessment and also made considerable efforts to identify and assess the ML/TF risks which were not appropriately covered previously. Respectively, those two documents aimed at expanding the risk considerations by Georgia, especially on the subjects of informal economy/prevalence of cash; foreign and domestic politically exposed persons (PEPs) and their associates; the real estate sector; ML risks in the free industrial zones of Georgia; trade-based TF, the origin and destination of financial flows, threats other than terrorism itself (e.g., trafficking of arms, smuggling of migrants, drug trafficking, etc.); legal persons and virtual asset service providers (VASPs). The risk assessments contain no sufficient reflection on demographic factors and some general reflections scattered through various parts of the NRA on geographical, economic, and other factors with no clear implication on possible inherent contextual factors. The analysis of ML/TF risks related to trust and company service providers (TCSPs) is conducted on the basis of limited data (corporate customers at commercial banks). Gaps remain with respect to analysis of some inherent contextual factors, such as integrity levels in the public and private sectors; analysis of trade-based ML and use of non-profit organisations (NPOs) for ML purposes.
4. The NRA products do not consistently analyse data for the same period of time, some analysis covers the period starting from 2019, and others from 2020 or 2021. ML/TF risks in none of the analysed sectors were assessed at a higher level (although Georgia has five levels of risk (low, medium low, medium high, and high), since the risks are not analysed relative to the country-level exposure.
5. Authorities had fairly recognised that, in some instances, information that would have been relevant for analysing some of the risks is not available and envisaged recommendations for overcoming these gaps. While this may cast doubts on the reasonableness of some of the conclusions, this is not a systemic issue and does not impact the ML/TF risk appreciation by the country in global terms.
6. **Criterion 1.2** – The Interagency Commission is the designated body responsible for coordinating the ML/TF risk assessment (AML/CFT Law, Art. 6(1)). It consists of all national authorities involved in combating ML/TF and is chaired by the Financial Monitoring Service of Georgia (FMS).

7. **Criterion 1.3** – The NRA shall be updated as required, but at least once every 3 years (AML/CFT Law, Art. 5(3)). The first NRA was adopted in 2019, the second NRA was adopted in 2023 which was afterwards amended in 2024. Although the time period between the first NRA (2019) and the second NRA (2023) did not match the legislator’s expectations, currently, the legal assumption that the NRA should be updated every 3 years is fulfilled.

8. In addition, the National Bank of Georgia (NBG) is required to conduct sectoral risk assessments and assess the risk of individual institutions annually or more frequently (NBG Supervisory Framework on AML/CFT,⁹ Art. 5(10) and Art. 8(2)).

9. **Criterion 1.4** – The NRA report is a public document and shall be published, except for parts including sensitive information (AML/CFT Law, Art. 5(4)). In addition, the task force to be created within the Interagency Commission shall promptly inform obliged entities about ML/TF risks (AML/CFT Law, Art. 6(3(f))). The task force was created by the decision of the Interagency Commission on 20 September 2022. It is composed of representatives of the Interagency Commission members.

10. The NBG provides the outcomes of its annual sectoral analysis of ML/TF risks (apart from confidential parts) to supervised financial institutions (FIs) through the AML/CFT off-site supervision portal and shares these with the FMS, and where appropriate, other competent authorities (NBG Supervisory Framework on AML/CFT, Art. 8(7), Art. 21(2)).

11. **Criterion 1.5** – Objectives of the NRA include among others: (i) implementing legislative, institutional, and other required measures to manage risks identified at the national and sectorial levels; and (ii) prioritising the allocation of resources for the purposes of facilitating the prevention of ML/TF crime (AML/CFT Law, Art. 5(2)). Georgia largely improved its ML/TF risk understanding (cf. c.1.1) and hence the impact on a risk-based approach to the allocation of resources and implementation of measures has considerably reduced. The NRA 2023 and NRA 2024 provide the basis for the authorities and obliged entities to understand the AML/CFT risks and apply a risk-based approach to allocating resources and implementing measures to prevent or mitigate ML/TF. National Counter-Terrorism Strategy, General Prosecutor’s Office Strategy, respective action plans and NBG Supervisory Framework on AML/CFT further complement the application of the risk-based approach.

12. **Criterion 1.6** –

- (a) The AML/CFT framework of Georgia provides for the possibility to exempt fully or partially a number of activities designated under the FATF Recommendations. As such, among the sectors that are not designated as obliged entities under the AML/CFT Law are: (i) real estate agents and (ii) TCSPs. Exemptions are, however, either not supported by a risk assessment or are not in line with the NRA results, and they do not occur in strictly limited and justified circumstances.

In the NRA 2023 investment of illegally acquired income in real estate is recognised as one of the common methods of ML. While admitting that further data should be collected and analysed to reach more accurate outcomes, the NRA 2024 further analyses the sector and concludes that the ML/TF risks in the real estate sector are considered as medium. In order to mitigate the ML/TF risks in the real estate market Georgia introduced the National Agency of Public Registry (NAPR), the register of the ownership rights for the real estate, as an obliged entity. In Georgia, unless the sale is registered with NAPR, the ownership of the property remains unchanged. Hence, NAPR is the body that is engaged in every transaction of the real estate property. Overall, while this is considered as an important measure for mitigating ML/TF risks in the real estate market, the full exemption of the real estate agents from the

9. Order N 297/04 of the Governor of the National Bank of Georgia on Approving the Supervisory Framework of the National Bank of Georgia on Combating Money Laundering and Financing of Terrorism.

scope of the FATF requirements is not deemed to be an adequate measure aligned with the Standards.

While the risks and materiality of TCSPs are considered low in the NRA 2023, deficiency in c.1.1. applies.

Georgia introduced amendments into the AML/CFT Law (adopted in 2022), designating VASPs, collective investment funds and fund managers, accountants that are not certified and accountants when providing legal advice as obliged entities.

- (b) With respect to AML/CFT requirements applied to obliged entities recognised as such by the legislation (AML/CFT Law, Art. 3), exceptions from certain provisions can be granted through the regulation of FMS, in “strictly limited” circumstances, when the ML/TF risks are low. Such an exception shall be appropriately grounded, and be applicable in strictly defined circumstances, and to particular types of obliged entities or activities (AML/CFT Law, Art. 9(1-2)).

13. Criterion 1.7 –

- (a) Georgia requires obliged entities to take enhanced measures to manage and mitigate “higher” ML/TF risks, which include high-risk customers, PEPs, unusual transactions, high-risk jurisdictions, reinsurance, correspondent relationships (AML/CFT Law, Art. 18-23)
- (b) Obligated entities shall have regard to the NRA report, guidance and recommendations issued by the FMS and supervisory authorities when assessing their ML/TF risks. Obligated entity is required to incorporate outcomes of NRA into their risk assessment (AML/CFT Law, Art. 8(6)).

14. Criterion 1.8 – Obligated entities are allowed to apply simplified measures in relation to lower-risk customers, and for that, they shall obtain sufficient information to determine the reasonableness of considering a customer as lower-risk (AML/CFT Law, Art. 24(1), Art. 24(2)).

15. Criterion 1.9 – The AML/CFT Law sets forth requirements for obliged entities to assess and manage their ML/TF risks. It determines the supervisory authority for each category of obliged entity (AML/CFT Law, Art. 4), and sets out a requirement for the supervisory authorities to ensure that provisions of the AML/CFT Law and relevant regulations are implemented by obliged entities (AML/CFT Law, Art. 38(1)). The remaining deficiencies identified under R.26 and R.28 apply.

16. Criterion 1.10 – Obligated entities are required to assess their ML/TF risks (taking into account their customers, beneficial owners, their location and nature of business, products, services, transactions, delivery channels, and other risk factors) (AML/CFT Law, Art. 8(2)).

- (a) The AML/CFT Law explicitly requires that risk assessments shall be documented (AML/CFT Law, Art. 8(2)).
- (b) Obligated entities are required to implement effective systems for the assessment and management of ML and TF risks, having regard to the nature and size of their business (AML/CFT Law, Art. 8(1)). The NBG further clarifies that supervised FIs shall apply a methodology that would ensure complete analysis of ML/TF risks (NBG Guideline on organisational and group ML/TF risks, Art. 5(3(b))). These FIs are required to assess the risks related to their business structure and model of organisation, and risks related to clients, products and services, transactions, delivery channels, geographical area, etc. (NBG Guideline on ML/TF risk assessment, Art. 4(3)). Risk assessment shall be followed by a decision about the measure to address the identified risks, which can include both risk-control and risk-prevention measures (NBG Guideline on organisational and group ML/TF risks, Art. 6; NBG Guideline on ML/TF risk assessment, Art. 4(4)).

- (c) Obligated entities are required to periodically update their ML/TF risk assessment (AML/CFT Law, Art. 8(2)). The NBG further clarifies that for its supervised FIs, ML/TF risk analysis is an uninterrupted cycle (NBG Guideline on organisational and group ML/TF risks, Art. 3(1)), which should be conducted at least once a year, but not less than once every two years (if justified that there was no considerable change). In exceptional circumstances, the NBG can determine another timeframe and regularity (NBG Guideline on ML/TF risk assessment, Art. 4(5)).
- (d) Obligated entities are required, upon request, to demonstrate to the supervisory authority that ML/TF risks were appropriately assessed, and effective measures taken to manage those risks (AML/CFT Law, Art. 8(7)). The NBG further clarifies that supervised FIs shall present a documented risk analysis to the NBG upon request (NBG Guideline on organisational and group ML/TF risks, Art. 5(5)).

17. **Criterion 1.11 –**

- (a) Obligated entities are required to implement policies, procedures and internal controls, which are consistent with the nature and size of their business and associated ML/TF risks (AML/CFT Law, Art. 29(1)). These shall be approved by the governing body or a person with managing authority (AML/CFT Law, Art. 29(2)). The person with managing authority is implicitly: (i) the partner(s) in a partnership; and (ii) director(s), in a limited liability company (LLC), a joint stock company (JSC) and cooperative (Law on Entrepreneurs, Art. 9(1)).
- (b) Obligated entities are required to have independent audits to test the effectiveness of the control systems and designate a member of their governing body or a person with management authority who shall be responsible for the effectiveness of the controls (AML/CFT Law, Art. 29 (2(d) and 5)), and enhance them if necessary.
- (c) Obligated entities are required to implement effective measures (AML/CFT Law, Art. 8(5)), which would include the application of enhanced measures for managing ML/TF risks. In order to mitigate ML/TF risks, they shall apply enhanced customer due diligence (EDD), and other effective measures where higher ML/TF risks are identified (AML/CFT Law, Art. 18-23).

18. **Criterion 1.12 –** Obligated entities are allowed to apply simplified measures in relation to lower-risk customers, and for that, they shall obtain sufficient information to determine the reasonableness of considering a customer as lower-risk (AML/CFT Law, Art. 24(1), 24(2)). Application of simplified measures is prohibited when there are higher ML/TF risk characteristics (AML/CFT Law, Art. 24(3)).

Weighting and conclusion

19. Most of the deficiencies identified in the identification and assessment of ML/TF risks by Georgia are largely rectified. Application of exemptions and other minor shortcomings have a bearing on the rating. **R.1 is rated LC.**

Recommendation 6 – Targeted financial sanctions related to terrorism and terrorist financing

| | Year | Rating |
|-------------|-------------|--|
| MER | 2020 | PC |
| FUR1 | 2022 | PC (no upgrade requested) |
| FUR2 | 2023 | PC (upgrade requested, maintained at PC) |
| FUR3 | 2024 | PC (upgrade requested, maintained at PC) |

1. Georgia was rated PC in the 5th round of evaluations. Since then, Georgia has revised its legislation. Currently, the legal framework for implementation of the targeted financial sanctions (TFS) consists of the AML/CFT Law (Chapter X) adopted on 30 October 2019, and the Government Decree N 487 on “Establishment of the Interagency Commission on Implementation of the United Nations Security Council Resolutions” from 21 December 2011, with the latest amendments introduced on 5 June 2023. The latter also adopts the Statute of the Governmental Commission for Implementation of United Nations Security Council Resolutions (Commission Statute).

2. **Criterion 6.1** – In relation to designations pursuant to United Nations Security Council Resolutions (UNSCR) 1267/1989 and 1988 sanctions regimes:

- (a) Georgia has identified the Governmental Commission on Enforcement of UNSCRs (Commission) as the competent authority responsible for proposing the designation of persons or entities to the UNSC Committees 1267/1989 and 1988 (AML/CFT Law, Art. 40 and 43).
- (b) Georgia has established a mechanism for identifying targets for designation pursuant to UNSCR 1267/1989 and 1988. The Working Group of the Commission on the basis of the competent authority’s proposal submits to the Committee information and evidence on persons and entities for designation. When proposing designations to the UNSC Committees, the Commission shall consider if criteria set by the respective UNSCRs are met (AML/CFT Law, Art. 43(1); Commission Statute, Art. 4(b), and Art. 6; Rules and Procedure for Compiling Lists of Persons Involved in Terrorism and/or Terrorist Financing” (“Rules and Procedures”), Art. 1(3), Art. 2(1-3) and Art. 4).
- (c) The Commission shall apply an evidentiary standard of proof of “reasonable suspicion” when deciding whether to make a proposal for designation (AML/CFT Law, Art. 43(1)). In addition, the Rules and Procedures stipulate, that when deciding on the person or entity, the Commission concludes whether the presented information and evidence is sufficient to convince an objective observer on the person's connection with the financing of terrorism regardless of the presence of criminal proceedings (Rules and Procedure, Art. 1(3) and Art. 4).
- (d) The Commission shall follow the procedures and use standard forms for listing, as adopted by the respective UNSCR (AML/CFT Law, Art. 43(2)).
- (e) When submitting a designation proposal, the Commission shall include sufficient information to identify the person (AML/CFT Law, Art. 43(2)). In addition, the appeal submitted to the UN Sanctions Committee shall include information necessary to identify the person, relevant circumstances of the case, and as detailed as possible information on the grounds for designation of the person or entity (Rules and Procedures, Art. 2(4)). There is nothing that prohibits Georgia to specify whether its status as a designating state may be made known should a proposal be made to the 1267/1989 Committee.

3. **Criterion 6.2** – In relation to designations pursuant to UNSCR 1373:

- (a) Georgia has identified the Commission as the competent authority responsible for designating persons or entities pursuant to the UNSCR 1373, as put forward either by Georgia or by foreign states (Commission Statute, Art. 4(b), and Art. 6(4)).
- (b) Georgia has a mechanism for identifying targets for designation pursuant to UNSCR 1373. Measures in place include the obligation of the Commission to promptly examine an application of the working group made on the basis of a competent authority's initiative, and to decide based on UNSCR 1373 designation criteria to list, request additional information or reject the application. The legislation also stipulates the basis for the competent authority to initiate the application to the Commission. (AML/CFT Law, Art. 41(2); Commission Statute, Art. 4(b(b) and Art. 6(4); Rules and Procedures, Arts. 3-4).
- (c) The Commission promptly examines a request of a competent authority of a foreign state on the application of measures referred to in the UNSCR 1373 (2001), and provided that there is a reasonable suspicion that a person meets the appropriate criteria referred to in the UNSCR 1373 (2001), the Commission takes a respective decision on application of measures pursuant to UNSCR 1373 or refusal of the request (AML/CFT Law, Art. 2(p)(r) and Art. 41(2-3)).
- (d) The Commission shall apply an evidentiary standard of proof of "reasonable suspicion" when deciding whether or not to designate a person (AML/CFT Law, Art. 41(3)). In addition, the Rules and Procedures stipulate that when deciding on the person or entity the Commission concludes whether the presented information and evidence is sufficient to convince an objective observer on the person's connection with the financing of terrorism regardless of the presence of criminal proceedings (Rules and Procedure, Art. 1(3) and Art. 4).
- (e) The Commission, if necessary, decides to request another country to give effect to the actions initiated under its freezing mechanisms. The Commission shall adopt a form for addressing the competent jurisdiction of another state, which shall ensure that the request is substantiated and contains information sufficient for the identification of the person (Commission Statute, Art. 6(5-6)). The form was adopted by the Commission in April 2023 and contains basic information on the listed person and on the identity. While it does not explicitly require filling in specific information supporting the designation (e.g., grounds for designation), the authorities clarified that this is expected to be provided under the section "other additional information".

4. **Criterion 6.3** –

- (a) The Commission shall, within its competence, cooperate and exchange information with competent authorities and international organisations. The Task Force operating under the Commission shall collect, process and disseminate information required for performing the Committee's functions (AML/CFT Law, Art. 40(3-4)).
- (b) The Commission shall operate ex-prate when proposing designation to the respective UNSC Committee, when dealing with the requests of the domestic and foreign state authorities (AML/CFT Law, Art. 41(2) and Art. 43(1)). There is no legal or judicial requirement for the involved competent authorities to hear or inform the person or entity against whom a designation is being considered.

5. **Criterion 6.4** – Georgia implements the TFS without delay. The UN Resolutions on the prevention, detection and suppression of TF adopted under Chapter VII of the UN Charter are binding in Georgia. These are enforced from the moment of publication of those (inclusions, removals and

amendments to information on designated persons and entities) on the official website of the UN Sanctions Committee (AML/CFT Law, Art. 41(1)).

6. With respect to UNSCR 1373, no provision is available that decisions of the Commission on designating persons or entities pursuant to UNSCR 1373 are binding for all natural and legal persons within the country and shall be applied without delay. Decisions of the Commission enter into force upon signing the minutes of the meeting and shall be published within 2 working days (Rules and Procedure, Art. 3(5-6)).

7. **Criterion 6.5** – Georgia identified the Committee, as a competent authority responsible for implementing and enforcing the TFS. This is supported primarily by the National Bureau of Enforcement (NBE) and FMS.

(a) Georgia applies a twofold approach to the implementation of freezing measures as further described herewith.

Upon designation of a person by the UNSC pursuant UNSCRs 1267/1989 and 1988, and also by the Committee within the powers provided pursuant UNSCR 1373, the Committee takes a decision on freezing of assets and immediately requests the NBE to include those persons into the Register of Debtors (a public database), for implementation of the assets freezing measures (AML/CFT Law, Art. 41(1, 5); Statute of Committee, Art. 4(c); Law on Enforcement Proceedings, Art. 19¹(1, 4)). Upon entry of data to the Register of Debtors the Ministry of Internal Affairs, the NAPR and banks proactively verify and provide the NBE with information on any respective property of a listed person (Law on Enforcement Proceedings, Art. 19²(1-3)). In addition, all administrative bodies, banking institutions, and natural and legal persons in a contractual relationship with the listed persons shall provide information to NBE (Law on Enforcement Proceedings, Art. 17(2)). However, no information is provided on whether there is an obligation for natural and legal persons to regularly consult the Register of Debtors; refrain from or not enter into transaction or business relations with those designated persons; and report this to any competent authority.

Supplementing the approach described above Georgian legislation envisages that the obliged entities are prohibited from establishing or continuing a business relationship, entering into or executing a one-time transaction, if the customer or other person participating in the transaction is a designated person or entity or one of the persons related to those, and shall submit a report to FMS (AML/CFT Law, Art. 10(7, 7¹), Art. 41(4(a-c))). On the basis of the report submitted to FMS, the latter is authorised to issue a suspension order for 72 hours and hand over to law enforcement authorities to proceed with the seizure measures in cooperation with the NBE (AML/CFT Law, Art. 36(1)).

(b) In accordance with the AML/CFT Law (Art. 41(4)), a reference to the assets under Chapter X regulating actions of the Committee, including UNSCR 1373, fully extends to all types of funds and other assets covered under (i) to (iv) of this sub-criterion, that are owned or controlled, directly or indirectly, wholly or jointly. There is an express application to funds or assets belonging to people who are acting on behalf of, or at the direction of, designated persons.

(c) The obliged entities are prohibited from establishing or continuing a business relationship or concluding/carrying out an occasional transaction if a customer or any other party to a transaction is one of the persons referred to in c. 6.5(b) (AML/CFT Law, Art. 10(7)). Except for this, there is no explicit prohibition extending to the nationals of Georgia and any persons and entities within its jurisdiction to take the preventive measures set out under this criterion. The CC, Art. 331.1 criminalises TF. The TF offence, however, requires proof of intention by the

defendant, whereas the prohibition on making funds or other assets available does not have a “*mens rea*” requirement.

- (d) Georgia does not have a mechanism for communication of designations under UNSCRs 1267/1989 and 1988 to the FIs and the designated non-financial business and professions (DNFBPs) upon taking such action, but the obliged entities are advised to consult the UN consolidated list of targeted sanctions independently (UNSCR Implementation Guideline, Section 1.1.1, 3.1.4). Georgia advised that it sets sanctions for breach of obligation of the obliged entity to regularly consult the UN and domestic lists of designated entities and provided examples for banks and notaries. Further information is to be provided. Obligated entities are provided with a UNSCR Implementation Guideline adopted by the Commission on 26 April 2023. This document would benefit from being adapted to specific businesses of different types of obliged entities.

With respect to designations made under UNSCR 1373, the Commission is responsible for communicating its decisions to relevant persons via appropriate means within 2 working days after the designation (Rules and Procedure, Art. 3.6). Communication of the decision of the Commission is not immediate and is addressed to supervisory authorities.

- (e) The obliged entities are prohibited from establishing or continuing a business relationship or concluding/carrying out an occasional transaction if a customer or any other party to a transaction is one of the persons referred to in c. 6.5(b), and required to submit to FMS a report on a suspicious transaction or an attempt to prepare, conclude or carry out a suspicious transaction (AML/CFT Law, Art. 10(7), Art. 25(1)). This, however, does not amount to reporting to the FMS any assets frozen.
- (f) Art. 41(4¹) and Art. 28(5) of AML/CFT Law vests the Commission with the powers to protect the rights of “bona fide” third parties.

8. **Criterion 6.6** – Georgia has publicly known procedures to submit de-listing requests to UNSC Committees 1267/1989 and 1988 and UNSCR 1373.

- (a) The Commission is the competent authority of Georgia for submitting requests for removal of persons designated pursuant to UN Sanctions Regimes (AML/CFT Law, Art. 43(4); Commission Statute, Art. 8)). The Commission shall, at appropriate times, but at least once a year or upon a grounded request of an interested party, examine if sufficient grounds for listing of persons still exist. If not, the Commission shall take necessary measures to immediately submit the proposal to the respective UNSC Committee (AML/CFT Law, Art. 43(3, 5)).
- (b) The Commission is the competent authority of Georgia for taking a decision on the de-listing of persons and unfreezing of assets under the UNSCR 1373. The Commission shall, at appropriate times, but at least once a year or upon a grounded request of an interested party, examine if the grounds for listing still exist. If not, the Commission shall take a decision for lifting the freezing order (AML/CFT Law, Art. 42(1-3)).
- (c) An interested party listed under the 1373 UNSCR regime can submit a request for de-listing to the Commission (AML/CFT Law, Art. 42(1)). An interested party also has the right to appeal the decision of the Commission either to the Commission or to the court (Commission Statute, Art. 8).
- (d) - (e) The Commission shall ensure that interested parties are informed about UN mechanisms for examining petitions on removing a relevant person from the list of sanctioned persons in line with the procedures adopted by the UNSCR 1267/1989 and 1988 Committees, including

those of the Focal Point mechanism established under UNSCR 1730, and Office of the Ombudsperson, pursuant to UNSCRs 1904, 1989, and 2083 (AML/CFT Law, Art. 43(6)).

- (f) At the request of an interested party Commission verifies whether the person is a designated entity and if not, takes a decision on the release of the frozen assets (Commission Statute, Art. 8(4)).
- (g) The deficiencies described in the analysis of c.6.5(d) with regard to the mechanisms for communicating designations to obliged entities apply in respect of compliance with this criterion. There is no guidance provided to covered FIs and other persons or entities, including DNFBPs that may be holding targeted funds or other assets, on their obligations to respect a delisting or unfreezing action.

9. **Criterion 6.7** – The AML/CFT Law (Art. 42(3)) provides for mechanisms through which the Commission, upon due notification of, and no-objection from the respective UN Committee, may partially lift the freezing order on assets frozen under UNSCRs, if that is necessary to cover a person's basic expenses, including payments for foodstuffs, rent, mortgage, medicines and other medical treatment, taxes and public utility charges, legal aid and maintenance of frozen assets.

10. The AML/CFT Law (Art. 42(4)) provides for mechanisms through which the Commission, upon due notification of, and approval from the respective UN Committee, may partially lift the freezing order on assets frozen under UNSCRs, for the extraordinary expenses.

11. The Commission is vested with the rights to take decision on the partial removal of order on freezing of assets and for access to funds or other assets frozen pursuant to UNSCR 1373 (Commission Statute Art. 9(5)).

Weighting and conclusion

12. Georgia has made a serious effort to improve compliance with the relevant UN instruments on the freezing of terrorist assets. There are, however, still some moderate shortcomings in the system, the ones weighted more heavily related to coverage of all natural and legal persons under freezing requirements. Communication of designations under UNSCR1373 is not immediate upon taking such action. **R. 6 is rated PC.**

Recommendation 7 – Targeted financial sanctions related to proliferation

| | Year | Rating |
|-------------|-------------|--|
| MER | 2020 | PC |
| FUR1 | 2022 | PC (no upgrade requested) |
| FUR2 | 2023 | PC (upgrade requested, maintained at PC) |
| FUR3 | 2024 | PC (upgrade requested, maintained at PC) |

1. These requirements were added to the FATF Recommendations when they were revised in 2012 and, therefore, were not assessed under the 4th round mutual evaluation of Georgia in 2012. Until October 2019, there was no explicit legislative basis secured for the implementation of the proliferation financing (PF)-related UNSCRs. The amended AML/CFT Law clarified the mandate of the Commission and requirements for the obliged entities with respect to the implementation of the PF-related UNSCRs.

2. Georgia was rated PC in the 5th round of evaluations. Since then, Georgia introduced amendments to the AML/CFT Law (adopted on 16 May 2023) in order to enhance compliance with R.7.

3. **Criterion 7.1** – Georgia implements the TFS without delay. The UN Resolutions on prevention, detection and suppression of financing of terrorism adopted under Chapter VII of the Charter of the United Nations are binding in Georgia. These are enforced from the moment of publication of those (inclusions, removals and amendments to information on designated persons and entities) on the official website of the UN Sanctions Committee (AML/CFT Law, Art. 41(1)) (see c.6.4).

4. **Criterion 7.2** – Georgia identified the Committee as the competent authority responsible for implementing and enforcing the TFS.

(a) The regulatory framework and the identified deficiencies as described under c.6.5(a) apply.

(b) The regulatory framework as described under c.6.5(b) applies.

(c) The regulatory framework and the identified deficiencies as described under c.6.5(c) apply.

(d) The regulatory framework and deficiencies as described under c.6.5(d) apply. Obligated entities are provided with a UNSCR Implementation Guideline adopted by the Commission on 26 April 2023. This document would benefit from adapting to specific businesses of different types of obliged entities.

(e) The regulatory framework and deficiencies as described under c.6.5(e) apply.

(f) Art. 41.4¹ and Art. 28(5) of AML/CFT Law vests the Commission with the powers to protect the rights of “bona fide” third parties.

5. **Criterion 7.3** – As the proliferation of mass destruction falls under the scope of the AML/CFT Law adopted in 2019, the regime of monitoring/sanctions applied to the compliance of AML/CFT obligations (Chapter IX) is also applied to obligations related to proliferation. Specific sanctions for breaching the obligations on prohibition from establishing or continuing a business relationship or concluding/carrying out an occasional transaction and reporting are set in the respective sectorial legal acts as follows: for banks - Order 242/01 of the President of NBG Art. 2.1; for microfinance organisations (MFOs) – Order 25/04 of the President of NBG, Art. 2.2; for payment service provider (PSPs) - Order 87/04 of the President of NBG, Art. 2; for currency exchange bureaux - Order 25/04 of the President of NBG, Art. 5; securities market participants - (brokers and securities registrars) - Order N 35/04 of 14 February, 2012 of the Governor of NBG, Art. 5; for non-bank depository credit unions (Credit Unions) - Order N 257 of the President of NBG, Art. 6.; for the investment funds - Order N 70/04, 2022 of the President of NBG, Art. 2; for the lending entities – Order N 218/04, 2018 (changes

introduced on 22.12.2020) of the President of NBG Art. 2; for notaries – Order N 69 of the Ministry of Justice (MoJ), Art. 5 and 8; for insurance sector – Order No. 2 of the Head of Insurance State Supervision Service of Georgia on determining, imposing and enforcing fines on insurers, Art. 3. No information is provided on specific sanctions applied to other covered DNFBPs.

6. In addition, the Criminal Code (CC) Art. 377 criminalises “unlawful acts related to inventoried or seized property or property subject to forfeiture”.

7. **Criterion 7.4** – Georgia has publicly known procedures to submit de-listing requests to respective UNSC Committees dealing with PF-related designations.

(a) The Commission shall ensure that interested parties are informed about a UN mechanism for examining petitions on removing a relevant person from the list of sanctioned persons (AML/CFT Law, Art. 43(6)).

(b) The regulatory framework as described under c.6.6(f) applies.

(c) Pursuant to AML/CFT Law (Art. 42(3-4)) the Commission ensures access to funds or other assets in line with exceptions provided under the UNSCRs 1718 and 2231.

(d) The deficiencies described in the analysis of c.7.2(d) with regard to the mechanisms for communicating designations to obliged entities apply in respect of compliance with this criterion. There is no guidance provided to covered FIs and other persons or entities, including DNFBPs that may be holding targeted funds or other assets, on their obligations to respect a de-listing or unfreezing action.

8. **Criterion 7.5** –

(a) Georgia permits the addition to accounts of designated persons under the seizure for contractual obligations set prior to the introduction of limitations (AML/CFT Law, Art. 10(8)).

(b) According to Art. 42(5) of the AML/CFT Law, based on the grounded motion of an interested party and in compliance with the requirements and conditions of the relevant UNSCRs on non-proliferation, the Commission is authorised to lift the sanctions on funds and assets of designated person or entity, which are necessary to make payments due under a contract entered into prior to the listing of such person or entity.

Weighting and conclusion

9. Georgia has made a serious effort to improve compliance with the relevant UN instruments on the freezing of terrorist assets. There are, however, still some moderate shortcomings in the system, the ones weighted more heavily related to communication of TFS and amendments therein without delay, requirements for natural and legal persons to freeze the assets of persons designated by the UN, lack of information on sanctions to be applied to some of the covered DNFBPs for failing to comply with the requirements. **R.7 is rated PC.**

Recommendation 15 – New technologies

| | Year | Rating |
|-------------|------|--|
| MER | 2020 | PC |
| FUR1 | 2022 | PC (no upgrade requested) |
| FUR2 | 2023 | PC (upgrade requested, maintained at PC) |
| FUR3 | 2024 | ↑ LC (upgrade requested) |

1. Amended R.15 focuses on assessing risks related to the use of new technologies, in general, and imposes a comprehensive set of requirements in relation to VASPs. The FATF revised R.15 in October 2018 and its interpretative note in June 2019 to require countries to apply preventative and other measures to virtual assets (VAs) and VASPs. In October 2019 (just before the on-site visit), the FATF agreed on the corresponding revisions to its assessment methodology and began assessing countries for compliance with these requirements immediately.

2. Georgia was rated PC in the 5th round of evaluations. Since then, Georgia introduced amendments to the AML/CFT Law (enforced on 1 January 2023) and introduced a regulatory framework for the VASP sector.

3. **Criterion 15.1** – There is an explicit requirement for FIs and DNFBPs to identify and assess ML/TF risks that may arise from developing technologies (AML/CFT Law, Art. 8, paragraph 3).

4. Georgia adopted its NRA 2023 and Addition to the NRA 2024. These include analyses of risks associated with new services and delivery channels, including the use of new delivery mechanisms and the use of new technology. Pre-existing product risks are analysed for both the banking and non-banking sectors. The analysis is not always clear on the specific features of the ML risks and the TF risks identified by Georgia and how these supported conclusions on the overall risk level.

5. **Criterion 15.2** –

(a) Covered FIs are required to undertake risk assessments prior to making changes (AML/CFT Law, Art. 8(3)).

(b) Covered FIs are required to implement effective measures for managing and mitigating identified ML and TF risks (AML/CFT Law, Art. 8(5)).

6. **Criterion 15.3** –

(a) The assessment of ML/TF risks emerging from VA activities and the activities or operations of VASPs in Georgia have been conducted within the scope of NRA 2023 (Chapter VI), NRA 2024 (Chapter 3), and NBG sectoral risk assessment from 2024. This further deepens the analysis of risks and includes not only current risks pertinent to the Virtual Asset ecosystem that is based on the data obtained from the sector, but also the long-term threats and vulnerabilities in the market. Nevertheless, while the country mostly relied on the analysis of quantitative data, only limited qualitative analysis of ML and specific TF risks was conducted. Further analysis is required on the ML/TF risks related to: (i) services provided by VASPs; (ii) customers; (iii) delivery channels; (iv) transactions; (v) geographical exposure; etc. The current analysis does not provide a complete overview of the ML and TF risks of VASPs and VAs.

(b) Georgia introduced the regulatory framework for VAs and VASP activities, requirements for registration and operation of the VASP, the supervisory powers and standards. This is in line with the country's understanding of the main risks in the sector. This measure aims at mitigating and preventing ML/TF. Nevertheless, the current scope of the risk assessment has an impact here. In addition, Georgia is currently developing procedures and risk-based approach (RBA) supervision methodology that takes into account the specificities of VASPs.

Aimed at reducing the ML/TF risks, Georgia also introduced targeted measures on a case-by-case basis. An example of this is a written instruction to a VASP registered in Georgia that operates as part of a global VASP group on the separation of its operational system, customers, transactions and virtual wallets.

- (c) VASPs are designated as obliged entities and are required to take appropriate steps to identify, assess, manage, and mitigate their ML/TF risks (AML/CFT Law, Art. 3(a.n.), Art. 8, Arts 18-23, Art. 29; Organic Law on NBG, Art. 2(z^{18-z21})). See also c.1.10 and 1.11.

7. Criterion 15.4 –

- (a) In Georgia the VASP shall be registered with the NBG (Organic Law on the NBG, Art. 52.5). A VASP can only be a legal entity (LLC or JSC) established and registered per Georgian legislation, and it is entitled to carry out virtual asset services in Georgia.
- (b) The NBG takes the necessary legal or regulatory measures to prevent criminals and their associates from holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in, a VASP (Organic Law on NBG, Art. 48(4), and Rule for the VASP registration at the NBG, cancellation of registration, and regulation (Rule on VASPs), Art. 3).

8. Criterion 15.5 – In Georgia, there is a prohibition for operating as a VASP without appropriate registration with the NBG (Organic Law on NBG, Art. 52⁵(3)). In addition, carrying out illegal entrepreneurial activities (including VA services) without registration is punished under CC (Art. 192). The Investigation Service of the Ministry of Finance (MoF) is a designated authority for the investigation of such offences, vested with a wide spectrum of investigative powers, and has a duty to prevent illegal entrepreneurial activity. This includes monitoring of market and detecting non-registered VA activities (Prosecutor General Order N 3 on "Determining the investigative and territorial jurisdiction of criminal cases", Head of the Service Order N 13 on "Functions and duties of the employees of the Investigative Department of the Investigative Service of the Ministry of Finance of Georgia", Art. 14-15). When detected by the NBG non-registered activity is reported to the Investigation Service of the Ministry of Finance. Georgia demonstrated detecting non-registered VA activity both by the NBG and MoF.

9. Criterion 15.6 –

- (a) Supervision of VASPs shall be performed on a risk-sensitive basis. The nature and frequency of inspections shall be determined based on the nature and size of business of the obliged entity, and associated ML/TF risks (AML/CFT Law, Art. 38(2)). For the purposes of preventing and combatting ML/TF, the NBG shall supervise the activities of an entity subject to supervision applying the risk-based approach (Organic Law on the NBG, Art. 48(4.²)).
- (b) The NBG is the designated entity for the supervision of VASPs (AML/CFT law, Art. 4(c)). The NBG shall ensure that provisions of the AML/CFT Law and relevant regulations are implemented by VASPs through off-site supervision and/or on-site inspections (AML/CFT Law, Art. 38(1)). To perform supervision the NBG is authorised to issue appropriate decrees and orders, implement relevant measures, give written instructions, set additional requirements and limitations, and apply supervisory measures and/or sanctions (Organic Law on the NBG, Art. 48(3)). For the purposes of inspection or determining ML/TF risk, supervisors are authorised to request and obtain required information (documents) (including confidential information) from obliged parties (AML/CFT Law, Art. 38(3), Organic Law on NBG, Art. 48(5)). The NBG is empowered to impose a range of disciplinary and financial sanctions, including the power to withdraw, restrict or suspend the VASP's license or registration (Organic Law on the NBG, Art. 48(4.1), Art. 52⁵ and Rule on VASPs, Art. 6).

10. **Criterion 15.7** – The NBG, in order to ensure registration of the VASPs and further application of the legislative framework, established a website with the basic information on the regulatory framework and a feedback system for responding to the queries of the new population of obliged entities. In addition, the NBG had developed some guidelines for the supervised entities on the application of electronic identification and verification of customers, identification and verification of the ownership and control structure and beneficial ownership (BO) of the customer. In 2024 the NBG issued and shared with the VASPs a sector-specific guideline on “ML/TF Red Flags related to VAs and VASPs”.

11. **Criterion 15.8** –

(a)-(b) The NBG is authorised to terminate or restrict specific types of activities/operations of the VASPs and the representative of the financial sector that in accordance with the legislation regulating activities is entitled to implement VASP services (including the types of VAs), as well as a business relationship with other VASPs that pose increased risks related to ML/TF and/or the risk of the evasion of international financial sanctions, hinder the traceability and/or supervision of the carried out transactions. The NBG is authorised to impose sanctions (including monetary fines) on the VASPs and the administrator thereof for violation of AML/CFT legislation and the legal acts of the NBG in accordance with the procedure determined by the NBG. An administrator is defined as a member of the supervisory board, a member of the board of directors and a person who is authorised independently or with one or several other persons to take up responsibilities on behalf of the covered FI (senior management) (Organic Law on the NBG Art. 2(z¹³). The Rule on the Determination, Imposition, and Enforcement of Monetary Fines on Virtual Asset Service Providers and Their Administrators adopted in May 2024 specifies the application of specific sanctions to VASPs, including fines for specific breaches of the AML/CFT Law. In case of a violation of AML/CFT legislation, the NBG is empowered to suspend an administrator’s executive powers, require their dismissal and impose monetary penalties thereon (Organic Law on NBG, Art. 48(4^{1c})).

12. **Criterion 15.9** – VASPs are subject to AML/CFT requirements. Respectively, a minor deficiency in R.20 applies to VASPs.

(a) The occasional transactions designated threshold above which VASPs are required to conduct customer due diligence (CDD) is 1000 US dollars (USD)/euros (EUR) (AML/CFT Law, Art. 11(b)).

(b) A VASP shall ensure that the transfer and/or receipt of convertible virtual assets is accompanied by data as prescribed by the rule of the supervisory authority (AML/CFT Law, Art. 17¹). The Order No. 386/04 of 27 December 2023 of the Governor of the National Bank of Georgia “Regulation on information accompanying transfers of funds and virtual assets” (Order No. 386/04) regulates further the obligations for VASPs.

- i. Originating VASP is required to obtain, and hold required and accurate information about the payer and payee and submit to the beneficiary VASP or FI before or during the transfer of VAs in a secure manner (Order No. 386/04, Art. 3(2), 4 and 9). Information will be made available on request to appropriate authorities (AML/CFT Law Art. 27(5-6)).
- ii. VASPs should obtain and hold required information about the payer and payee for 5 years and make available on request appropriate authority (AML/CFT Law, Art. 27(1, 5)).
- iii. In Georgia, domestic and cross-border VA transfers are covered under the same regulatory framework. Respectively, other requirements of R.16 are met through the

following regulatory measures: the batch file information (Order No. 253/04, Art. 10); transactions below EUR 1 000 (Order No. 253/04, Art. 4(b)); verification of information for below EUR 1 000 transaction (Order No. 253/04, Art. 9(1-2)); record keeping (AML/CFT Law, Art. 27, FMS Order N 1, Art. 11); restriction of a transfer in absence of complete information (Order No. 253/04, Art. 9(8)); retaining information by intermediary (Order No. 253/04, Art. 13); record keeping by intermediary (Order No. 253/04, Art. 13); reasonable measures to identify a transfer by intermediary (Order No. 253/04, Art. 14); risk-based policies and procedures for execution/rejection/follow-up of transaction by intermediary (Order No. 253/04, Art. 15); monitoring of information by beneficiary (Order No. 253/04, Art. 11(1)); verification of beneficiary of transaction and record keeping by beneficiary (Order No. 253/04, Art. 11(4)); risk-based policies and procedures for execution/rejection/follow-up of transaction by beneficiary (Order No. 253/04, Art. 12); Operating in countries directly or through agents – it is prohibited to VASP registered in Georgia to provide VA services through an agent (Order No. 94/04) and have a branch or ATM abroad. Foreign VASP can operate only by setting up a VASP (separate legal person) in Georgia and registering with the NBG. Hence regulation as set under this criterion will apply. (Order No. 253/04, Art. 1(5)); controlling both the ordering and the beneficiary side of a wire transfer – when operating through branches or ATMs within the country, and even servicing the same customer (originator and beneficiary) within the same VASP, all accompanying information prescribed by the regulator should be collected and verified at both sides (AML/CFT Law, Art. 17¹(1-2); Order No. 253/04, Art. 1(1-2).

- iv. The same obligations apply to financial institutions when sending or receiving virtual asset transfers on behalf of a customer (Order No. 386/04, Art. 1(1)).

13. **Criterion 15.10** – As a reporting entity, regulations for implementation of the UN TFS sanctions apply to VASPs equally. The regulatory framework and deficiencies as described in c. 6.5(d), 6.5(e), 6.6(g), 7.2(d), 7.2(e), 7.3 and 7.4(d) equally apply here.

14. **Criterion 15.11** – Competent authorities can exchange information with their foreign counterparts as set out under R.37 to R.40 (subject to limitations on the availability of information), therefore, deficiencies under R.37, R.38 and R.40 also apply.

Weighting and conclusion

15. Georgia has taken serious steps to ensure its compliance with R.15. This includes measures to comply with the requirements related to the application of new technologies, and regulation of the VASP activities. There are nevertheless some minor shortcomings that remain among which are identifying and assessing the ML and TF risks emerging from VAs and VASPs activities, implementation of UN TFS and international cooperation. Taking into consideration the overall materiality of the sector and strong regulatory measures introduced in the country **R.15 is rated LC.**

Recommendation 22 – DNFBPs: Customer due diligence

| | Year | Rating |
|-------------|------|--|
| MER | 2020 | PC |
| FUR1 | 2022 | PC (upgrade requested, maintained at PC) |
| FUR2 | 2023 | PC (upgrade requested, maintained at PC) |
| FUR3 | 2024 | PC (upgrade requested, maintained at PC) |

1. Georgia was rated PC in the 5th round of evaluations. Since then, Georgia introduced amendments to the AML/CFT Law (adopted on 16 May 2023). The following are now designated as obliged entities: (i) organisers of lotteries, gambling or other commercial games (AML/CFT Law, Art. 3(1)(b.b)); (ii) dealers in precious metals and stones (DPMS) (AML/CFT Law, Art. 3(1)(b.f)); (iii) lawyers that are natural persons rendering professional services independently, law firms and notaries – all when carrying out activities listed under c.22.1(d) (AML/CFT Law, Art. 3(1)(b.a and b.c)); and (iv) accountants providing professional services, certified accountants and auditors rendering professional services independently, accounting firms, and audit firms, except when providing legal advice or representing a client in proceedings (AML/CFT Law, Art. 3(1)(b.d and b.e) and (3)). Georgia introduced further amendments to the AML/CFT Law (adopted on 30 May 2024). Hereafter (and in R.23), they are referred to as covered DNFBPs.

2. **Criterion 22.1 –**

(a) Organisers of lotteries, gambling or other commercial games are required to undertake CDD when: (i) accepting funds or paying winnings above 5 000 Georgian lari (GEL) or equivalent in foreign currency (EUR 1 700) whether carried out in a single transaction or several linked transactions; or (ii) establishing a business relationship for games organised by electronic means (AML/CFT Law, Art. 11(3)). They are required to link CDD information for a customer to transactions carried out in casinos (AML/CFT Law, Art. 12(7); and set up an electronic data-processing system to detect linked, unusual and suspicious transactions (AML/CFT Law, Art. 27(6)).

(b) Real estate agents are not designated as obliged entities. Consequently, there are no CDD requirements for them.

(c) DPMS are required to undertake CDD measures if they carry out a cash transaction above GEL 30 000 or its equivalent in foreign currency (EUR 10 000) whether carried out in a single transaction or in several linked transactions (AML/CFT Law, Art. 11(2)).

(d) Lawyers, law firms, notaries, certified accountants providing professional services, and accounting firms, accountants, auditors and audit firms that are obliged entities are required to undertake CDD measures in line with c.10.2.

(e) TCSPs are not designated as obliged entities. Consequently, there are no CDD requirements.

3. Requirements described in the AML/CFT Law for covered FIs under R.10 (except reference to collective investment schemes and fund managers) are equally applicable to covered DNFBPs, including those applicable to insurance companies and leasing companies. A minor deficiency under c.10.9(b) on collecting information on powers that regulate and bind a customer who is a legal person applies here.

4. **Criterion 22.2 –** Requirements described in the AML/CFT Law for covered FIs under R.11 are equally applicable to covered DNFBPs.

5. **Criterion 22.3 –** Requirements described in the AML/CFT Law for covered FIs under R.12 are equally applicable to covered DNFBPs.

6. **Criterion 22.4** – Requirements described in the AML/CFT Law for covered FIs under R.15 (c.15.1) are equally applicable to covered DNFBPs.

7. **Criterion 22.5** – Requirements described in the AML/CFT Law for covered FIs under R.17 are equally applicable to covered DNFBPs. In addition, obliged entities should assess the risks of third party/intermediary reliance and consider associated risks before establishing business relationships. Through this amendment obliged entities are also required to ensure that the third party/intermediary has appropriate measures in place to comply with due diligence measures and record keeping requirements (AML/CFT Law, Art. 16).

Weighting and conclusion

8. There are no AML/CFT requirements for real estate agents and TCSPs, which is considered to be a moderate shortcoming. This cascades through R.22. See also R.1. **R.22 is rated PC.**

Recommendation 23 – DNFBPs: Other measures

| | Year | Rating |
|-------------|-------------|--|
| MER | 2020 | PC |
| FUR1 | 2022 | PC (no upgrade requested) |
| FUR2 | 2023 | PC (upgrade requested, maintained at PC) |
| FUR3 | 2024 | PC (upgrade requested, maintained at PC) |

1. Georgia was rated PC in the 5th round of evaluations. Since then, Georgia introduced amendments to the AML/CFT Law (adopted on 16 May 2023, and on 30 May 2024) to widen the scope of obliged entities. R.22 lists DNFBPs that are covered DNFBPs.

2. **Criterion 23.1** – Requirements for covered FIs described in the AML/CFT Law and a minor shortcoming remaining under R.20 are equally applicable to covered DNFBPs.

(a) Notaries and other independent legal professions and accountants except for lawyers are required to report suspicious transactions (AML/CFT Law, Art. 25-26). A lawyer shall submit a report to the extent that this does not contradict the principle of professional secrecy as defined by the Law of Georgia on Lawyers (AML/CFT Law, Art. 25(7)). There is, however, no exemption to professional secrecy that would allow Lawyers to submit confidential information on clients (Law on Lawyers Art. 5 and Art. 7). The effect of this is that lawyers must not disclose information obtained in the course of carrying out legal activities without their client's consent (which would constitute tipping-off), and breach of professional secrecy by a lawyer shall entail liability (Law on Lawyers, Art. 7). Accordingly, lawyers do not have a basis for making suspicious transaction report (STR), unless agreed in advance through a contract with the client. A lawyer may disclose confidential information only: (i) with the client's consent; (ii) where the use of such information in the representation or defence process is necessary in the interests of the client and if its disclosure does not preclude the client from seeking counsel; and (iii) if necessary in order to defend himself or herself against an allegation or claim or in the event of a legal dispute (Law on Lawyers, Art. 7). This principle applies to any activity conducted by a lawyer, and not just to information obtained in the course of ascertaining the legal position of a client or in defending or representing a client in proceedings (which is normally covered by professional secrecy provisions) (AML/CFT Law, Art. 2).

(b) DPMS are required to report suspicious transactions when they carry out a cash transaction above GEL 30 000 or its equivalent in foreign currency (EUR 10 000). Requirements and remaining minor shortcomings for covered FIs under R.20 (minor deficiency under R.5) are equally applicable to DPMS.

(c) TCSPs are not designated as obliged entities. Consequently, there are no requirements set for them.

3. **Criterion 23.2** – Requirements described in the AML/CFT Law for covered FIs under R.18 are equally applicable to covered DNFBPs. The remaining deficiencies were covered through amendments to AML/CFT Law (Art. 29-30).

4. **Criterion 23.3** – Requirements described in the AML/CFT Law for covered FIs under R.19 are equally applicable to covered DNFBPs. The remaining deficiencies were covered through amendments to AML/CFT Law from 30 May 2024 (Art. 19(2)) that clarified that enhanced due diligence measures shall be necessary when:

- a customer is a legal person registered operated and/or administrated in a high-risk jurisdiction or its branch is registered in Georgia;

- a customer is a natural person whose legal and/or actual address is in a high-risk jurisdiction;
- a transaction is concluded/carried out through a financial institution which is located in a high-risk jurisdiction.

5. There is a requirement for casinos to monitor any transaction (operation), regardless of its amount, implemented by a person operating or registered in a “watch” or suspicious zone (FMS Regulation for casinos). Lawyers, notaries, accountants and auditors are required to take geographical/country risk into account (AML/CFT Law, Art. 19).

6. Every update to the list of watch zone countries is communicated through the NBG website.

7. **Criterion 23.4** – Requirements described in the AML/CFT Law for covered FIs under R.21 are equally applicable to those DNFBPs that are required to report.

Weighting and conclusion

8. There are no AML/CFT requirements for real estate agents and TCSPs, which is considered to be a moderate shortcoming. This cascades through R.23. See also R.1. The principle of professional secrecy applies to any activity conducted by a lawyer, which is not in line with the standard, and the effect of these provisions is that a lawyer cannot file a STR unless agreed through contract in advance with their client. A minor shortcoming remaining under R.20 applies here. **R.23 is rated PC.**

Recommendation 28 – Regulation and supervision of DNFBPs

| | Year | Rating |
|-------------|------|--|
| MER | 2020 | PC |
| FUR1 | 2022 | PC (upgrade requested, maintained at PC) |
| FUR2 | 2023 | PC (upgrade requested, maintained at PC) |
| FUR3 | 2024 | PC (upgrade requested, maintained at PC) |

1. Georgia was rated PC in the 5th round of evaluations. Since then, Georgia has introduced amendments to the AML/CFT Law (adopted on 16 May 2023 and on 30 March 2024), and the Law on Accounting, Reporting and Audit (adopted on 1 December 2022), enhancing compliance of the country with the FATF Standards. The following are not designated as obliged persons: (i) real estate agents; and (ii) TCSPs. These are considered moderate shortcomings.

2. **Criterion 28.1 –**

(a) Casinos are required to be licenced and it is prohibited to provide such services without a licence (Law on Organising Lotteries, Games of Chance and other Prize Games, Art. 5(1)). Licenses are issued by the Revenue Service of the MoF (Law on Organising Lotteries, Games of Chance and other Prize Games, Art. 7).

(b) A licence may not be issued where founders, partners, managers and representatives of a casino have been convicted for a serious, economic or financial crime (Art. 19(1.1) Law on Games of Chance and Other Prize Games). There is also a general prohibition on founders, partners, managers and representatives of a casino having been convicted for a serious, economic or financial crime (Art. 19(1.2) Law on Organising Lotteries, Games of Chance and other Prize Games). Art. 11.10 of the Gambling Law excludes from holding a permit to operate a casino those persons, founders, partners, beneficial owners (which would include persons holding or being beneficial owners of a significant or controlling interest in the casino) or other persons authorised to manage and represent the casino that have been convicted of serious intentional economic crimes. Provisions do not extend to associates of criminals holding significant or controlling interests, holding a management function, or being an operator.

The procedure for obtaining a licence for a casino is also regulated by the Law on Licenses and Permits. This law requires, amongst other things, that the application should be accompanied by an extract from the NAPR register (which includes names of directors and, in the case of a LLC, registered shareholders – but see shortcomings identified at c.24.5). Should any information provided at the time of application subsequently change, details should be provided to the licensing authority within 7 days (Law on Licenses and Permits, Art. 25(15)). The licencing authority is also required to monitor whether licencing conditions are met on an ongoing basis (Law on Licenses and Permits, Art. 33), hence also the lack of conviction for a crime.

(c) The competent authority for supervising casinos is the MoF (AML/CFT Law, Art. 4) which is responsible for monitoring the compliance of casinos with the requirements of the AML/CFT Law (AML/CFT Law, Art. 38)).

3. **Criterion 28.2 –** The supervisor for DPMS is the MoF (AML/CFT Law, Art. 4).

4. Lawyers are supervised by the Bar Association, notaries by the MoJ, and auditors, audit firms, certified accountants, accountants providing professional services, and accounting firms by the Service for Accounting, Reporting and Auditing Supervision (SARAS), a state agency subordinate to the MoF (AML/CFT Law, Art. 4(a)).

5. Real estate agents and TCSPs are not designated as obliged entities and, therefore, there is no supervisor.

6. **Criterion 28.3** – Designated supervisory authorities are required to monitor compliance by covered DNFBPs with their AML/CFT obligations through off-site and on-site inspections (AML/CFT Law, Art. 38(1)). This excludes real estate agents and TCSPs.

7. **Criterion 28.4** –

(a) For the purposes of inspection or determining ML/TF risk, supervisors are authorised to request and obtain required information (documents) (including confidential information) from obliged entities (those include also accountants providing professional services, and accounting firms) (AML/CFT Law, Art. 38(3)). In addition, SARAS has the power to monitor compliance with AML/CFT requirements by certified accountants, accountants providing professional services, and accounting firms, auditors and audit firms (AML/CFT Law, Art. 4 and 38). The MoJ has the power to monitor the compliance of notaries (Law on Notaries, Art. 10(1)).

(b) A person cannot be a notary (which operates as sole practitioner) where they have been convicted for an intentional crime or prosecuted for committing an intentional crime (Law on Notaries, Art. 14 and 18). An auditor and a certified accountant cannot be registered by SARAS if they have a conviction for ML, TF, other economic crimes, and other “heavy or aggravated crimes” (Law on Accounting, Reporting and Auditing, Art. 11(7²) and 13(4)). In order to be registered by SARAS as an audit firm, more than 50% of the voting rights in the firm should be held by an auditor, an audit firm listed in the registry, and/or an audit firm registered in the EU and/or OECD country, and/or individual member(s) of an International Federation of Accountants member organisation in the EU and/or OECD member country. Also, most members in the management body should be auditors (Law on Accounting, Reporting and Auditing, Art. 13(5)). The manager, owner of a significant share, the beneficial owner of an accounting firm or accountant providing professional services should have a clear criminal record (Law on Accounting, Reporting and Auditing, Art. 13¹(4-5)). An auditor must notify SARAS about any change in information recorded in the registry (Law on Accounting, Reporting and Auditing, Art. 13(6)). Similar requirements are set for accountants providing professional services, and accounting firms (Order No. 3, Art. 11(4)).

Under Art. 21.3(1)(d) of the Law on Lawyers, a court judgement on criminal matters against a lawyer is a ground for suspension of membership of the Bar Association. No other information has been provided on fit and proper measures.

No information has been provided by the MoF on fit and proper measures applied to DPMS.

(c) SARAS can apply sanctions to certified accountants, accountants providing professional services, and accounting firms, auditors and audit firms for breaches of AML/CFT requirements (Law on Accounting, Reporting and Auditing, Art. 24(1)). Notaries can also be sanctioned for failure to comply with AML/CFT requirements. See also c.35.1.

Art. 34 of the Law on Lawyers empowers the Bar Association to take several disciplinary actions. However, this is only limited to instances where lawyers fail to fulfil their obligations related to reporting suspicious transactions. Moreover, the disciplinary actions are limited and do not for instance include the ability to issue administrative penalties whether administrative, or criminal. No information has been provided by the MoF on sanctions that may be applied to DPMS. TCSPs and real estate agents are not considered to be obliged entities and therefore no supervision or enforcement action is possible.

8. **Criterion 28.5** – Supervision of DNFBPs must be performed on a risk-sensitive basis. The supervisory authority shall determine the risk level at appropriate times and when significant changes occur in the ownership or control (management) structure or activity of the obliged entity (AML/CFT Law, Art. 28(2)). The supervisory authority must also have regard to the NRA report and action plan when determining the risk level of the obliged entity (AML/CFT Law, Art. 28(4)).

(a) The nature and frequency of off-site and on-site inspections shall be determined based on the nature and size of business of the obliged entity, diversity and number of obliged entities, and associated ML/TF risks (AML/CFT Law, Art. 38(2)).

(b) Supervisors should assess the adequacy of the internal controls, policies and procedures in line with the risks of obliged entities (AML/CFT Law, Art. 38(2)).

Weighting and conclusion

9. There is no regulation and supervision of real estate agents and TCSPs (see R.22). There are no, or insufficient, provisions in place to prevent associates of criminals from owning or controlling casinos, and sanctions are not always available in line with R.35 for failure to comply with AML/CFT requirements. **R.28 is rated PC.**

Recommendation 35 – Sanctions

| | Year | Rating |
|-------------|------|--|
| MER | 2020 | PC |
| FUR1 | 2022 | PC (upgrade requested, maintained at PC) |
| FUR2 | 2023 | PC (upgrade requested, maintained at PC) |
| FUR3 | 2024 | PC (upgrade requested, maintained at PC) |

1. Georgia was rated PC in the 5th round of evaluations. Since then, Georgia introduced amendments to the AML/CFT Law (adopted on 16 May 2023) to widen the scope of obliged entities. The following are still not designated as obliged persons: (i) real estate agents; and (ii) TCSPs. These are considered moderate shortcomings.

2. **Criterion 35.1** – Sanctions for failing to comply with the AML/CFT Law are set out in the Organic Law on the NBG and other sectorial legislation.

3. The NBG may penalise covered FIs for violations of the AML/CFT Law as follows (Organic Law on the NBG, Art. 48(41)(b) and (c)): (i) termination or restriction on certain types of operations (the effect of which is similar to suspending business activity); (ii) prohibition on distribution of profit, accrual and payment of dividends, rise in salaries, payment of bonuses and other similar compensation; (iii) imposition of monetary penalties; and (iv) de-registration and revocation of licence. It is possible to apply several measures towards an institution/group of institutions simultaneously (NBG Order on the Supervisory Framework of the NBG on Combating ML and TF, Art. 13(5)).

4. In respect of payment service providers, the NBG can apply similar or additional sanctions for breaches of the AML/CFT Law (Law on Payment Systems and Payment Services, Art. 46): (i) provide a written warning and/or request to cease and to prevent further breaches and take necessary actions to eliminate the breach in the timeframe given; (ii) impose a pecuniary fine in the amount and according to the procedure established by the NBG; (iii) terminate or restrict active operations, prohibit distribution of profit, accrual, and payment of dividends, raises in salaries, payment of bonuses and other similar compensation; and (iv) revoke the registration.

5. Other sectorial legislation has similar provisions (e.g., Law on MFOs, Art. 91, Law on Securities Market, Art. 551 and Law on Commercial Bank Activities, Art. 30).

6. For the investment fund sector in particular, a specific framework regulating sanctioning (“Determination, Imposition and Enforcement of Penalties for Investment Fund and Asset Management Companies”) has been in place since June 2022.

7. Specific details on the imposition of monetary penalties are set out in sector specific orders issued by the Governor of the NBG (Order 70/04 for banks, Order 87/04 for PSPs, Order 25/04 for MFOs and currency exchange bureaus, Order 35/04 for securities market participants and Order 257 for credit unions). Orders set out specific fines for each type of breach. In addition, should the covered FI have already been fined for the same breach in the previous reporting period, the breach is considered a systematic violation, and higher thresholds would apply. The legislation does not limit the application of various types of sanctions for various violations identified during one inspection; they will depend on the severity of the violation.

8. The NBG order on penalties concerning banks differentiates between particularly severe, severe and less severe violations and applicable fines are set out for each of these. The fines range between GEL 1 000 (EUR 333) and GEL 20 000 (EUR 6 700). When a breach is considered systematic, fines of up to GEL 30 000 (EUR 10 000) are foreseen. Also, in case a violation creates a systemic risk of misuse for ML/TF, a fine of not more than 1% of capital but not less than GEL 1 000 000 (EUR 333 333) can

be applied. For other sectors (PSPs, microfinance, securities, currency exchange, credit unions) the fines range up to GEL 20 000 (EUR 6 700).

9. In addition, with regard to banks, in case of violation of any applicable legislation (including NBG instructions, decrees, rules, resolutions) and/or conducted operations prohibited by requirements and written instructions of the NBG and/or violation of established restrictions, limits, requirements and prohibitions, the bank is liable to be fined in the amount of 0.01%, 0.05% or 0.1% of supervisory capital applicable to the period when the breach took place, but not less than GEL 20 000 (EUR 6 700) (Order N 242/01, Art. 2(3)).

10. The NBG is also able to publish on its website sanctions imposed on obliged entities that it supervises where they relate to a breach of AML/CFT legislation. Published information shall include the sector, type of violation, and sanction imposed. From 1 January 2021, it will also be able to publish the name of the obliged entity (NBG Order on publishing information on the official website of the NBG on the sanctions imposed on the financial sector representative for violation requirements of AML/CFT).

11. With regard to insurers, the Insurance State Supervision Service (ISSS) may apply the following administrative sanctions for violations of the AML/CFT Law (Law on Insurance, Art. 211(2)): (i) send a written warning; (ii) introduce special measures or issue instructions (directives) requiring the insurer to stop and prevent any further violations, and to take measures to eliminate the violations in a given period; (iii) impose pecuniary penalties according to the procedures and in the amounts defined by ISSS; (iv) suspend or restrict the distribution of profits, issuance of dividends and material incentives, and assumption of new obligations; (v) in exceptional cases, when interests of a policyholder and those of an insured are at risk, suspend their right to carry out specific operations or impose a compulsory administration regime; and (vi) cancel the insurance licence.

12. Monetary penalties ranging from GEL 500 (EUR 170) to GEL 2 000 (EUR 670) can be applied (ISSS Rule on Defining, Imposing and Enforcing Monetary Penalty on the Insurer approved by the Decree No. 02 of 17 March 2015).

13. For obliged entities supervised by the NBG and ISSS, it is considered that there is a sufficient range of sanctions that can be applied proportionately to greater or lesser breaches of the AML/CFT Law.

14. Regarding DNFBPs, Art. 29.1(u) of the Gambling Law includes compliance with the AML/CFT Law as one of the licensing breaches for which casinos can be sanctioned in accordance with Art. 34 of the "Law on licenses and permits", which envisages fines up to GEL 7 000 (approximately EUR 2 500) and, in the case of continued non-compliance, a repeal of the license. Compliance was not demonstrated that sanctions may be applied to leasing companies, lawyers (except suspension) and DPMS for breaching legislation.

15. Notaries can be sanctioned for violations of the AML/CFT Law (Decree 69 of the MoJ on Disciplinary Responsibility of Notaries). These depend on the gravity of the violation and can be an oral warning, a written reprimand, termination of commission, or release from the position. It is not clear that this range of sanctions can be applied in a proportionate way, given that there is nothing between a reprimand and exclusion from activity. Certified accountants and the accounting firms, auditors and audit firms can also be sanctioned for violations of the AML/CFT Law (Law on Accounting, Reporting and Auditing, Art. 24(1)). SARAS has the power to impose a written warning or fine of an amount up to GEL 5 000 (EUR 1 667), and also to suspend or prohibit the provision of professional services.

16. Also, the CC (Art. 202.1) provides for criminal liability for the disclosure of the fact that information was filed with the relevant authorities on a transaction subject to reporting. Disclosure

shall be punished by a fine and/or with the deprivation of the right to hold an official position or to carry out an activity for up to three years. Where disclosure causes considerable damage, it shall be punished by imprisonment for up to two years, with deprivation of the right to hold an official position or to carry out an activity for up to three years.

17. **Criterion 35.2** – In case of a violation of AML/CFT legislation, the NBG is empowered to suspend an administrator's executive powers, require their dismissal and impose monetary penalties thereon (Organic Law on NBG, Art. 48(41)(c)). An administrator is defined as a member of the supervisory board, a member of the board of directors and a person who is authorised independently or with one or several other persons to take up responsibilities on behalf of the covered FI (senior management).

18. The level of monetary sanctions applicable to administrators is also set out in the sectorial orders mentioned under c.35.1 issued by the NBG. For banks, administrators can be fined up to GEL 10 000 (EUR 3 333). For other sectors, this is GEL 5 000 (EUR 1 667).

19. The ISSS may suspend the executive authority of an insurer's administrator – a member of the senior management of the insurer - and request the supervisory board/general meeting of the insurer to suspend or remove him/her from office (Law on Insurance, Art. 211(1)).

20. No information has been provided about leasing companies and DNFBPs, except notaries and lawyers (who operate as natural persons) and audit firms. With respect to audit firms, sanctions may be applied also to engagement partners. See c.35.1 above.

Weighting and conclusion

21. Sanctions are not available for breaches of the AML/CFT Law by leasing companies, lawyers (except suspension) and DPMS. Sanctions are also not available for DNFBPs not designated as obliged persons (real estate agents and TCSPs) (see R.22, R.23 and R.28). **R.35 is rated PC.**

Annex B: Summary of Technical Compliance – Deficiencies underlying the ratings

| Recommendations | Rating | Factor(s) underlying the rating ¹⁰ |
|---|--|---|
| 1. Assessing risks and applying a risk-based approach | PC (MER 2020) PC (FUR2 2023) LC (FUR3 2024) | <ul style="list-style-type: none"> • The risk assessments contain no sufficient reflection on demographic factors and some general reflections scattered through various parts of the NRA on geographical, economic, and other factors with no clear implication on possible inherent contextual factors (c.1.1). • The analysis of ML/TF risks related to TCSPs is conducted on the basis of limited data (c.1.1). • Gaps remain with analysis of some inherent contextual factors, such as integrity levels in the public and private sectors. (c.1.1) No proper assessment is conducted of specific ML risks in trade-based ML, and use of NPOs for ML purposes (c.1.1). • Minor deficiencies in the risk assessment may influence the effective allocation of resources and implementation of appropriate prevention and mitigation measures at a national level (c.1.5). • Exemptions for real estate agents and TCSPs, are either not supported by a risk assessment or are not in line with the FATF Standards (c.1.6(a)). • Deficiencies under R.26 and 28 have an impact on Georgia’s compliance with criterion 1.9 (see below) (c.1.9). <ul style="list-style-type: none"> ○ c.26.5(c). Information of this sub-criterion has not been provided by other supervisors, besides the NBG and ISSG. ○ R.28. The following are not designated as obliged persons: (i) real estate agents; and (ii) TCSPs. ○ c.28.1(b) Prohibitions do not extend to associates of criminals holding significant or controlling interests, holding a management function, or being an operator of a casino. ○ c.28.2-28.4 Real estate agents and TCSPs are not designated as obliged entities and, therefore, there is no supervisor and no system for monitoring compliance with AML/CFT requirements. ○ c.28.4(b) No information has been provided by the MoF on fit and proper measures applied to DPMS. No information is provided on measures that may be applied to lawyers other than suspension. ○ c.28.4(c) No information has been provided by the MoF on sanctions that may be applied to DPMS. Sanctions that may be applied by the Bar Association on lawyers are not extensive enough and are imposed only when lawyers fail to submit suspicious reports (c.28.4(c)). |

10. Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.

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| <p>6. Targeted financial sanctions related to terrorism and TF</p> | <p>PC (MER 2020) PC (FUR2 2023) PC (FUR3 2024)</p> | <ul style="list-style-type: none"> • With respect to UNSCR 1373, no provision is available that decisions of the Commission on designating persons or entities pursuant to UNSCR 1373 are binding for all natural and legal persons within the country and shall be applied without delay (c.6.4). • There is no explicit requirement under the Georgian legislation for all natural and legal persons within the country to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities (c.6.5(a)). • There is no explicit prohibition extending to the nationals of Georgia and any persons and entities within its jurisdiction to take the preventive measures set out under this criterion (c.6.5(c)). • The mechanism for communication of designations under UNSCR 1373 to relevant persons contains no requirement that such relevant persons always include the FIs and the DNFBPs (c.6.5(d)). • The mechanism for communication of designations to relevant persons does not ensure that it is done immediately (c.6.5(d)). • Guidance provided to obliged entities would benefit from adapting to specific business of different types of obliged entities (c.6.5(d)). • The reporting obligation under Art. 10(7) in conjunction with Art. 25(1) of AML/CFT Law does not amount to reporting to the FMS any assets frozen (c.6.5(e)). • The deficiencies described in c.6.5(d) with regard to the mechanisms for communicating designations to obliged entities apply in respect of compliance with this criterion (c.6.6(g)). • There is no guidance provided to FIs and other persons or entities, including DNFBPs, that may be holding frozen funds or other assets, on their obligations to respect a de-listing or unfreezing action (c.6.6(g)). |
| <p>7. Targeted financial sanctions related to proliferation</p> | <p>PC (MER 2020) PC (FUR2 2023) PC (FUR3 2024)</p> | <ul style="list-style-type: none"> • There is no explicit requirement under the Georgian legislation for all natural and legal persons within the country to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities (c.7.2(a)). • There is no explicit prohibition extending to the nationals of Georgia and any persons and entities within its jurisdiction (except for obliged entities) to take the preventive measures set out under this criterion (c.7.2(c)). • The deficiencies described in c.6.5(d) with regard to the mechanisms for communicating designations to obliged entities and improvements required to Guidance apply in respect of compliance with this criterion (c.7.2(d)). • The deficiencies described in c.6.5(e) with regard to the reporting obligation under Art. 10(7) in conjunction with Art. 25(1) of AML/CFT Law apply in respect of compliance with this criterion (c.7.2(e)). • There are no specific sanctions to apply to covered DNFBPs (except for the Notaries and |

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| | | <p>Insurance sector) (c.7.3).</p> <ul style="list-style-type: none"> • The deficiencies described in the analysis of c.7.2(d) with regard to the mechanisms for communicating designations to obliged entities apply in respect of compliance with this criterion (c.7.4(d)). • There is no guidance provided to FIs and other persons or entities, including DNFBPs, that may be holding frozen funds or other assets, on their obligations to respect a de-listing or unfreezing action (c.7.4(d)). |
| 15. New technologies | <p>PC (MER 2020)</p> <p>PC (FUR2 2023)</p> <p>LC (FUR3 2024)</p> | <ul style="list-style-type: none"> • Analysis is not always clear on the specific features of the ML risks and the TF risks identified by Georgia and how these supported conclusions on the overall risk level (c.15.1). • Only limited qualitative analysis of ML and specific TF risks is conducted. Further analysis is required on the ML/TF risks related to: (i) services provided by VASPs; (ii) customers; (iii) delivery channels; (iv) transactions; (v) geographical exposure; etc. Current analysis does not provide a complete overview of the ML and TF risks of VASPs and VAs. Georgia is to complete progress on developing procedures and RBA supervision methodology that takes into account the specificities of VASPs (c.15.3(a)(b)). • Minor deficiencies in R.14 and 20 as per the MER apply to VASPs (c.15.9). <ul style="list-style-type: none"> ○ c.20.1. Deficiency under R. 5 applies: c.5.2bis The TF offence does not specifically cover the travel costs of foreign terrorist fighters that do not travel from or through Georgia. • Deficiencies in criteria 6.5(d), 6.5(e), 6.6(g), 7.2(d), 7.2(e), 7.3 and 7.4(d) apply here. (c.15.10) • Deficiencies under R.37 to 40 apply (see below) (c.15.11). <ul style="list-style-type: none"> ○ c.37.8. There is no legal provision to compel the production of non-computerized records apart from search and seizure. ○ c.38.1. Certain types of predicate offenses (CC Art. 189, 189.1, 219, 229.1, 268, 270, 291, 293, 294, 296, 297, 298), if not having have less rigorous sanctions for a core offence. ○ c.38.2(b). The mechanism for the management and disposal of the seized and frozen assets in order to avoid their dissipation before their possible confiscation provided by the CPC does not extend to property seized under criminal or civil proceedings. ○ c.40.2(d). Competent authorities do not have formal prioritization processes in place. |
| 22. DNFBPs: Customer due diligence | <p>PC (MER 2020)</p> <p>PC (FUR1 2022)</p> <p>PC (FUR2 2023)</p> | <ul style="list-style-type: none"> • Real estate agents are not designated as obliged entities, consequently, there are no CDD requirements (c.22.1(e)) record-keeping (c.22.2), PEP (c.22.3) or new technologies (c.22.4) requirements for them. • TCSPs are not designated as obliged entities. Consequently, there are no CDD requirements (c.22.1(e)) record-keeping (c.22.2), PEP (c.22.3) or |

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| | PC (FUR3 2024) | <p>new technologies (c.22.4) requirements for them.</p> <ul style="list-style-type: none"> • Minor shortcoming in c.10.9(b) apply here (c.22.1). <ul style="list-style-type: none"> ◦ c.10.9(b) There is no requirement to collect information on the powers that regulate and bind a customer that is a legal person. |
| 23. DNFBPs: Other measures | PC (MER 2020) PC (FUR2 2023) PC (FUR3 2024) | <ul style="list-style-type: none"> • Requirements and shortcomings described in the AML/CFT Law for covered FIs under R.20 are equally applicable to covered DNFBPs (see below) (c.23.1). <ul style="list-style-type: none"> ◦ c.20.1. The TF offence does not fully meet the requirement under c.5.2bis, as financing of travel and training is confined to the crossing of the Georgian border only (CC, Art. 331.1). • Lawyers do not have a basis for making STRs unless agreed in advance through a contract with the client (c.23.1(a)) • Real estate agents and TCSPs are not designated as obliged entities. Consequently, there are not requirements set for them (c.23.1-c.23.4) |
| 28. Regulation and supervision of DNFBPs | PC (MER 2020) PC (FUR1 2022) PC (FUR2 2023) PC (FUR3 2024) | <ul style="list-style-type: none"> • Prohibitions do not extend to associates of criminals holding significant or controlling interests, holding a management function, or being an operator of a casino (c.28.1(b)). • Real estate agents and TCSPs are not designated as obliged entities and, therefore, there is no supervisor and no system for monitoring compliance with AML/CFT requirements (c.28.2-28.4). • No information has been provided by the MoF on fit and proper measures applied to DPMS. No information is provided on measures that may be applied to lawyers other than suspension (c.28.4(b)). • No information has been provided by the MoF on sanctions that may be applied to DPMS. Sanctions that may be applied by the Bar Association on lawyers are not extensive enough and are imposed only when lawyers fail to submit suspicious reports (c.28.4(c)). |
| 35. Sanctions | PC (MER 2020) PC (FUR1 2022) PC (FUR2 2023) PC (FUR3 2024) | <ul style="list-style-type: none"> • It has not been demonstrated that civil or administrative sanctions may be applied to leasing companies, lawyers (except suspension) and DPMS for breaching AML/CFT legislation (c.35.1). • It has not been demonstrated that a proportionate range of sanctions can be applied to notaries (c.35.1). • Real estate agents and TCSPs are not designated as obliged entities. Consequently, there are no sanctions set that can be applied (c.35.1). • No information has been provided in relation to sanctions applicable to directors and senior management of leasing companies and DNFBPs, except notaries and lawyers (which operate as natural persons) and audit firms (c.35.2). |

GLOSSARY OF ACRONYMS

| | |
|--------------------|---|
| AML/CFT | Anti-money laundering and combating financing of terrorism |
| AML/CFT Law | Law on facilitating the suppression of money laundering and terrorism financing |
| BO | Beneficial owner/beneficial ownership |
| C | Compliant |
| CC | Criminal Code |
| CDD | Customer due diligence |
| Commission Statute | Statute of the Governmental Commission for Implementation of UNSCRs |
| DNFBPs | Designated non-financial business and professions |
| DPMS | Dealers in precious stones and metals |
| EDD | Enhanced customer due diligence |
| EU | European Union |
| FATF | Financial Action Task Force |
| FIs | Financial institutions |
| FMS | Financial Monitoring Service |
| GEL | Georgian lari |
| GPO | General Prosecutor's Office |
| ISSS | Insurance State Supervision Service |
| JSC | Joint stock company |
| LC | Largely compliant |
| LLC | Limited liability company |
| MFO | Microfinance Organisation |
| MoF | Ministry of Finance |
| MoJ | Ministry of Justice |
| ML | Money laundering |
| NAPR | National Agency of Public Registry |
| NBE | National Bureau for Enforcement |
| NBG | National Bank of Georgia |
| NC | Non-compliant |
| NPO | Non-profit organisation |
| NRA | National risk assessment |
| OECD | Organisation for Economic Co-operation and Development |
| PC | Partially compliant |
| PEP | Politically exposed person |
| PF | Proliferation financing |
| PSP | Payment service provider |
| RBA | Risk-based approach |
| SARAS | Service for Accounting, Reporting and Auditing Supervision |
| STR | Suspicious transaction report |
| TCSP | Trust and company service provider |
| TF | Terrorist financing |
| TFS | Targeted financial sanctions |
| UNSCR | United Nations Security Council Resolutions |
| VA | Virtual asset |
| VASP | Virtual asset service provider |

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October 2024

Anti-money laundering and counter-terrorist financing measures -
Georgia

**3rd Enhanced Follow-up Report &
Technical Compliance Re-Rating**

This report analyses Georgia's progress in addressing the technical compliance deficiencies identified in the September 2020 assessment of their measures to combat money laundering and terrorist financing and in subsequent follow-up reports.

Follow-up report