



# **The Bulgarian approach on supervision of the insurance sector – how we do it on practice**

**March, 2016**

# How do we supervise?

- Who are the supervisory authorities?
  - The FIU (specific AML/CFT supervisor)
  - The Financial Supervision Commission (the prudential supervisor);
- Who can impose sanctions?
  - The FIU (for all AML/CFT violations);
  - The Financial Supervision Commission (for prudential violations, if the FSC identifies any AML/CFT violations they shall inform the FIU and the FIU should impose the relevant sanctions)
- How do we cooperate between ourselves?
  - MoU
  - Joint on-site inspections;

# How do we supervise?

- What are the benefits?
  - The FIU can apply unified approach to the sanctioning regime;
  - All the statistics are kept at one place;
  - The ML/CFT regime can be designed by following one single approach;
- What are the downsides?
  - The experts of the FIU should have relevant knowledge in high-number of different businesses;
  - In some cases the FSC is focusing only on prudential supervision;
  - The overreliance of the FIU in relation to the proper application of the AML/CFT regime;

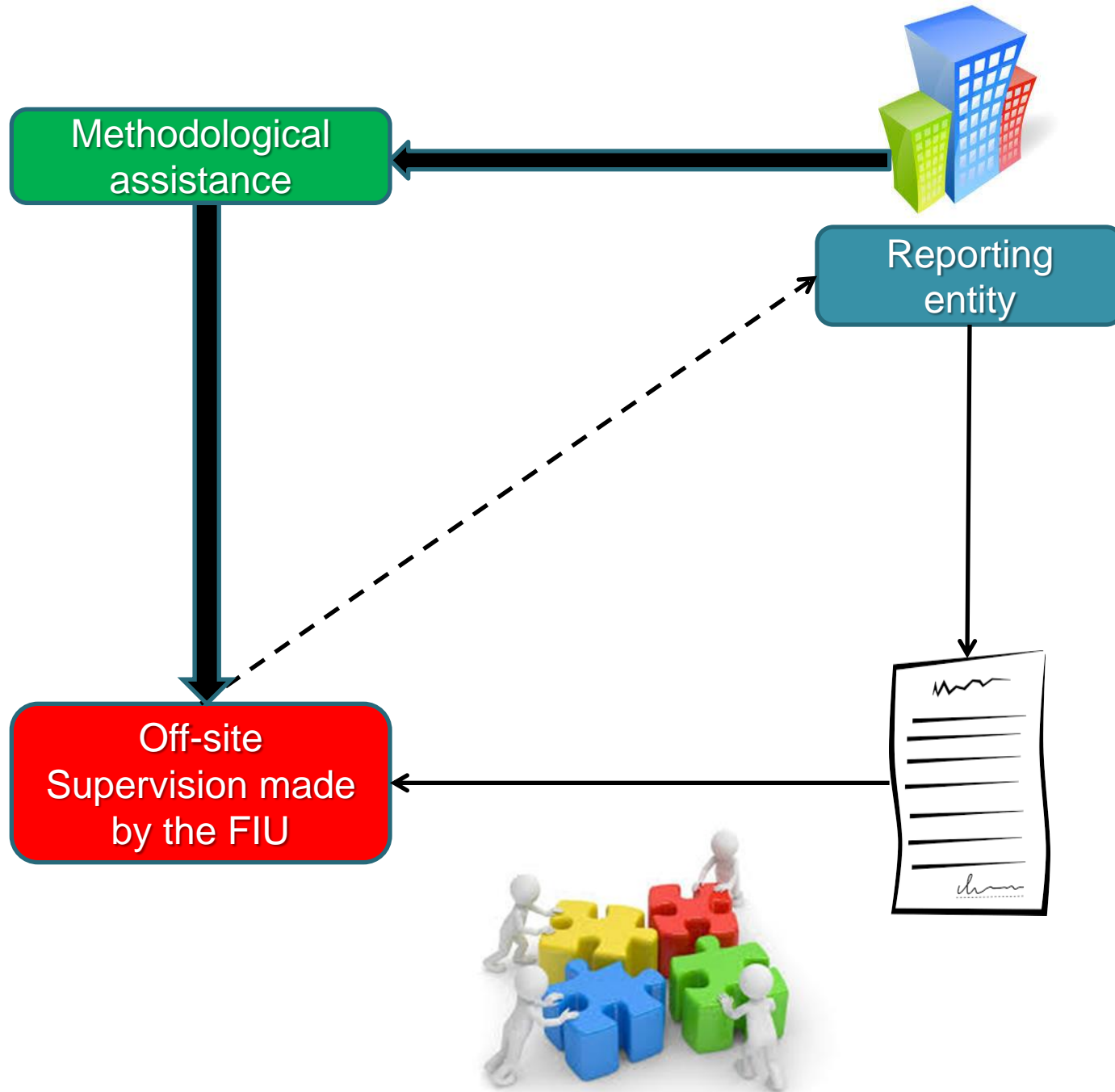
# How do we choose?

- List-based approach vs. risk-based approach.
- Annual and quarter risk-assessments.
- Factors to be considered (the size of the sector/the company, the level of compliance from previous inspections, the level of reporting, the level of threat, etc.)



# Off-site control

- Over the internal programs and procedures for prevention of ML/TF.
  - All reporting entities should have them;
  - Established/adopted by the management of the reporting entity;
  - Approved by the FIU;
- Methodological help;
  - For all reporting entities or for the separate categories of the reporting entities (in the website of the FIU and during the trainings);
  - After request received from specific reporting entity;





## On-site control (incidental)

- Covers certain period (usually for one year);
- Performed in relation to all AML/CFT obligations;
- Continues between one – two weeks;
- The team which performing the on-site inspection is not familiar with the name of the company which is going to be inspected only the category of the reporting entity;
- The reporting entity receives the order for on-site inspection during the first day;
- During the first day the team requests reference of the documents which shall be submitted (the type and the period);
- Subsequently, the team requests specific documents;

## On-site control (incidental)

- After the on-site, a protocol of the main findings shall be established;
- In the protocol the positive and the negative findings should be provided;
- The protocol shall be delivered to the reporting entity;
- Based on the protocol of findings a statement for establishment of administrative infringement/s pursuant to LMML and LMFT as well as draft of penal order/s shall be prepared.
- The reporting entity can comment over the statement for establishment of administrative infringement/s.
- Every violation is subject to separate sanction.



## On-site control (incidental)

- All administrative sanctions are subject to court control performed by competent administrative court in accordance with the Administrative Procedure Code;
- Sanctions are not subject to publication. However, they are part of the annual report of the FIU;
- The FIU in its subsequent control is verifies how the established violations have been resolved.



# Other type of on-site inspections

- **Thematic**
  - Performed only for certain part of the AML/CFT regime;
  - Covers shorter period of time;
  - Performed on the principles as the incidental control;
- **Based on request from law enforcement authority**
  - Performed only for certain transaction/deal or client;
  - Covers shorter period of time;
  - Performed on the principles as the incidental control;





**Thank you for your attention!**