



ნოდია, ურუმაშვილი და პარტნიორები NODIA, URUMASHVILI & PARTNERS

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1. New law of Georgia on "Transparency of Foreign Influence"

On June 3, 2024, the Parliament of Georgia adopted the law on "Transparency of Foreign Influence". The mentioned law applies to the following subjects:

- non-entrepreneurial (non-commercial) legal person that is not established by an administrative body, that is not the National Sports Federation of Georgia as provided for by the Law of Georgia on Sports, or a blood establishment as provided for by the Law of Georgia on the Quality and Safety of Human Blood and Its Components, and the source of more than 20 % of the total income of which during a calendar year is a foreign power;
- a broadcaster provided for by the Law of Georgia on Broadcasting, the source of more than 20 % of the total non-commercial income of which during a calendar year is a foreign power;
- a legal person, which alone or jointly owns print media operating in Georgia, and the source of more than 20 % of the total non-commercial income of which during a calendar year is a foreign power;
- a legal person, which alone or jointly owns and/or uses a domain and/or web hosting designated for digital media disseminating mass information in the official language of Georgia, and the source of more than 20 % of the total non-commercial income of which during a calendar year is a foreign power.

The law defines the meaning of "foreign power", which for the purposes of the mentioned law is defined as follows:

- an entity within the government system of a foreign state;

- a natural person who is not a citizen of Georgia;
- a legal person that has not been established under the legislation of Georgia;
- an organizational entity (including a foundation, an association, a corporation, a union, or other type of organization) or other form of association of persons, which has been established under the law of a foreign state and/or international law.

"Organization pursuing the interests of a foreign power" is the main object of the aforementioned law, which, if it meets the criteria established by the law as of 2023, is obliged, within 1 (one) month, 60 (sixty) days after the entry into force of the relevant Clause, to submit to the Legal Entity under Public Law (LEPL) called the National Agency of Public Registry operating under the governance of the Ministry of Justice of Georgia through the LEPL Public Service Hall, a written application, in tangible form, regarding registration as an "organization pursuing the interests of a foreign power." As for organizations that meet such criteria for the period of 2024, they should register in January 2025.

After the submission of the application in material form by the subject, the Agency shall, within 2 (two) working days, grant the said entity access to the appropriate website, so that the entity is able to fill in electronically a statement for registration as an organization pursuing the interests of a foreign power ('the statement') in observance of the form established by the Minister of Justice of Georgia, and submit it to the Agency.

The Agency shall, within 2 (two) working days, grant the said entity access to the appropriate website, so that the entity is able to fill in electronically a statement for registration as an "organization pursuing the interests of a foreign

power” in observance of the form established by the Minister of Justice of Georgia, and submit it to the Agency.

The entity shall, within 10 (ten) working days after being granted access to the website, fill in the statement electronically, in observance of the form established by the Minister of Justice of Georgia, and submit it to the Agency.

The registrant shall provide the following information (if any) in the statement, which is at the same time the entity’s financial declaration:

- the registrant’s identification data;
- the address of the registrant’s location;
- the registrant’s website address;
- information about the source, amount and purpose of any sum of money and other tangible goods of tangible value received by the registrant during the preceding calendar year;
- information about the amount and purpose of any sum of money spent by the registrant during the preceding calendar year;
- the date of filling in the statement.

According to the law, a person authorized by the Ministry of Justice of Georgia shall, within 30 (thirty) working days after the submission of the statement to the Agency, examine and inquire into the statement. In order to examine the application, a person authorized by the Ministry of Justice of Georgia has the right to obtain the necessary information in compliance with law, including the data provided for by Article 3(b) of the Law of Georgia on Personal Data Protection (special categories of data – data connected to a person’s racial or ethnic origin, political views, religious, philosophical or other beliefs, membership of professional unions, health, sexual life, status of an accused, convicted or acquitted person or a victim in criminal proceedings, conviction, criminal record,

diversion, recognition as a victim of trafficking in human beings or of a crime under the Law of Georgia on the Elimination of Violence against Women and/or Domestic Violence, and the Protection and Support of Victims of Such Violence, detention and enforcement of his/her sentence, or his/her biometric and genetic data that are processed to allow for the unique identification of a natural person), other personal data, and information containing a secret (except for a state secret as provided for by the legislation of Georgia). All persons, bodies, organizations, and institutions, which are requested by a person authorized by the Ministry of Justice of Georgia to submit such information, shall immediately provide him/her with such information that is available to them.

If the entity meets the criteria for “organizations pursuing the interests of a foreign power”, and the statement is correctly and completely filled in, the Agency shall, within 30 (thirty) working days after the statement has been submitted to it, register the entity as an “organization pursuing the interests of a foreign power” and enter its registration in the registry of “organizations pursuing the interests of a foreign power”.

If the statement is filled in incorrectly and/or incompletely, the Agency shall determine a timeframe of 10 (ten) working days for the registrant to remedy the shortcoming. The registrant is obliged to remedy the shortcoming within the said timeframe. If the registrant meets the criteria established in Law for “organizations pursuing the interests of a foreign power”, the Agency shall, within 5 (five) working days after the expiry of the said timeframe, register the entity as an “organization pursuing the interests of a foreign power”, and enter its registration in the registry of “organizations pursuing the interests of a foreign power”.

Notably, the rules for the registration of an entity as an "organization pursuing the interests of a foreign power", and for keeping the registry of "organizations pursuing the interests of a foreign power", as well as the form of the statement, is determined by the Minister of Justice of Georgia.

According to law, the registration of an entity as an "organization pursuing the interests of a foreign power" and the entry of its registration in the registry of "organizations pursuing the interests of a foreign power" is free of charge and the statement and the application provided in this Law is publicly available.

Along with the obligation to register, entities classified as "organization pursuing the interests of a foreign power" are also mandated to submit financial reports and relevant information.

Within the framework of submitting financial reports, entities that meet the criteria of an "organization pursuing the interests of a foreign power" as defined by law, are required to annually disclose in their statements the amount of money received and spent during the previous calendar year, as well as other sources of material goods of property value and their purposes.

Within the framework of submitting information, in order to identify "organization pursuing the interests of a foreign power" or to check compliance with any of the requirements of the Law, a person authorized by the Ministry of Justice of Georgia shall have the right to carry out, at any time, monitoring, namely the appropriate examination of and enquiry into the matter.

For this purpose, any organization meeting the legal criteria, and any individual, who possesses the information requested by a person authorized by the Ministry of Justice of Georgia,

is obligated to immediately provide the requested information.

Failure to comply with aforementioned legal obligations, including evasion of registration as an "organization pursuing the interests of a foreign power" when required by law, will result in monetary fines ranging from 5,000 (five thousand) to 25,000 (twenty-five thousand) GEL, depending on the severity of the violation.

Additionally, the law mandates that the relevant bodies and officials adopt and issue the subordinate acts necessary for the implementation of this law and ensure their compliance with its provisions.

2. New law of Georgia on "Patent Attorneys of Georgia"

On May 15, 2024, the Parliament of Georgia adopted the law on "Patent Attorneys of Georgia". This law outlines the qualifications needed to become a patent attorney in Georgia, the legal steps for registration and obtaining patent attorney status, and explains the main principles, powers, and duties of patent attorneys in Georgia.

Since the concept of a "patent attorney" is relatively recent in Georgia's legal landscape, existing legislation lacked guidelines on obtaining patent attorney status, registration requirements, continuing professional development, client relations, and other key aspects of their practice. Hence, the new law on "Patent Attorneys of Georgia" specifically addressed and regulated latter previously ungoverned issues.

In accordance with this law and the order of the Chairman of the National Center of Intellectual Property ("Sakpatenti") established a registry ("Registry") of patent attorneys. Being registered in the mentioned registry qualifies an individual as a patent attorney, either with a

general specialization, or specializing in trademarks, subject to meeting the criteria specified by law. Registration also binds patent attorneys to their rights and responsibilities.

The law distinguishes between general specialization and trademark specialization patent attorneys. A general specialization allows a person to represent clients in all areas of intellectual property, while a trademark specialization permits representation and consulting services specifically in trademarks, design, designations of origin, and geographical indications.

To ensure that an individual possesses the theoretical knowledge and practical skills necessary for representation in the field of intellectual property, a qualification exam is held at least once every 2 (two) years in the state language of Georgia. Admission to this exam requires a fee of GEL 250 (two hundred and fifty).

According to the law, upon successfully passing the qualification exam, the individual receives a certificate confirming the passing of the qualifying exam. The individual shall then apply for registration in the Registry within 5 (five) years of obtaining the certificate; failure to do so will result in the expiration of the certificate.

Within 15 (fifteen) working days of registration in the Registry, the individual will be issued a patent attorney's certificate, for which a fee of GEL 100 (one hundred) is required. Additionally, within 2 (two) months of registration, the patent attorney shall submit to the association of patent attorneys the documents confirming their mandatory professional liability insurance (insurance contract and policy).

One of the key innovations of this law is the requirement for patent attorneys to engage in continuous professional development. This involves deepening the knowledge necessary

for their professional activities and continuously improving their skills.

Patent attorneys are required to dedicate a minimum of 10 (ten) academic hours to continuing professional education every two years. Moreover, they shall maintain documentation verifying their continuing education for the following 3 (three) years.

The law also outlines the obligations and responsibilities of patent attorneys concerning their insurers, including the requirement for mandatory professional liability insurance. It mandates the protection of professional secrecy, specifying situations where a patent attorney is permitted to disclose information obtained during their professional activities.

Additionally, the law addresses conflicts of interest for patent attorneys. It stipulates that individuals who have worked at Sakpatenti in the 24 (twenty-four) months preceding their authority cannot become patent attorneys. A general obligation is established, requiring patent attorneys to act in the best interests of their clients. Patent attorneys shall refuse to represent a client if they have previously provided services to the opposing party in the same matter.

The law defines the rules for the establishment, operation, supervision, admission, and suspension or termination of membership in the Association of Patent Attorneys.

According to the law, the main goals of the association are to promote the protection of intellectual property rights, safeguard the rights, professional freedom, interests, and independence of patent attorneys, increase public awareness and confidence in the patent attorney profession, and encourage ongoing professional education.

To join the Association of Patent Attorneys, individuals must submit an application within 1 (one) month of their registration in the Registry. The law also specifies the circumstances under which a member's status may be suspended or terminated.

Additionally, the law outlines disciplinary proceedings for patent attorneys. Depending on the nature of the breach, disciplinary actions can include a warning, suspension of association membership for 6 (six) months to 3 (three) years, or termination of membership.

3. Amendments to the "Patent Law of Georgia"

On May 15, 2024, several amendments were made to the "Patent Law of Georgia", which will come into effect on January 1, 2025.

One of the significant amendments was made to the definitions within the law, specifically adding the term "applicant" to include any natural or legal person requesting a patent or certificate. Additionally, the definition of "patent attorney" now aligns with the meaning defined by the Law on Patent Attorneys of Georgia.

The National Intellectual Property Center of Georgia ("Sakpatenti") has been granted the authority to establish private legal entities. In accordance with this amendment, these entities will pursue their goals independently or in collaboration with others, as agreed with the Government of Georgia, following the procedures established by Georgian legislation.

An amendment was also made to the conflict-of-interest regulations. It is now prohibited for individuals to act as representatives if they have worked in the Sakpatenti department responsible for application examinations within the last 24 (twenty-four) months, instead of the previous 12 (twelve) month restriction. However,

this prohibition does not apply to individuals who were interns at Sakpatenti during the 24 (twenty-four) months prior to their representation.

4. Amendments to the Resolution No. 404 of the Government of Georgia, dated August 18, 2016, concerning the Approval of the Document Legalization Procedure

On June 24, 2024, amendments were made to Resolution No. 404 of the Government of Georgia, dated August 18, 2016, regarding the Legalization Procedure for Documents. The amendment specifically revises the list of documents that require legalization.

Under the amendment, documents issued by the Ministry of Education, Science, and Youth of Georgia, its affiliated bodies, and educational institutions within their authorized scope are now subject to legalization. This includes certificates of professional training and retraining programs issued by entities not recognized as educational institutions under law of Georgia on Vocational Education, along with their appendices.

Additionally, the amendment updates the list of documents exempt from legalization. It specifies that documents issued by institutions (excluding medical and educational ones) and legal entities not recognized as educational institutions under the Law on Vocational Education of Georgia, pertaining to professional training and retraining programs, are exempt from legalization requirements.

5. Amendments to the Resolution No. 405 of the Government of Georgia, dated August 18, 2016, which outlines the Procedure for Certifying Documents with an Apostille

As of June 24, 2024, amendments were made to the Procedure for Certifying Documents with an Apostille. The amendment specifies that documents issued by the Ministry of Education, Science, and Youth of Georgia, including its affiliated bodies, and documents issued by educational institutions within their authorized jurisdiction, are eligible for apostille certification.

Furthermore, the amendment delineates the documents exempt from apostille certification. It clarifies that documents issued by private legal entities (excluding medical and educational institutions) and entities not recognized as educational institutions under Georgia's Law on Vocational Education, pertaining to vocational training and retraining programs, along with their appendices, are exempt from apostille certification requirements.

6. Amendments to the law of Georgia "On Facilitating the Prevention of Money Laundering and the Financing of Terrorism"

With the amendments to the law, "reasonable doubt" was defined, which, according to the law, is a combination of information, facts, and/or circumstances that objectively lead the accountable person to suspect that the transaction was prepared or concluded based on illegally obtained property or the income derived from such property and/or for the purpose of money laundering, or is related to the financing of terrorism. This doubt could not

be dispelled as a result of the implementation of preventive measures.

With the amendments, it is additionally specified in the rules for establishing preventive measures by the accountable person that the accountable person must obtain a document on creating a trust when implementing preventive measures against a trust or an equal legal structure subject to trust. Furthermore, the amendments specify that the organizer of a lottery, gambling, or winning games is obligated to connect the information obtained as a result of these events with the information about the transactions carried out during the implementation of preventive measures.

The amendments to the law concern the rules for establishing a relationship with a third party or intermediary during the implementation of preventive measures. Specifically, before establishing a business relationship, an accountable person must assess and determine the risk of relying on a third party or intermediary and ensure that the third party or intermediary has the appropriate capabilities to implement preventive measures and comply with the obligations of information (document) storage in accordance with the recommendations of the Financial Action Task Force (FATF).

The law has amended the definition of the transfer of a convertible or virtual asset. The person carrying out the transfer must be designated as at least one virtual asset service provider or other financial institution acting on behalf of either the transferor or the receiver of the virtual asset. This entity must have the authority to provide virtual asset services as granted by the legislation regulating such activities.

Regarding the obligation to submit information to the Service, it was additionally determined that upon detection of a suspicious and/or

unusual transaction, the National Public Registry Agency is required to submit a report related to the said transaction to the Service before registering the right provided for in this transaction.

If the Service does not issue an instruction to suspend the transaction within 24 (twenty-four) hours of receiving the report, the National Public Registry Agency will proceed with the registration process and make an appropriate decision. As for suspicious and/or unusual transactions detected after the registration of the right, the National Public Registry Agency is obliged to submit a report related to such transactions to the Service on the day the transaction is detected.

It is imperative that the Service provides feedback on reports of suspicious and/or unusual transactions to the National Public Registry Agency no later than once per year.

7. Amendments in the field of Financial and Capital Markets

- **Resolution "On Approval of the State Program for Supporting the Capital Market"**

From April 8, 2024, Resolution "On the Approval of the State Program for Supporting the Capital Market," adopted by the Georgian government on March 28, 2024, came into force. The purpose of the program is to promote the development of small and medium-sized businesses in Georgia by stimulating the placement of securities. It includes two components: co-financing and technical assistance.

In accordance with the maximum volume and limits of co-financing within the co-financing component (as well as the right to use it multiple times within these limits), the program

provides for two types of co-financing of expenses. The first type covers costs related to obtaining a credit rating, paid or payable by the beneficiary to the rating company. The second type covers service fees payable by the beneficiary to the brokerage company.

The technical assistance component defines co-financing for training and/or relevant consulting services aimed at enhancing the knowledge required for issuing securities. The individual administrative-legal act of the director of the agency shall determine the eligibility criteria of entrepreneurial entities for inclusion in this component, the limits and volume of financing for the component, the payment methods, and other conditions.

The program is coordinated by the Ministry of Economy and Sustainable Development of Georgia, which also oversees the implementation of activities. Financing for beneficiaries is provided by the agency.

- The resolution defines the list of business entities that are not eligible for financing within the framework of the program. Such entities include those engaged in activities such as the production of weapons and ammunition, military and combat vehicles, operations of religious organizations, gambling activities, among others. Additionally, the resolution specifies the purposes for which funds raised from the issuance of debt securities cannot be used within the program, such as tobacco cultivation, gambling activities, wholesale trade in alcoholic beverages, and others. The resolution also outlines the program's budget, the amount allocated for expenditure financing, and its scope and limits.

- **Order No. 74/04 of the President of the National Bank of Georgia on March 29,**

2024 regarding the approval of the securitization regulatory rule

The aforementioned order defines the procedure for converting assets into securities, as well as the notification and submission of information regarding such securitization to the National Bank. It also outlines the authorization procedure and additional requirements for the special purpose entity of securitization, along with supplementary rules governing the liquidation of the authorized special purpose entity of securitization and its departments, among other provisions.

It should be noted that, in accordance with the regulatory framework for securitization, an applicant seeking authorization for a special purpose entity must submit the appropriate application form and the information/documentation specified in this framework to the National Bank.

- ***Amendments to Order No. 32/04 of March 9, 2021, on “The Approval of the Rules for Protection of Consumer Rights during the Provision of Services by Financial Organizations”***

According to the amendments, additional types of obligations have been defined for financial organizations. These include ensuring timely delivery of clear, understandable, and necessary information for decision-making to customers about the terms of financial products, including within the contracts to be signed or already signed with the customer. Furthermore, contractual conditions related to financial products now include obligations to specify whether there is a right of withdrawal from the contract, practical instructions for exercising this right, and other provisions.

It is crucial that under these changes, financial organizations are required to consider the

availability or absence of a right of withdrawal, the deadline for requesting this right, conditions for withdrawal, user obligations, and the calculation principles for the amount or property to be returned. Additionally, measures to be taken if the return does not occur within the specified time should be determined.

Additionally, the financial organization is required to prepare and document practical instructions for exercising the right to withdraw from the contract. These instructions must include details about the communication channels and addresses for sending messages to the financial organization from the customer's side. The organization determines these instructions independently.

Moreover, when offering a financial product and obtaining the customer's consent through remote communication, the financial organization must inform the customer about the availability or absence of the right to withdraw from the contract.

It should be noted that if the user exercises the right of withdrawal from a remote contract, the contract related to the remote contract, whether concluded with the financial organization or a third party based on the existing contract between the financial organization and the third party, is canceled. In such cases, the organization must promptly notify both the user and the third party about the cancellation of the related distance contract.

A 30-day period is provided within which the financial organization must refund to the customer the amount paid under the distance contract in full, or after deducting reimbursable costs. The same deadline is stipulated for the obligation for the customer to refund money in case of withdrawal to the financial organization.

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