

# MONEYVAL: Fifth Round Evaluation Report on Georgia



**András Csúri**

## News

On 2 November 2020, Moneyval presented its [fifth round evaluation report](#) on Georgia. However, there are deficiencies in the identification, in-depth analysis, and understanding of some specific threats, vulnerabilities, and risks, e.g.:

- The use of cash in the economy;
- The real estate sector;
- Trade-based ML/TF (including in free industrial zones of Georgia);
- The activities of legal persons;
- The use of non-profit organisations.

The existing exceptions regarding the application of the FATF Recommendations are not tailored to strictly limited and justified cases and are either not supported by any risk assessment or do not correspond to the results of the national risk assessment. Proactive disclosure of information by the Financial Intelligence Unit is an important source for initiating investigations into ML/TF cases. However, the impact of disclosure is limited by significant restrictions on the financial information that law enforcement can obtain at all.

Potential ML cases are not adequately detected and the total number of investigations is modest compared to the scale of predicate offenses in the country. Nevertheless, when potential ML cases are detected, they are effectively investigated using a range of techniques, mainly by the AML Division of the Attorney General's Office (GPO). This has resulted in the successful resolution of several cases involving high-asset values and complex factors.

The prosecution of ML cases only partly reflects prevailing criminal trends and threats. As there are no legal or structural obstacles to prosecuting ML cases, however, there have been convictions for all types of ML. Nevertheless, the number of convictions in complex ML cases and in cases involving legal entities remains low.

Fighting TF has been well integrated into counter-terrorism strategies and investigations. TF is generally investigated and prosecuted quite effectively using a range of investigative methods. There have been two TF prosecutions involving different types of TF activities, resulting in multiple convictions. If a conviction is not possible, alternative measures are also used to good effect.

Georgia has a new legislative framework for implementation of the UN Security Council Resolutions on targeted financial sanctions with respect to TF and proliferation financing, but it is still not in line with the notion of "implementation without delay". Despite having convicted persons for terrorism and TF, Georgia has not listed any terrorists or terrorist organisations for the assessment period.

### AUTHOR

**András Csúri**

Vienna University of Economics and Business

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The knowledge level of the risks highlighted in the national risk assessment and/or outlined in the AML/CFT law and guidance notes was generally good among financial institutions. However, the overall risk posed by the high level of cash in circulation in the country has been underestimated. Significant gaps were also found in the application of customer due diligence measures by most designated non-financial businesses and professions and by the National Agency of Public Registry for the real estate sector.

The National Bank of Georgia and the Insurance State Supervision Service oversee most financial institutions and have a comprehensive understanding of sectoral and individual institution risks. They apply robust “fit and proper” entry examinations to such institutions and conduct ongoing reviews of licensing requirements.

Although casinos pose the highest ML/TF risks in the country, the Ministry of Finance does not conduct AML/CFT supervision of casinos in practice. There are also technical deficiencies in licensing requirements, which seriously undermine the effectiveness of these requirements in preventing criminals or their associates from controlling or managing a casino. According to the report, the application of “fit and proper” entry controls, among other non-financial measures, is inconsistent. In addition, the level of AML/CFT oversight is inadequate and uneven. As a result, the low level of reporting of suspicious transactions remains a problem.

Setting up a legal entity in Georgia is straightforward, and all information required for registration is publicly available. The authorities have not demonstrated effective identification and analysis of threats and vulnerabilities related to ML and TF through such entities, although it is widely known that the use of “fictitious” limited liability companies in criminal schemes poses a significant ML risk. The mechanisms available in practice to obtain information on beneficial ownership of legal entities established in Georgia do not provide adequate, accurate, and up-to-date information in all cases. Georgia has mechanisms in place to effectively engage in international cooperation, and its authorities have cooperated with a variety of foreign jurisdictions to provide and obtain information through both formal and informal channels.

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