

**The order N35/04**  
**of the President of the National Bank**

**February 14, 2012, Tbilisi**

**On approval of the rules for determining, imposing and enforcing monetary penalties against entities and members of their governing body, for violation of securities legislation, the Law of Georgia "On Accounting, Reporting and Auditing" and the Law of Georgia "On Facilitating of the Prevention of Money Laundering and the Financing of Terrorism"**

*Order No. 210/04 of the President of the National Bank of Georgia dated September 26, 2018 - website, September 27, 2018.*

*Order No. 112/04 of the President of the National Bank of Georgia dated June 27, 2019 - website, June 28, 2019.*

*Order No. 37/04 of the President of the National Bank of Georgia dated March 19, 2021 - website, March 22, 2021*

Pursuant to the subparagraph “g” of the paragraph 1<sup>st</sup> of the Article 15<sup>th</sup>, subparagraph “g” of the article 52<sup>nd</sup> of the Organic Law of Georgia “On the “National Bank of Georgia”, articles 55<sup>th</sup> and 55<sup>1</sup> of the Law of Georgia on “Securities Market” and paragraph 2<sup>nd</sup> of the article 23<sup>rd</sup> of the Law of Georgia “on Accounting, reporting and auditing”, subparagraph “c” of the article 4<sup>th</sup> of the Law of Georgia on “Facilitating the prevention of money laundering and the financing of terrorism” and paragraph 6<sup>th</sup> of the article 38<sup>th</sup> of the same law, I hereby **order**:

*Order No. 210/04 of the President of the National Bank of Georgia dated September 26, 2018 - website, September 27, 2018.*

*Order No. 112/04 of the President of the National Bank of Georgia dated June 27, 2019 - website, June 28, 2019.*

*Order No. 37/04 of the President of the National Bank of Georgia dated March 19, 2021 - website, March 22, 2021*

**Article 1:** The rules for determining, imposing and enforcing monetary penalties against entities and members of their governing body, for violation of securities legislation, the Law of Georgia "On Accounting, Reporting and Auditing" and the Law of Georgia "On Facilitating of the Prevention of Money Laundering and the Financing of Terrorism" shall be approved with the attached edition:

*Order No. 210/04 of the President of the National Bank of Georgia dated September 26, 2018 - website, September 27, 2018.*

*Order No. 112/04 of the President of the National Bank of Georgia dated June 27, 2019 - website, June 28, 2019.*

*Order No. 37/04 of the President of the National Bank of Georgia dated March 19, 2021 - website, 22.03.2021*

**Article 2.** This order shall take effect immediately upon publication.

**G. Kadagidze**

**The rules for determining, imposing and enforcing monetary penalties against entities and members of their governing body, for violation of securities legislation, the Law of Georgia "On Accounting, Reporting and Auditing" and the Law of Georgia "On Facilitating of the Prevention of Money Laundering and the Financing of Terrorism"**

*Order No. 210/04 of the President of the National Bank of Georgia dated September 26, 2018 - website, September 27, 2018.*

*Order No. 112/04 of the President of the National Bank of Georgia dated June 27, 2019 - website, June 28, 2019.*

## **Article 1. General Provisions**

1. This rule determines the issues of determination, imposition and enforcement of monetary penalties by the National Bank of Georgia (hereinafter referred to as “the National Bank”).
2. The terms used in this rule have the meanings determined by Organic Law of Georgia “On the “National Bank of Georgia”, the Law of Georgia on “Securities Market”, the Law of Georgia “on Accounting, reporting and auditing” and the Law of Georgia on “Facilitating the prevention of money laundering and the financing of terrorism”.
3. The National Bank is authorized to apply the monetary penalties established by this rule to the participants of the securities market and/or the member of their governing body, if the participant of the securities market and/or any member of its governing body has violated the legislation of Georgia on securities, the instructions of the National Bank, regulations, rules, requirements and/or written instructions, the requirements of the Law of Georgia "On Accounting, Reporting and Auditing".
4. The National Bank shall issue an individual administrative-legal act regarding the imposition of monetary penalties on individuals. An individual administrative-legal act is issued in the form of a decree of the president or vice-president of the National Bank, which will indicate the procedure for the execution of the penalty.
5. The penalty shall be paid within 30 calendar from the submission of a copy of the decree on penalty or decree through electronic rule provided for in the Organic Law of Georgia on “the National Bank of Georgia”.
6. Compulsory enforcement of the imposition of monetary penalties on individuals is carried out after the expiration of the term specified in paragraph 5 of this article.
7. Compulsory execution of a monetary penalty imposed by an individual administrative legal act on individuals is carried out on the basis of the writ of execution issued in accordance with the individual administrative-legal act entered into legal force, according to the rules determined by the law of Georgia “on Enforcement Proceedings”.
8. The amount of the monetary penalty paid by the individual is directed to the state budget of Georgia.
9. Cancellation of the license for the securities market participant does not exempt the entity from paying the imposed monetary penalty.

*Order No. 85/04 of the President of the National Bank of Georgia dated June 13, 2017 - website, 14.06.2017.*

*Order No. 210/04 of the President of the National Bank of Georgia dated September 26, 2018 - website, September 27, 2018.*

*Order No. 112/04 of the President of the National Bank of Georgia dated June 27, 2019 - website, June 28, 2019.*

*Order No. 61/04 of the President of the National Bank of Georgia dated March 31, 2020 - website, March 31, 2020*

*Order No. 37/04 of the President of the National Bank of Georgia dated March 19, 2021 - website, 22.03.2021*

## **Article 2. Violation of the rules for public offering of securities**

1. Violation of the rules of the public offering of securities by the issuer will result in the issuer being fined in the amount of 1000 GEL for each case.

2. Public offering of securities without a final prospectus by an entity defined by law or using a prospectus, the approval of which is suspended or canceled according to the decision taken by the National Bank, will cause imposition of the fine in the amount of 10 000 GEL for each case.
3. Indication of incorrect information and/or non-indication of important circumstances in the issue prospectus will lead to a fine of 2000 GEL for each entity authorized to sign the prospectus defined by the law. Wrongful disclosure of insider information will result in an entity being fined in the amount of 1500 GEL determine by the law of Georgia on "Securities Market".
4. Failure by the issuer to submit proper reports related to the issue of securities and/or public offering in the prescribed manner and/or late submission will result in the issuer being fined in the amount of 2000 GEL for each case.
5. Failure to submit corrections to the emission prospectus approved by the issuer within the deadline set by the National Bank will result in the issuer being fined in the amount of 1,000 GEL for each violation.

**Article 3. Violation of the requirements of the legislation on securities and the law of Georgia "On accounting, reporting and auditing" by the accountable enterprise and other entities**

1. Violation of the requirement to produce securities register by the accountable enterprise will result in the accountable enterprise being fined in the amount of 2,000 GEL for each case of violation.
2. Failure to provide information to the National Bank regarding the selection of a licensed securities registrar by the accountable enterprise will result in the accountable enterprise being fined in the amount of 1500 GEL.
3. Non-submission by the accountable enterprise of the annual report provided for in Article 11 of the Law of Georgia "On Securities Market" within the time limit and/or in the prescribed manner/form, or of the reports provided for in the Law of Georgia "On Accounting, Reporting and Auditing" within the time limit set by the same law, or/and non-submission in the prescribed manner/form will result in the enterprise being fined, according to the measure category defined by the Law of Georgia "On Accounting, Reporting and Auditing" and the status of a public interest entity (hereinafter referred to as "PIP"):
  - a) Enterprise of the fourth category - in the amount of 500 GEL (five hundred).
  - b) Enterprise of the third category - in the amount of 1,000 (thousand) GEL;
  - c) Enterprise of the second category - in the amount of 5,000 (five thousand) GEL;
  - d) Enterprises of the first category and PIE in the amount of 10,000 (ten thousand) GEL
  - e) The enterprise (regardless of the size category), which has placed public securities on the basis of the emission prospectus approved by the National Bank - in the amount of 10,000 (ten thousand) GEL (only in the case of non-submission of the annual report provided for in Article 11 of the Law of Georgia "On the Securities Market" within the time frame and/or in the prescribed manner/form)".

3<sup>1</sup>. In case of repeated non-fulfilment of the requirements specified in the third paragraph of this article, the National Bank is authorized to apply the double amount of the imposed fine to the enterprise.

3<sup>2</sup>. Failure to submit the half-yearly and current report provided by Article 11 of the Law of Georgia "On the Securities Market" by the accountable enterprise within the time frame and/or in the prescribed manner will result in the accountable enterprise being fined in the amount of 1,000 (thousand) GEL.

4. (Removed - 31.03.20, No. 61/04).

5. (Removed - 31.03.20, No. 61/04).

6. Failure to submit a report and/or notification regarding the purchase of securities of an accountable enterprise by an entity, if he/she was required to submit the abovementioned report and/or notification in accordance with the law of Georgia, will cause the imposition of a fine of this entity in the amount of 2000 GEL for each report and/or notification that is not submitted.

7. Violation of the tender offer rules by an entity will result in his/her being fined in the amount of 5000 GEL.

8. Violation of the requirements by the accountable enterprise related to the appointment of the governing body and/or the holding of the general meeting of shareholders provided for by the legislation of Georgia will result in the accountable enterprise being fined in the amount of 2000 GEL for each violation.

9. Violation of the requirements related to important dates in accordance with Article 6 of the rule approved by the order N20/01 of February 22, 2010the President of the National Bank of Georgia "On the approval of the rule for the determination of the accounting date of ownership right of public securities, ownership by record, determination of rights and obligations arising from the ownership of shares, and the procedures of the origination, change and termination of ownership of public securities" will result in an entity being fined in the amount of 2000 GEL for each violation.

10. (Removed - 31.03.20, No. 61/04).

*Order No. 210/04 of the President of the National Bank of Georgia dated September 26, 2018 - website, September 27, 2018.*

*Order No. 112/04 of the President of the National Bank of Georgia dated June 27, 2019 - website, June 28, 2019.*

*Order No. 61/04 of the President of the National Bank of Georgia dated March 31, 2020 - website, March 31, 2020*

#### **Article 4. Violation of securities circulation rules and other rules by entities**

1. Abuse of insider information or voting rights by an interested person and/or insider trading and/or violation of the requirements of Article 16<sup>1</sup> of the Law of Georgia "On Securities Market" will result in an entity being fined 10 000 GEL for each violation.
2. Violation of the established rules regarding the nominal holding of securities will result in the nominal owner being fined in the amount of 1000 GEL for each violation.
3. Participation in securities market manipulation will result in an entity being fined 10 000 GEL for each violation.
4. An entity's failure to comply with the written request and instructions of the National Bank, preventing it from conducting an inspection, failure to submit the requested information or document and/or submitting incorrect or incomplete information or document, will result in his being fined 1000 GEL for each violation.

*Order No. 112/04 of the President of the National Bank of Georgia dated June 27, 2019 - website, June 28, 2019.*

#### **Article 5. Violations and sanctions of stock marker, central depositories, securities registrars, brokerage companies, their employees and governing body members.**

1. Failure of the stock market, central depository, securities registrar, brokerage company to submit the report provided by the legislation on securities within the time limit established by the legislation will result in an entity being fined in the amount of 1000 (thousand) GEL.
2. In case of submission of incorrect or inaccurate information by the stock market, central depository, registrar of securities, brokerage company in the reporting provided by the legislation on securities, the entity shall be fined 300 (three hundred) GEL for each violation.
3. Violation of other regulatory rules on securities by the stock market, central depository, securities registrars, brokerage company, their employees and members of the governing body in addition to the violations mentioned in this rule, will result in a fine of 1000 (thousand) GEL for each violation.
4. (Removed - 19.03.21 No. 37/04).

*Order No. 42/04 of the President of the National Bank of Georgia dated March 21, 2012 - website, 22.03.2012.*

*Order No. 85/04 of the President of the National Bank of Georgia dated June 13, 2017 - website, 14.06.2017.*

*Order No. 37/04 of the President of the National Bank of Georgia dated March 19, 2021 - website, 22.03.2021*

**Article 5<sup>1</sup>. Monetary penalties of the brokerage company for violation of the legislation of Georgia on facilitating the prevention of money laundering and financing of terrorism, legal acts issued by the National Bank based on it, written instructions, requirements determined as a result of inspection/supervision and/or for non-compliance with the instructions of the Financial Monitoring Service.**

1. The violations of the legislation of Georgia on facilitating the prevention of money laundering and financing of terrorism, legal acts issued by the National Bank regarding the financial monitoring service and facilitating the prevention of money laundering and terrorist financing, the requirements determined as a result of the inspection/supervision of the National Bank, written instructions, and/or caused by non-compliance with the instructions of the Financial Monitoring Service are divided in the following categories:
  - a) Particularly severe violations;
  - b) Severe violations;
  - c) Less severe violations.
2. Particularly severe violations include the following violations and causes the brokerage company being fined in the following amount:
  - a) Failure to submit the primary registration form to the financial monitoring service within the established time frame - in the amount of 5,000 (five thousand) GEL;
  - b) Failure to submit reporting on suspicious transactions determined by paragraph 3 of the article 3<sup>rd</sup> or/and paragraph 1<sup>st</sup> of the article 4<sup>th</sup> of “the Rule on Record-keeping, Storage and Reporting of the Information on the Transaction by Obligated Entity to the Financial Monitoring Service” approved by Order N 1 of June 05, 2020 of the Head of the Financial Monitoring Service (hereinafter referred to as “the rule approved by the order N1 of the head of the financial monitoring service”) to financial monitoring service in the established terms will cause monetary penalty – in the amount of 5 000 (five thousand) Gel, for each fact of violation;
  - c) For failure to comply with the instructions of the financial monitoring service regarding the suspension of the execution of the transaction (operation) - in the amount of 5,000 (five thousand) GEL, for each fact of violation.

- d) In case of non-fulfilment of the court order on sequestration on the basis of the petition of the government commission working on issues of implementation of the resolutions of the United Nations Security Council, - in the amount of 10,000 (ten thousand) GEL, in relation to each such sequestration;
- e) In case of the absence of a software (electronic) system (which ensures the detection of noteworthy/suspicious signs (including fragmentation) and automatic verification of persons on lists of politically active and/or sanctioned persons provided for by UN Security Council resolutions) or functioning with significant deficiencies for the purposes of facilitating the prevention of money laundering and financing of terrorism – in the amount of 20 000 (twenty thousand) Gel;
- f) During the inspection process of the brokerage company, failure to submit to the National Bank before the end of the inspection period the information/documentation required by each paragraph of the agreement signed between the parties during the inspection period - in the amount of 5,000 (five thousand) GEL, for non-submission of information/documentation stipulated by each paragraph of the agreement;
- g) Hindering the group of inspectors during the period of the inspection specified by the legal act of the National Bank regarding the inspection of the brokerage company, which caused a delay in the inspection - in the amount of 10,000 (ten thousand) GEL;
- h) As a result of remote inspection/supervision, non-fulfillment of the requirements specified in writing to the brokerage company within the established period - in the amount of 7,000 (seven thousand) GEL, on the fact of each unfulfilled requirement;
- i) As a result of the on-site inspection, non-fulfillment of the requirements specified in writing to the brokerage company within the established terms - in the amount of 7,000 (seven thousand) GEL on the fact of each unfulfilled requirement;
- j) Failure to register information about client or/and operations (transactions) through special software (electronic) system – in the amount of 10 000 (ten thousand) Gel, for each fact of violation;
- k) Failure to submit to the financial monitoring service the report on suspicious transactions stipulated by paragraph 3 of the article 3<sup>rd</sup> and/or paragraph 1<sup>st</sup> of the article 4<sup>th</sup> of the rule approved by order No. 1 of the head of the financial monitoring service as of the date of the start of the inspection determined by the legal act of the National Bank regarding the inspection of the brokerage company shall cause a fine – in the amount of 7 000 (seven thousand) GEL for each fact of violation.

3. Severe violations include the following violations and causes the brokerage company being fined in the following amounts:

- a) In the case of providing services to an entity without establishing the structure implementing the client's ownership and management (control) and/or identification/verification of the beneficial owner - in the amount of 1,000 (thousand) GEL for each fact of violation;
- b) In the case of providing services to an entity (including an entity acting on behalf of the client) without identification/verification - in the amount of 1,000 (thousand) GEL, for each fact of violation;
- c) As of the date of the start of the inspection determined by the legal act of the National Bank regarding the inspection of the brokerage company, the client has no risk assigned - in the amount of 3,000 (three thousand) GEL, in relation to each such client;

- d) In accordance with the risk, as well as in the cases determined by the legislation on facilitating prevention of money laundering and the financing of terrorism and the legal acts of the National Bank, failure to update information about the client/beneficial owner and/or failure to obtain permission from the management to establish and/or continue business relations with the entity (except in relation to a politically active entity) - in the amount of 2,000 (two thousand) GEL;
- e) In case of violation of the obligations stipulated by the legislation in relation to a politically active person - in the amount of 5,000 (five thousand) GEL, in relation to each such entity;
- f) Assigning/revaluation of risk to the client, without considering relevant risk factors determined by the legislation of Georgia, including the legal act of the National Bank and/or the internal policy/procedures of the brokerage company on risk assessment - in the amount of 3,000 (three thousand) GEL in relation to each such client;
- g) In relation to the client, the brokerage company does not monitor the business relationship, study the origin of transactions, activities, property and/or funds in accordance with the legislation and internal policy/procedures - in the amount of 3,000 (three thousand) GEL, in relation to each client;
- h) Failure to determine the purpose and intended nature of the client's business relationship - in the amount of 2,000 (two thousand) GEL, in relation to each client;
- i) The brokerage company has not developed policies/procedures and/or instructions/rules related to internal control, or the policy/procedures and/or instructions/rules developed/implemented by him/her fail to meet the requirements defined by the legislation (as well as the guidelines of the National Bank) - in the amount of 5,000 (five thousand) GEL;
- j) In case of failure to submit the risk supervision report of legalization of illegal income and terrorism financing by the brokerage company to the National Bank within 30 calendar days after the deadline - in the amount of 5,000 (five thousand) GEL;
- k) In case of non-submission to the financial monitoring service of the report provided for in paragraph 3<sup>rd</sup> of the article 6 of the rule approved by the order No. 1 of the head of the financial monitoring service as of the date of the start of the inspection determined by the legal act of the National Bank on the inspection of the brokerage company, or detection of misrepresentation of information held by the brokerage company- 2 000 (two thousand) GEL for each fact of violation;
- l) Incorrect submission of information available to the brokerage company when sending a report on a suspicious transaction provided for in paragraph 3<sup>rd</sup> of the article 6<sup>th</sup> of the rule approved by the order No. 1 of the head of the financial monitoring service as of the date of the start of the inspection determined by the legal act of the National Bank on the inspection of the brokerage company, - in the amount of 3,000 (three thousand) GEL, for each incorrectly submitted report.
- m) In the case of failure to submit the information and/or documents requested by the financial monitoring service within the specified time frame, or in case of incorrect submission of the documents/information available to the brokerage company - in the amount of 3,000 (three thousand) GEL, for each fact of violation;
- n) Submission of information/documentation to the National Bank during the inspection of the brokerage company by violating the deadline provided for in each paragraph of the agreement signed

between the parties during the inspection period and/or misrepresentation of information/documentation available by the brokerage company - in the amount of 2,000 (two thousand) GEL, in case of violating the deadline or incorrect presentation of the information/documentation stipulated in each paragraph of the agreement;

o) In the case of detection of submission of information on two or more monitored operations/transactions (except for suspicious operations/transactions) in one form of reporting provided for in the manner approved by Order No. 1 of the Head of the Financial Monitoring Service as of the date of the start of the inspection determined by the legal act of the National Bank regarding the inspection of the brokerage company - in the amount of 3000 (three thousand) Gel, on each operation (transaction) subject to reporting;

p) a member of the governing body who fails to ensure that the organization fulfills its obligations related to the implementation and operation of the compliance control system for the purposes of facilitating the prevention of money laundering and terrorist financing and/or fulfilling the written instructions of the National Bank and/or the requirements defined by the National Bank, will be fined in the amount of 5,000 (five thousand) GEL.

4. Less severe violations include the following violations and result in the brokerage company being fined in the following amounts:

a) In case of detection of late submission of the report provided for in paragraph 3 of the article 6<sup>th</sup> of the rule approved by the order No. 1 of the head of the financial monitoring service as of the date of the start of the inspection determined by the legal act of the National Bank on the inspection of the brokerage company, for each fact of violation:

a.a) For delay up to 5 working days - in the amount of 100 (one hundred) GEL;

a.b) for a delay of 5 or more working days - in the amount of 300 (three hundred) GEL

b) In case of detection of violation of established requirements, for the determination, identification or/and verification of entities (including the entity acting on behalf of the client) and/or his/her beneficial owner, for the recording of appropriate information/documentation about the operations (transactions) carried out by him/her and/or for keeping other information/documentation defined by Article 27 of the Law of Georgia "On facilitating of Prevention of Money Laundering and Financing of Terrorism" – in the amount of 500 (five hundred), for each fact of violation;;

c) In the case of detection of failure to submit the information and documents by the established deadline required by the financial monitoring service by the date of the start of the inspection determined by the legal act of the National Bank on the inspection of the brokerage company, for each fact of violation:

c.a) For delay up to 5 working days - in the amount of 100 (one hundred) GEL;

c.b) for a delay of 5 or more working days - in the amount of 300 (three hundred) GEL;

d) in the case of submission of incorrect information to the National Bank by the brokerage company in the report of legalization of illegal income and terrorism financing risk supervision - in the amount of 1,000 (thousand) GEL, for each fact of violation;



e) in the case of late submission of the report on legalization of illegal income and terrorism financing risk supervision by the brokerage company to the National Bank by up to 30 calendar days - in the amount of 2,000 (two thousand) GEL;

f) In case of incorrect and/or incomplete submission of the information and documents requested by the National Bank (except for the information/documentation requested as part of the inspection) - in the amount of 1,000 (thousand) GEL for each fact of violation.

5. Violations provided by this paragraph will be assigned the status of a systematic violation by the National Bank and will result in the brokerage company being fined in the following amount:

a) Repeated failure to submit to the National Bank of the reports on legalization of illegal income and terrorism financing risk supervision by the brokerage company, If the brokerage company has already been fined in accordance with subparagraph "j" of paragraph 3 of this article, will result in a fine in the amount of -10,000 (ten thousand) GEL for non-submitted reports.

b) late submission up to 30 days to the National Bank of the reports on legalization of illegal income and terrorism financing risk supervision by the brokerage company, If the brokerage company has already been fined in accordance with subparagraph "e" of paragraph 3 of this article, will result in a fine in the amount of -4,000 (four thousand) GEL for each report submitted late;

c) Repeated non-fulfilment of requirements specified in writing as a result of remote inspection/supervision within the established period - in the amount of 14,000 (fourteen thousand) GEL, on the fact of detection of each unfulfilled requirement;

d) Repeated non-fulfillment of requirements specified in writing for the brokerage company as a result of on-site inspection within the established terms - in the amount of 14,000 (fourteen thousand) GEL, on the fact of detection of each unfulfilled requirement;

e) Repeating the fact of not registering information about the client and/or operations (transaction), if the brokerage company has already been fined in accordance with subsection "j" of paragraph 2 of this article - in the amount of 20,000 (twenty thousand) GEL for each fact of violation;

f) In the case of repeatedly providing services to the same entity without establishing the ownership and management (control) structure of the client and/or without identification/verification of the beneficial owner, if the brokerage company has already been fined in relation to this entity in accordance with subparagraph "a" of paragraph 3 of this article - in the amount of 2,000 (two thousand) GEL for each fact of violation;

g) In the case of repeatedly providing services to the same client (and/or a person acting on behalf of the client) without identification/verification, if the brokerage company has already been fined in relation to this entity in accordance with subparagraph "b" of paragraph 3 of this article - 2,000 (two thousand) GEL in the amount, for each fact of violation.

6. If, as a result of the inspection of the brokerage company, such a violation was again revealed, for which the sanction provided for in paragraph 5 of this article was already applied to the brokerage company once, and/or certain violations/violations create a systemic risk of money laundering and terrorism financing for the brokerage company, the National Bank is authorized to fine the brokerage company, the National Bank

is authorized to fine the brokerage company in the amount of 100,000 (one hundred thousand) GEL and/or to apply other measures stipulated by the legislation.

*Order No. 37/04 of the President of the National Bank of Georgia dated March 19, 2021 - website, 22.03.2021*

**Article 5<sup>2</sup>. Monetary penalties of the securities registrar for violation of the legislation of Georgia on facilitating the prevention of money laundering and financing of terrorism, legal acts issued by the National Bank based on it, written instructions, requirements determined as a result of inspection/supervision and/or non-compliance with the instructions of the Financial Monitoring Service.**

1. Violations caused by non-performance of the Law of Georgia on facilitating the prevention of money laundering and financing of terrorism, legal acts issued by the National Bank regarding financial monitoring service and facilitating the prevention of money laundering and financing of terrorism, the requirements determined as a result of the National Bank's inspection supervision, written instructions, or/and financial monitoring service instructions, are divided into categories:

- a) particularly severe violations;
- b) severe violations;
- c) less severe violations

2. Particularly serious violations include the following violations and result in the securities registrar being fined in the following amount:

- a) Failure to submit the primary registration form to the financial monitoring service within the established time frame - in the amount of 3,000 (three thousand) GEL;
- b) Failure to submit reporting on suspicious transactions to the financial monitoring service provided by paragraph 3 of the article 3<sup>rd</sup> or/and paragraph 1<sup>st</sup> of the article 4<sup>th</sup> of the rule approved by the order N1 of the head of the Financial Monitoring service within established timeframe – in the amount of 3 000 (Three thousand), for each fact of violation;
- c) For failure to comply with the instructions of the financial monitoring service regarding the suspension of the execution of the transaction (operation) - in the amount of 5,000 (five thousand) GEL, for each fact of violation.
- d) In case of non-fulfilment of the court order on sequestration on the basis of the petition of the government commission working on issues of implementation of the resolutions of the United Nations Security Council- in the amount of 7,000 (seven thousand) GEL, in relation to each such sequestration;
- e) In case of the absence of a software (electronic) system (which ensures the detection of noteworthy/ suspicious signs (including fragmentation) and automatic verification of persons on lists of politically active and/or sanctioned persons provided for by UN Security Council resolutions) or functioning with significant deficiencies for the purposes of facilitating the prevention of money laundering and financing of terrorism – in the amount of 10 000 (ten thousand) Gel;
- f) During the inspection process of the securities registrar, failure to submit to the National Bank before the end of the inspection period the information/documentation required by each paragraph of the agreement signed between the parties during the inspection period - in the amount of 3,000 (three

thousand) GEL, for non-submission of information/documentation stipulated by each paragraph of the agreement;

g) Hindering the group of inspectors during the period of the inspection specified by the legal act of the National Bank regarding the inspection of the securities registrar, which caused a delay in the inspection - in the amount of 7,000 (seven thousand) GEL;

h) As a result of remote inspection/supervision, non-fulfillment of the requirements specified in writing to the securities registrar within the established period - in the amount of 5,000 (five thousand) GEL, on the fact of each unfulfilled requirement;

i) As a result of the on-site inspection, non-fulfillment of the requirements specified in writing to the securities registrar within the established terms - in the amount of 5,000 (five thousand) GEL on the fact of each unfulfilled requirement;

j) Failure to register information about client or/and operations (transactions) through special software (electronic) system – in the amount of 7 000 (seven thousand) Gel, for each fact of violation;

k) Failure to submit to the financial monitoring service the report on suspicious transactions stipulated by paragraph 3 of the article 3<sup>rd</sup> and/or paragraph 1<sup>st</sup> of the article 4<sup>th</sup> of the rule approved by order No. 1 of the head of the financial monitoring service by the date of the start of the inspection determined by the legal act of the National Bank regarding the inspection of the securities register shall cause a fine – in the amount of 5 000 (five thousand) GEL for each fact of violation.

3. Severe violations include the following violations and causes the securities registrar being fined in the following amounts:

a) In the case of providing services to an entity without establishing the structure implementing the client's ownership and management (control) and/or identification/verification of the beneficial owner - in the amount of 1,000 (thousand) GEL for each fact of violation;

b) In the case of providing services to an entity (including an entity acting on behalf of the client) without identification/verification - in the amount of 1,000 (thousand) GEL, for each fact of violation;

c) As of the date of the start of the inspection determined by the legal act of the National Bank regarding the inspection of the securities registrar, the client has no risk assigned - in the amount of 2,000 (two thousand) GEL, in relation to each such client;

d) In accordance with the risk, as well as in the cases determined by the legislation on facilitating prevention of money laundering and the financing of terrorism and the legal acts of the National Bank, failure to update information about the client/beneficial owner and/or failure to obtain permission from the management regarding establishing and/or continuing a business relationship with the entity (except in relation to a politically active entity) - in the amount of 2,000 (two thousand) GEL;

e) In case of violation of the obligations stipulated by the legislation in relation to a politically active person - in the amount of 3,000 (three thousand) GEL, in relation to each such person;

f) Assigning/revaluation of risk to the client, without considering relevant risk factors determined by the legislation of Georgia, including the legal act of the National Bank and/or the internal

policy/procedures of the securities registrar on risk assessment - in the amount of 2,000 (two thousand) GEL in relation to each such client;

g) In relation to the client, the securities registrar does not carry out, in accordance with the law, the study of the origin of the transaction and/or property (funds) - in the amount of 2,000 (three thousand) GEL, in relation to each client;

h) Failure to determine the purpose and intended nature of the essence of the client's activity and/or business relationship - in the amount of 2,000 (two thousand) GEL, in relation to each client;

i) The securities registrar has not developed policies/procedures and/or instructions/rules related to internal control, or the policy/procedures and/or instructions/rules developed/implemented by him/her fail to meet the requirements defined by the legislation (as well as the guidelines of the National Bank) - in the amount of 3,000 (three thousand) GEL;

j) In case of failure to submit the risk supervision report of legalization of illegal income and terrorism financing by the securities registrar to the National Bank within 30 calendar days after the deadline - in the amount of 3,000 (three thousand) GEL;

k) Misrepresentation of information available to the securities registrar when submitting a report on suspicious transaction provided for in paragraph 3<sup>rd</sup> of the article 3 and paragraph 1<sup>st</sup> of the article 4<sup>th</sup> of the rule approved by the order No. 1 of the head of the financial monitoring service as of the date of the start of the inspection determined by the legal act of the National Bank on the inspection of the securities registrar- 3 000 (three thousand) GEL in respect of each incorrectly submitted reporting;

l) In the case of failure to submit the information and/or documents requested by the financial monitoring service within the specified time frame, or in case of incorrect submission of the documents/information available to the securities registrar - in the amount of 3,000 (three thousand) GEL, for each fact of violation;

m) Submission of information/documentation to the National Bank during the inspection of the securities registrar by violating the deadline provided for in each paragraph of the agreement signed between the parties during the inspection period and/or misrepresentation of information/documentation available by the securities registrar - in the amount of 2,000 (two thousand) GEL, in case of violating the deadline or incorrect presentation of the information/documentation stipulated in each paragraph of the agreement;

n) a member of the governing body who fails to ensure that the organization fulfills its obligations related to the implementation and operation of the compliance control system for the purposes of facilitating the prevention of money laundering and terrorist financing and/or fulfilling the written instructions of the National Bank and/or the performance of the requirements defined by the National Bank, will be fined in the amount of 3,000 (three thousand) GEL.

4. Less severe violations include the following violations and result in the securities register being fined in the following amounts:

a) In case of detection of violation of established requirements, for the determination, identification or/and verification of entities (including the entity acting on behalf of the client) and/or his/her beneficial owner, for the recording of appropriate information/documentation about the operations

(transactions) carried out by him/her and/or for keeping other information/documentation defined by Article 27 of the Law of Georgia "On facilitating of Prevention of Money Laundering and Financing of Terrorism" – in the amount of 500 (five hundred), for each fact of violation;

a) In case of detection of failure to submit the information and documents requested by the Financial Monitoring Service as of the start date of inspection determined by the legal act of the National Bank regarding the inspection of the securities registrar by the established deadline, for each fact of violation:

a.a) For delay up to 5 working days - in the amount of 100 (one hundred) GEL;

a.b) for a delay of 5 or more working days - in the amount of 300 (three hundred) GEL

c) In case of submission of incorrect information to the National Bank by the securities registrar in the report of legalization of illegal income and terrorism financing risk supervision - in the amount of 1,000 (thousand) GEL for each violation;

d) Late submission up to 30 calendar days of the report on legalization of illegal income and terrorism financing risk supervision by the securities registrar to the National Bank - in the amount of 1,000 (one thousand) GEL;

e) In case of incorrect and/or incomplete submission of the information and documents requested by the National Bank (except for the information/documentation requested as part of the inspection) - in the amount of 1,000 (thousand) GEL for each fact of violation.

5. Violations provided by this paragraph will be assigned the status of a systematic violation by the National Bank and will result in the securities registrar being fined in the following amount:

a) Repeated failure to submit to the National Bank of the reports on legalization of illegal income and terrorism financing risk supervision by the securities registrar, If the securities registrar has already been fined in accordance with subparagraph "j" of paragraph 3 of this article, will result in a fine in the amount of -6,000 (six thousand) GEL for non-submitted reports.

b) late submission up to 30 days to the National Bank of Georgia of the report on legalization of illegal income and terrorism financing risk supervision by the securities registrar, If the securities registrar has already been fined in accordance with subparagraph "d" of paragraph 4 of this article, will result in a fine in the amount of -4,000 (four thousand) GEL for each report submitted late;

c) Repeated non-fulfilment of requirements specified in writing as a result of remote inspection/supervision within the established period - in the amount of 10,000 (ten thousand) GEL, on the fact of detection of each unfulfilled requirement;

d) Repeated non-fulfillment of requirements specified in writing for the securities registrar as a result of on-site inspection within the established terms - in the amount of 10,000 (ten thousand) GEL, on the fact of detection of each unfulfilled requirement;

e) Repeating the fact of not registering information about the client and/or operations (transaction), if the securities registrar has already been fined in accordance with subsection "j" of paragraph 2 of this article - in the amount of 14,000 (fourteen thousand) GEL for each fact of violation;

f) In the case of repeatedly providing services to the same entity without establishing the ownership and management (control) implementing structure of the client and/or without identification/verification of

the beneficial owner, if the securities registrar has already been fined in relation to this entity in accordance with subparagraph "a" of paragraph 3 of this article - in the amount of 2,000 (two thousand) GEL for each fact of violation;

g) In the case of repeatedly providing services to the same client (and/or an entity acting on behalf of the client) without identification/verification, if the securities registrar has already been fined in relation to this entity in accordance with subparagraph "b" of paragraph 3 of this article - 2,000 (two thousand) GEL in the amount, for each fact of violation.

6. If, as a result of the inspection of the securities registrar, such a violation was again revealed, for which the sanction provided for in paragraph 5 of this article was already applied to the securities registrar once, and/or certain violations/violations create a systemic risk of money laundering and terrorism financing for the securities registrar, the National Bank is authorized to fine the securities registrar - in the amount of 50,000 (fifty thousand) GEL and/or to apply other measures stipulated by the legislation.

*Order No. 37/04 of the President of the National Bank of Georgia dated March 19, 2021 - website, 22.03.2021*

#### **Article 6. Procedure for imposition and enforcement of monetary penalty**

1. The National Bank shall issue an individual administrative-legal act on the imposition of monetary penalties on entities. An individual administrative-legal act is issued in the form of a decree of the president or vice-president of the National Bank, in which, together with the necessary requisites provided for by the legislation of Georgia, the manner of its execution will be specified.
2. The individual administrative legal act issued by the National Bank on the imposition of monetary penalties is valid from the moment it is made known to the relevant entity. An appeal against an individual administrative-legal act issued by the National Bank on the imposition of a penalty does not cause suspension of its validity.
3. After the expiry of the appeal deadline specified in the individual administrative-legal act on the imposition of a monetary penalty, enforcement of monetary penalties is carried out in accordance with the Law of Georgia "On Enforcement Proceedings".
4. 4. In accordance with this rule, the amounts of the monetary penalty paid as a sanction are directed to the state budget of Georgia.

*Order No. 112/04 of the President of the National Bank of Georgia dated June 27, 2019 - website, June 28, 2019*

#### **Article 7. Removed**

*Order No. 85/04 of the President of the National Bank of Georgia dated June 13, 2017 - website, 14.06.2017.*