

Order of the President of the National Bank of Georgia

Order №242/01

25th of December, 2009

City of Tbilisi

On the Approval of the Regulation for Determining and Imposing Fines on Commercial Banks and their Administrators

Order №70/04 of the President of the National Bank of Georgia on the 24th of April, 2018 – website: 25th of May, 2018.

For the purposes of determining sanctions against commercial banks and imposing fines on them, and in accordance with paragraph 1(g) of Article 15, paragraph 1(f) of Article 49 and paragraph 1 of Article 67 of the Organic Law of Georgia on the National Bank of Georgia; Article 30 of the Law of Georgia on Commercial Bank Activities; paragraph 2 of Article 23 of the Law of Georgia on Accounting, Reporting and Auditing; **I order:**

Order №213/04 of the President of the National Bank of Georgia on the 26th of September, 2018 – website: 27th of September, 2018.

Article 1

The approval of the attached Regulation for determining and imposing fines on commercial banks and their administrators.

Order №70/04 of the President of the National Bank of Georgia on the 24th of April, 2018 – website: 25th of May, 2018.

Article 2

That Order №4 "On Approving the Rules for Determining, Imposing and Enforcing Fines on Commercial Banks" by the Head of the Financial Supervision Agency of Georgia on the 7th of August 2008, and Resolution №3 "On Approval of the Rules for Reviewing Disputes Related to Supervision" by the Board of the Financial Supervision Agency of Georgia on the 6th of May 2009, be declared invalid.

Article 3

That the immediate entry into force of this Order shall be effected by the National Bank of Georgia, through exercising the powers over the Financial Supervision Agency, in accordance with Article 70 of the Organic Law of Georgia on the National Bank of Georgia.

Article 4

This Order shall take effect upon its signing.

G. Kadagidze

Regulation for Determining and Imposing Fines on Commercial Banks and their Administrators

Order №70/04 of the President of the National Bank of Georgia on the 24th of April, 2018 – website: 25th of May, 2018.

Article 1. General Provisions

1. The purpose of this Regulation is to define the issues associated with the imposition and determination of monetary fines on commercial banks (hereinafter - the Bank) and their administrators, by the National Bank of Georgia (hereinafter - the National Bank).
2. The National Bank has the right to impose fines on Banks and/or its administrators, as established by this Regulation, if the Bank or any of its administrators or controlling persons:
 - a) Has violated the norms, instructions, regulations, rules, resolutions, requirements, or written instructions of the National Bank, as provided for in Article 2 of this Regulation;
 - b) Has violated any condition or restriction annexed[/associated] with their banking activity license, or relevant legal act of the National Bank;
 - c) Has violated the deadlines for the submission of reports, or has submitted incorrect reports and[/or] other inaccurate information;
 - d) Has violated the legislation of Georgia “On Facilitating the Prevention of the Legalisation of Illicit Income”, [or] legal acts issued by the National Bank on this basis, written instructions or requirements defined[/resulting] from an inspection, and/or not following the instructions of the Financial Monitoring Service of Georgia – LEPL [(Legal Entity of Public Law)] (hereinafter - Financial Monitoring Service).
 - e) Has violated the requirements of the Law of Georgia on Accounting, Reporting and Auditing.
3. The National Bank shall issue an individual administrative-legal act for the imposition of monetary fines on Banks. An individual administrative-legal act shall be issued in the form of an ordinance by the President or Vice-President of the National Bank, which will [also] stipulate the rules pertaining to its execution.
4. An individual administrative-legal act issued by the National Bank, about the imposition of fines on a Bank, shall enter into force upon its notification to the Bank. The National Bank is authorised to enforce the fine imposed, in accordance with this Regulation, after the expiration of the appeal period (in the absence of a successful appeal) specified in the respective administrative-legal act.
5. The amount of the monetary fine paid by the Bank shall be transferred to the state budget of Georgia.

Order №70/04 of the President of the National Bank of Georgia on the 24th of April, 2018 – website: 25th of May, 2018.

Order №213/04 of the President of the National Bank of Georgia on the 26th of September, 2018 – website: 27th of September, 2018.

Order №45/04 of the President of the National Bank of Georgia on the 26th of February 2019 – website: 27th of February, 2019.

Article 2. The Amount of the Fine

1. In the case of a violation of a banking activity licence, or a violation of any condition or restriction associated with a relevant legal act of the National Bank, the Bank shall be fined [either] 0.01%, 0.05% or 0.1% of their regulatory capital (as per the amount of their last reporting, prior to the detection of the violation), but not less than 20,000 (twenty thousand) GEL, and where the amount will depend upon the seriousness of the breach and/or the incurred losses and/or the potential danger to the assets of the commercial bank.
2. (Deleted – 24th of April, 2018, №70/04)
3. In the case of transactions prohibited by the applicable legislation of the National Bank (including

instructions, regulations, rules and resolutions) and/or non-compliance with the requirements and written instructions of the National Bank and/or non-compliance with restrictions, limits, requirements and[/or] prohibitions, the Bank shall be fined for each transaction [either] 0.01%, 0.05% or 0.1% of their regulatory capital (as per the amount of their last reporting, prior to the detection of the violation), but not less than 20,000 (twenty thousand) GEL, and where the amount will depend upon the seriousness of the breach and/or the incurred losses and/or the potential danger to the assets of the commercial bank.

3¹. The detection of a violation of the requirements defined in the written instructions of the National Bank, pertaining to the protection of consumer rights, shall result in a fine of 1,000 (one thousand) GEL, for each violation of such requirements.

3². For cases where there is a failure to comply with the requirements of Order №151/04, dated as of the 23rd of December, 2016, and approved by the President of the National Bank on “The Provision of Services by Financial Organisations in Accordance with the Protection of Consumer Rights”:

a) In the case that a monthly report reflecting customer complaints contains material errors, or fails to identify claims[/complaints] by customers, then a fine of 2,000 (two thousand) GEL will be imposed on the Bank, for each violation;

b) In the case that a financial product is offered/advertised in violation of the requirements of Order №151/04 of the President of the National Bank, dated as of the 23rd of December, 2016, the provision of such information will result in a fine of 3,000 (three thousand) GEL, for each offered/advertised financial product;

c) In the case that a document is drawn up in violation of the requirements of [Order] №151 of the President of the National Bank, dated [as of] the 23rd of December, 2016, a fine of 5,000 (five thousand) GEL will be imposed for each document drawn up;

d) In the case that there is a violation of the requirements of Order №151/04 of the President of the National Bank, dated [as of] the 23rd of December, 2016, in terms of the imposition of a commission fee and/or penalty on customers, this shall result in a fine of 2,000 (two thousand) GEL for each violation;

e) In the case that there is a failure to provide requested information or a violation of the deadline in providing requested information, as per Order №151/04 of the President of the National Bank, dated as of the 23rd of December, 2016, this shall result in a fine of 2,000 (two thousand) GEL for each violation;

f) In the case that there is a violation of any other requirement of Order №151/04 of the President of the National Bank, dated [as of] the 23rd of December, 2016, this shall result in a fine of 1,000 (one thousand) GEL for each violation.

4. (Deleted – 24th of April, 2018, №70/04)

5. For non-compliance with the requirements set [out] by the National Bank on financial transparency, the Bank shall be fined in [accordance with] the following amounts:

a) In each case of the publication of quarterly and annual reports that are not in the prescribed form, or are not published within the established timeframe under the ‘Pillar 3’ framework – [a fine] in the amount of 5,000 (five thousand) GEL, for each case of violation;

b) In the case of non-submission of information or non-submission of the electronic version of the published quarterly or annual reports according the publication of quarterly and annual reports under the ‘Pillar 3’ framework to the National Bank within the prescribed period - [a fine] in the amount of 5,000 (five thousand) GEL, for each case of violation.

6. For non-compliance with the following requirements established by the instructions, regulations, rules, resolutions, requirements and written instructions of the National Bank, the Bank shall be fined in the following amounts:

a) In the case of the non-submission of reports, [or] other statistical and[/or] financial information in the prescribed or designed[/template] form (as well as the submission of inaccurate information) to the National Bank, or in the case of non-submission to the National Bank within the prescribed timeframe –

- [a fine] in the amount of 5,000 (five thousand) GEL, for each case of violation;
- b) In the case of the non-submission of an annual general financial statement, an auditor's report and a letter of recommendation (including the submission of inaccurate information), in the prescribed form and/or in the case of non-submission to the National Bank within the prescribed timeframe – [a fine] in the amount of 5,000 (five thousand) GEL, for each case of violation;
- c) In the case of a failure to submit a copy of the agreement concluded with the auditor (on conducting the audit of the general financial statements), a failure to submit information on[/about] the auditor's refusal to fulfil the obligations under such an agreement, or the failure to submit information on any change in such an agreement, to the National Bank of Georgia, within the prescribed time – [a fine] in the amount of 5,000 (five thousand) GEL, for each violation;
- d) In the case of a violation of accounting and reporting rules - [a fine] in the amount of 5,000 (five thousand) GEL, for each instance;
- e) In the case of the non-accounting of liabilities (on balance sheet, or off-balance sheet) by the Bank - [a fine] in the amount of 5,000 (five thousand) GEL, for each case of non-accounting;
- f) In the case of the incorrect calculation of the established economic norms[/standards] and limits submitted to the National Bank - [a fine] in the amount of 5,000 (five thousand) GEL, for each violation;
- g) In the case of a violation of the limit of the aggregate open foreign exchange position – [a fine] in the amount of 0.1 percent of the excess of the established limit, for each day of the violation;
- h) In the case of a violation of the requirement to calculate the liquidity coverage ratio, as provided for in the regulation approved by the National Bank, on the liquidity coverage ratio of commercial banks - [a fine] in the amount of 5,000 (five thousand) GEL.
7. For the non-submission of documentation in accordance with the Law of Georgia on Commercial Banks, [including] instructions, regulations, rules, resolutions, requirements and written instructions [of the National Bank], the Bank shall be fined with the following amounts:
- a) In the case of the non-submission of minutes, within the established timeframe, and/or documents related to such minutes, of the Bank's shareholders general meeting, the Supervisory Board and its affiliated committees - [a fine] in the amount of 5,000 (five thousand) GEL.
- b) In the case of the non-submission of documents/information related to establishing[/updating] the Bank's business register, charter, bank branches, representative [offices] and other similar subdivisions, within the established timeframe - [a fine] in the amount of 5,000 (five thousand) GEL, for each case of non-submission.
- c) In the case of the non-submission of financial and[/or] legal documents related to the Bank's shareholders, within the established timeframe - [a fine] in the amount of 5,000 (five thousand) GEL, for each case of non-submission.
- d) In the case of the non-submission of documents related to the administrators of the Bank, within the established timeframe - [a fine] in the amount of 10,000 (ten thousand) GEL, for each case of non-submission.
- e) In the case of the non-submission of any other kind of documentation and[/or] information related to the Bank, and its banking activities, to the National Bank, within the established timeframe - [a fine] in the amount of 5,000 (five thousand) GEL, for each case of non-submission.
- f) In the case of the non-submission, or the incomplete submission, of information requested in writing, within the established timeframe - [a fine] in the amount of 5,000 (five thousand) GEL, for each case of non-submission.
- g) In the case of [a failure to comply with] the restrictions, or other requirements, in terms of the processing, submitting and/or executing of any other information established by the National Bank, in accordance with the economic norms set for commercial banks, while maintaining the same risk(s), results in their avoidance or illegal mitigation (supervisory arbitration) - [a fine] in the amount of 10,000

(ten thousand) GEL, in the case that the National Bank determines the existence of such [non-compliance], on the basis of relevant investigations/evidence.

7¹. In the event of a deficit, with respect to the minimum reserve requirements for foreign currency reserves, the Bank shall pay a fine to the National Bank, in the amount of 0.2% of the amount of the deficit in the reserve account, for each calendar day. The fine will be charged in the national currency, at the official exchange rate applicable on that day.

7². In the case of a deficit in the minimum reserve [requirement], for the average balance, in the national currency, the Bank shall pay a fine to the National Bank of 2.8% of the deficit.

7³. In the case that the National Bank finds an incorrect calculation of the average of invested funds, on a daily basis, the National Bank shall impose a fine of 10,000 GEL on the Bank. In the case of the discovery of an incorrect calculation by the commercial bank, the Bank will not be fined.

7⁴. The monetary penalty provided for in paragraphs 7¹ and 7² of this Article shall be imposed on the Bank, even if the deficit in the minimum reserve [requirement] arose due to the discovery of an incorrect calculation of the average of invested funds, as a result of data correction.

8. (Deleted – 26th of February, 2019, №45/04)

8¹. In the case of the repeated non-compliance with the request(s) and/or the written instructions of the National Bank, a commercial bank shall be fined in the amount of 20,000 (twenty thousand) GEL.

8². In the case of multiple non-compliance with the request(s) and/or the written instructions of the National Bank, a commercial bank shall be fined in the amount of 50,000 (fifty thousand) GEL.

8³. In the case of non-compliance with the requirements established by the Law of Georgia on Commercial Banks, and the by-laws regulating the activities of commercial banks by the Commercial Bank Administrator, as well as if the Administrator fails to ensure proper fulfilment of his/her obligations, resulting in a breach - [a fine] in the amount of 10,000 (ten thousand) GEL.

8⁴. In the case of the non-submission of reports, as provided for by the Law of Georgia on Accounting, Reporting and Auditing, within the timeframe established by the same law and/or in the prescribed manner/form, a commercial bank shall be fined 10,000 (ten thousand) GEL, for each violation.

8⁵. In the case of a violation of the requirements established by the order of the President of the National Bank of Georgia №195/04 on August the 27th, 2018 "On Providing Information to the Credit Information Bureau on the Territory of Georgia, Registration and Access to Information in the Credit Information Bureau Database", a commercial bank will be fined 1,000 (thousand) GEL, in each case.

8⁶. In case of non-compliance with the written instructions of the National Bank, as approved by the order of the President of the National Bank of Georgia №195/04 on the 27th of August, 2018, "On Providing Information to the Credit Information Bureau on the Territory of Georgia, Registration and Access to Information in the Credit Information Bureau Database", the commercial bank will be fined in the amount of 10,000 (ten thousand) GEL.

8⁷. In the case of repeated or multiple non-compliance with the written instructions of the National Bank, as approved by the order of the President of the National Bank of Georgia №195/04 on the 27th of August, 2018, "On Providing Information to the Credit Information Bureau on the Territory of Georgia, Registration and Access to Information in the Credit Information Bureau Database", the commercial bank will be fined in the amount of 20,000 (twenty thousand) GEL.

9. If, after imposing a fine on the Bank and/or its Administrator, for non-compliance with the established requirements, and in the case of non-compliance with the same requirement, the National Bank is authorised to apply the supervisory measures provided for in Article 30 of the Law of Georgia on Commercial Banks.

10. In the case of the discovery of violations outlined in this Article, and depending upon the seriousness of the violation and/or the existing or potential risk to assets, the National Bank is authorised to apply the supervisory measures provided for in Article 30 of the Law of Georgia on Commercial Banks, instead

of imposing fines on the Bank and/or its Administrator.

11. This Article shall not apply to the violations specified in Article 21 of this Regulation.

Order №11/04 of the President of the National Bank of Georgia on the 11th of February, 2011 – website: 14th of February, 2011.

Order №31/04 of the President of the National Bank of Georgia on the 7th of February, 2012 – website: 9th of February, 2012.

Order №6/04 of the President of the National Bank of Georgia on the 16th of January, 2013 – website: 17th of January, 2013.

Order №54/04 of the President of the National Bank of Georgia on the 17th of June, 2014 – website: 17th of June, 2014.

Order №64/04 of the President of the National Bank of Georgia on the 5th of May, 2017 – website: 5th of May, 2017.

Order №79/04 of the President of the National Bank of Georgia on the 24th of May, 2017 – website: 24th of May, 2017.

Order №70/04 of the President of the National Bank of Georgia on the 24th of April, 2018 – website: 25th of May, 2018.

Order №213/04 of the President of the National Bank of Georgia on the 26th of September, 2018 – website: 27th of September, 2018.

Order №45/04 of the President of the National Bank of Georgia on the 26th of February, 2019 – website: 27th of February, 2019.

Order №57/04 of the President of the National Bank of Georgia on the 25th of March, 2019 – website: 26th of March, 2019.

Order №57/04 of the President of the National Bank of Georgia on the 25th of March, 2019 – website: 26th of March, 2019.

Order №83/04 of the President of the National Bank of Georgia on the 27th of April, 2020 – website: 28th of April, 2020.

Article 2¹ - Fines for the Violation of: the Legislation of Georgia on the Prevention of Money Laundering, Legal Acts Issued by the National Bank on This Basis, Written Instructions, Violation of the Requirements Established as a Result of Inspection/Supervision and/or Non-Compliance With the Instructions of the Financial Monitoring Service.

1. Violations of: the Law of Georgia on Promoting the Prevention of the Legalisation of Illicit Income, legal acts, written instructions issued by the National Bank regarding the promotion of the Financial Monitoring Service and the prevention of money laundering, and violations caused by the non-compliance with the requirements identified by the inspection and/or the instructions of the Financial Monitoring Service, are divided into three categories:

a) Particularly severe cases;

b) Severe cases;

c) Less severe cases.

2. For particularly serious violations, a commercial bank will be fined in the following amounts:

a) A failure to submit the primary accounting form to the Financial Monitoring Service, within the established time limits, will result in a fine in the amount of 10,000 (ten thousand) GEL;

b) A failure to submit a report to the Financial Monitoring Service within the timeframe set forth in Article 12 (4) (c) of the statute by the Head of the Financial Monitoring Service, approved by the order №4 on the 18th of January, 2012, "On the Rules for Receiving, Systematising, Processing and Transmitting Information by Commercial Banks to the Financial Monitoring Service of Georgia" - in the amount of 10,000 (ten thousand) GEL, for each case of violation;

c) For the non-compliance with the instructions of the Financial Monitoring Service on the suspension of the execution of a transaction (operation) - in the amount of 10,000 (ten thousand) GEL, for each case of violation;

d) In the case of a non-compliance with the court order on a seizure, on the basis of a motion by a Government Commission, working on the implementation of resolutions by the United Nations Security Council - in the amount of 15,000 (fifteen thousand) GEL, for each such seizure;

e) In the case of the absence of a software (electronic) system for AML/CFT purposes (providing detection of segregated operations (transactions) and/or automatic verification of a person on the list of politically active persons and terrorists/persons connected with terrorism) - in the amount of 20,000 (twenty thousand) GEL;

f) A failure to submit the information/documentation required by each clause of an agreement concluded between parties to the National Bank, during an inspection of a commercial bank, shall result in a fine of 10,000 (ten thousand) GEL, for the non-submission of information/documentation under each clause of

the agreement;

g) An obstruction of the group of inspectors, during an inspection period defined by the legal act of the National Bank, on the inspection of a commercial bank, which results in delay of the inspection, shall result in a fine in the amount of 15,000 (fifteen thousand) GEL;

h) In the case of a failure to comply with the requirements, specified in writing, as the result of remote inspection/supervision, within the established timeframe, this shall result in a fine in the amount of 10,000 (ten thousand) GEL, for each instance of non-compliance with a request;

i) In the case of the non-fulfilment of the written requirements for a commercial bank, [which were] from the outcome of an on-site inspection, within the established timeframe – [a fine] in the amount of 10,000 (ten thousand) GEL, for each instance of an unfulfilled request;

j) [For the failure] to register information about clients and/or operations (transactions) through a special software system (electronic) – [a fine] in the amount of 20,000 (twenty thousand) GEL, for each violation;

k) Opening anonymous/numbered accounts(s) for clients will result in a fine of 15,000 (fifteen thousand) GEL, for each violation;

l) Failure to submit a reporting form, on a suspicious (operation) transaction, to the Financial Monitoring Service of Georgia, by the date of the commencement of an inspection, as specified in the legal act on the inspection of a commercial bank – [a fine of] 10,000 (ten thousand) GEL, for each violation.

3. For serious violations, the bank is fined:

a) In the case of providing services to a [legal] person, without establishing a beneficial owner and/or the ownership and management (control) structure – [a fine] in the amount of 1,500 (one thousand five hundred) GEL, for each case of violation;

b) In the case of providing services without identification/verification of a [legal] person (his/her representative and/or) trustee, as well as a third party, if the transaction is made (the transaction is executed) in favour of a third party) and/or their beneficial owner – [a fine] in the amount of 1,500 (one thousand five hundred) GEL, for each instance of violation. This sub-paragraph shall not apply, if the bank is fined in relation to the mentioned beneficial owner, in accordance with sub-paragraph “a” of paragraph 3 of this Article;

c) If at the time of inspection, as specified in the legal act of the National Bank, on the inspection of a commercial bank, a risk [rating/assessment] has not been allocated to a client – [a fine] in the amount of 5,000 (five thousand) GEL, for each such client;

d) Failure to update information about the client / beneficial owner, in accordance with the risk [rating/assessment] and/or the inadmissibility of the permission of the management to establish and/or continue a business relationship with the [legal] person (except for a politically active person), will result in a fine – in the amount of 5,000 (five thousand) GEL;

e) In the case of a violation of the obligations provided for by the legislation, related to a politically active person – [a fine] in the amount of 10,000 (ten thousand) GEL, for each such person;

f) For assigning a risk [rating/assessment] to a client, without considering the relevant risk factors defined by the legislation of Georgia, the legal act on risk assessment by the National Bank and/or the internal policy/procedures of a commercial bank, this shall result in a fine of 5,000 (five thousand) GEL, for each such client;

g) If in relation to a client, the commercial bank does not investigate a transaction and/or the origin of the property (cash), in accordance with the legislation – [a fine] in the amount of 5,000 (five thousand) GEL, for each client;

h) A failure to determine the true nature of a client’s activity, and/or the purpose and intended nature of the business relationship, will result in a fine in the amount of 5,000 (five thousand) GEL, for each client;

i) If the commercial bank has not developed policies/procedures and/or instructions/rules related to internal control – [a fine] in the amount of 7,000 (seven thousand) GEL, for each undeveloped

policy/procedure and/or instruction/rule;

j) Establishing/maintaining a correspondent [banking] relationship with a financial institution, not according to the legislation and/or the legal acts/requirements of the National Bank, will result in a fine – in the amount of 10,000 (ten thousand) GEL, for each respondent in relation to a financial institution;

k) In the case of the non-submission of a report on the legalisation of illicit income and terrorism financing risk, by the commercial bank to the National Bank of Georgia, within 30 calendar days after the expiration of the established timeframe – [a fine] in the amount of 10,000 GEL;

l) At the time of commencement of inspection of commercial banks (as per the legal act), the incorrect submission of information when sending reports to the Financial Monitoring Service under Article 12, paragraph 4, sub-paragraph (a), of the Regulation “Information on the rules of receiving, systematisation, processing and transfer of information by commercial banks to the Financial Monitoring Service of Georgia.”, approved by the order of the Head of the Financial Monitoring Service on the 18th of January, 2012 – [a fine] in the amount of 5,000 (five thousand) GEL, for each violation;

m) At the time of commencement of inspection of commercial banks (as per the legal act), the incorrect submission of the report to the Financial Monitoring Service under Article 12, paragraph 4, sub-paragraphs (b) and (c), of the Regulation “Information on the rules of receiving, systematisation, processing and transfer of information by commercial banks to the Financial Monitoring Service of Georgia.”, approved by the order of the Head of the Financial Monitoring Service on the 18th of January, 2012 – [a fine] in the amount of 5,000 (five thousand) GEL, for each incorrectly submitted report;

n) At the time of commencement of inspection of commercial banks (as per the legal act), the listing of two, or more, transactions/operations, in one form in the report to the Financial Monitoring Service under Article 12, paragraph 4, sub-paragraphs (b) and (c), of the Regulation “Information on the rules of receiving, systematisation, processing and transfer of information by commercial banks to the Financial Monitoring Service of Georgia.”, approved by the order of the Head of the Financial Monitoring Service on the 18th of January, 2012 – [a fine] in the amount of 5,000 (five thousand) GEL, for each monitored operation (transaction);

o) In the case of the non-submission of information and/or documents requested by the Financial Monitoring Service, within the specified timeframe, or in the case of (the detection of) the incorrect submission of the information/documentation that is available to the commercial bank – [a fine] in the amount of 5,000 (five thousand) GEL, for each violation.

p) The submission of information/documentation to the National Bank, during the [period of] inspection of the commercial bank, [which] exceeds the deadline provided for in each paragraph of the agreement concluded between the parties during the inspection [of the commercial bank], and/or the incorrect submission of information/documentation that is available to the commercial bank, shall result in a fine – in the amount of 5,000 (five thousand) GEL, for each case of the overdue/incorrect submission of information/documentation, as provided for in each clause of the agreement.

q) Violation of the requirements for opening accounts without direct identification, as defined by the instruction “On Approval of the Instruction on Opening Accounts in Banking Institutions”, approved by the President of the National Bank of Georgia №24/04 on the 7th of April, 2011, will result in a fine of 5,000 (five thousand) GEL, for each client;

r) Violation of the requirements of Article 5, paragraph 5 of the Regulation “On Approval of the Regulation on Payment Cards”, approved by Order №38/04 of the National Bank of Georgia, on the 16th of May, 2011, will result in a fine of 5,000 (five thousand) GEL, for each non-personalised prepaid card;

s) An administrator who fails to ensure that the organisation fulfils its obligations related to internal control and/or monitoring for the purposes of facilitating the prevention of money laundering and terrorist financing and/or the written instructions of the National Bank and/or the requirements set by the National Bank, shall be fined – in the amount of 10,000 (ten thousand) GEL.

4. For less serious violations, the Bank is fined [as follows]:

a) In the case of a delay in submitting the reporting report to the Financial Monitoring Service, under Article 12, paragraph 4, subparagraph (a) of the Regulation “On the Procedure for Receiving, Systematising, Processing and Transmitting Information by Commercial Banks to the Financial Monitoring Service of Georgia”, approved by Order No. 4 of the Head of the Financial Monitoring Service (on the 18th of January, 2012), on the date of the inspection of the commercial bank, as defined by the legal act of the National Bank. In each case of violation:

a.a) For delays of up to 5 working days – [a fine] in the amount of 300 (three hundred) GEL;

a.b) For a delay of 5 or more working days – [a fine] in the amount of 500 (five hundred) GEL;

b) In the case of a violation of the requirements for the registration, identification and verification of a [legal] person (his/her representative and/or) trustee, as well as a third party, if the transaction is made (the transaction is executed) in favour of a third party), or their beneficiary owner, [as well as] for the proper information/documentation on their registration and/or storage of the operations (transactions) carried out by them – [a fine] of 1,000 (one thousand) GEL, for each case of violation.

c) In the case of a violation of the obligations related to the execution of local and international money transfer operations, in accordance with Article 9 of the Regulation “On the Rules for Receiving, Systematising, Processing and Transmitting Information by Commercial Banks to the Financial Monitoring Service of Georgia”, approved by Order No. 4 of the Head of the Financial Monitoring Service (on the 18th of January, 2012) – [a fine] of 1,000 (thousand) GEL, for each case of violation;

d) At the time of commencement of inspection of commercial banks (as per the legal act of the National Bank), and in the case of non-compliance with the information and documents requested by the Financial Monitoring Service by the established deadline, in each case of violation:

d.a) For delays of up to 5 working days – [a fine] in the amount of 300 (three hundred) GEL;

d.b) For a delay of 5 or more working days – [a fine] in the amount of 500 (five hundred) GEL;

e) In the case of a commercial bank submitting incorrect information to the National Bank of Georgia, when reporting [on] the risk of the legalisation of illicit income and terrorism financing – [a fine] in the amount of 1,000 (one thousand) GEL, for each violation;

f) In the case of the late submission, by a commercial bank, on the reporting of the risk of the legalisation of illicit income and terrorist financing, to the National Bank of Georgia, of up to 30 calendar days – [a fine] in the amount of 5,000 (five thousand) GEL.

5. Violations listed in this paragraph will be granted the ‘systematic violation status’ by the National Bank and will result in a fine for the commercial bank, in the following amounts:

a) A repeated failure by a commercial bank, to report to the National Bank of Georgia, on the monitoring of the risk of money laundering and terrorist financing, [and] if the bank has already been fined for the previous reporting period in accordance with paragraph 3 (l) of this Article, shall result in a fine – in the amount of 20,000 (twenty thousand) GEL, for each non-submission of the report;

b) For the late submission of the risk of the legalisation of illicit income and terrorist financing monitoring report, to the National Bank of Georgia, of up to 30 days, [and] if the bank has already been fined for the previous reporting period in accordance with paragraph 4 (f) of this Article, will result in a fine – in the amount of 10,000 (ten thousand) GEL, for each late submission of a report;

c) Repeated non-compliance with the requirements specified in writing, within the established timeframe, as a result of a remote inspection/supervision – [a fine] in the amount of 20,000 GEL, for each violation;

d) Repeated non-compliance with the written requirements for a commercial bank, within the established timeframe, as a result of an on-site inspection – in the amount of 20,000 (twenty thousand) GEL, for the determination of each unfulfilled requirement.

e) For repeating the fact/[occurrence] of the non-registration of clients and/or [their] operations

(transactions) – [a fine of] 30,000 GEL, for each case of violation;

f) Repeating the fact[/occurrence] of opening anonymous/numbered account(s) will result in a fine – in the amount of 30,000 (thirty thousand) GEL, for each fact[/occurrence] of violation;

g) In the case of repeatedly rendering services to the same [legal] person, without establishing the beneficiary owner and/or ownership and management structure, [and] if the commercial bank has already been fined in respect of that [legal] person in accordance with paragraph 3 (a) of this Article – [a fine] in the amount of 3,000 (three thousand) GEL, for each violation;

h) In the case of a recurrence of the provision of services, without the identification/verification of the same [legal] person (his/her representative and[/or] trustee, as well as a third party, if the transaction is made (the transaction is executed) in favour of a third party) and/or their beneficial owner, [and] if the commercial bank has already been fined in relation to this [legal] person in accordance with sub-paragraph “b” of paragraph 3 of this Article – [a fine] in the amount of 3,000 (three thousand) GEL, for each violation.

6. In the event that an inspection of a commercial bank again reveals a violation, for which a sanction provided for in paragraph 5 of this Article has already been applied to the commercial bank, and/or certain violation(s) pose a systemic risk to the commercial bank [in terms] of money laundering, the National Bank may impose a fine on the commercial bank, of not more than 1% of the regulatory capital, but not less than 1,000,000 (one million) GEL, or apply other measures as provided for by law, at the end of the reporting period.

Order №45/04 of the President of the National Bank of Georgia on the 26th of February, 2019 – website: 27th of February 2019.

3. Article 3. Exemption From a Fine

1. In the case of imposing a fine in the form of a sanction, the National Bank shall release the Bank from the already imposed and unpaid monetary fine, as well as from the imposition and payment of a new monetary fine, if:

a) The bank has a temporary administration regime;

b) The Bank's banking license has been revoked.

2. In exceptional cases, the National Bank may exempt a bank from the imposition and payment of a fine, if as a result of the payment of a fine:

a) The financial condition of the bank deteriorates to the extent that it threatens its future functioning and solvency;

b) The bank becomes insolvent and can no longer provide customer deposit services, as a result of which, payment in the banking system may be delayed.

3. The National Bank shall issue an individual administrative-legal act on the release of a Bank from the imposition of a fine and the payment of a fine. An individual administrative-legal act is issued by the order of the President or Vice-President of the National Bank.

In this document, text in square brackets is provided only for the purposes of clarifying the meaning to an English-speaking reader and is deduced from the context of the Georgian source text. Therefore, it should not be considered as authoritative, or used as the basis for any legal argument.