SELECT COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES (PC-R-EV)

MONEYVAL(2018)11

Bulgaria

1st Compliance Report[1]

3 July 2018

[1] Exit Compliance Enhancing Procedures Report.

Bulgaria is a member of MONEYVAL. This Report from Bulgaria under step 1 of the Compliance Enhancing Procedures was adopted at MONEYVAL's 56th Plenary Meeting (Strasbourg, 3-7 July 2018). For further information, please refer to MONEYVAL website: http://www.coe.int/moneyval .

LIST OF ACRONYMS

AML/CFT	Anti Money Laundering/Countering Financing of Terrorism
C	Compliant
CC	Criminal Code
CEPs	Compliance Enhancing Procedures
DNFBP	Designated Non-Financial Businesses and Professions
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
LC	Largely compliant
LEA	Law Enforcement Agency
LMFT	Law on Measures against Financing of Terrorism
LMML	Law on Measures against Money Laundering
LPSPS	Law on Payment Services and Payment Systems
MER	Mutual Evaluation Report
ML	Money Laundering
OFAC	Office of Foreign Assets Control (US Department of the Treasury)
PC	Partially compliant
SELEC	*Southeast European Law Enforcement Centre*
SR	Special recommendation
STRs	Suspicious transaction reports
TF	Terrorism Financing
UN	United Nations
UNSCR	United Nations Security Council resolution
UNSCC	Sanctioning policy of the European Union

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Introduction

1. The purpose of this paper is to analyse Bulgaria's first compliance report under MONEYVAL's Compliance Enhancing Procedure (CEPs).

2. Following the adoption of the 4th round MER in September 2013, Bulgaria was placed in regular follow-up. Since then, Bulgaria submitted in total four follow-up reports (in September 2015, September 2016, May/June 2017 and December 2017 respectively). At the most recent occasion, in December 2017, Bulgaria applied for removal from the 4th round of mutual evaluations.

3. The secretariat analysis of Bulgaria's fourth follow-up report in December 2017 concluded that, despite positive steps undertaken, some deficiencies with regard to one core recommendation (SR.II) and one key recommendation (R.3) were still in place. Consequently, the requirements had not yet been met by Bulgaria for a removal from the 4th round of mutual evaluations under Rule 13, paragraph 10 of MONEYVAL's 4th round rules of procedure. This provision requires the demonstration of an effective AML/CFT system through the implementation of the core and key recommendations at the level of or at a level essentially equivalent to a "compliant" (C) or "largely compliant" (LC).

4. While the authorities reported in December 2017 that they were in the process of finalising draft amendments to the Criminal Code aimed at rectifying the above-mentioned deficiencies under SR.II and R.3, those amendments were still pending at the time. The Bulgarian delegation informed the 55th Plenary that the legislative process was at an advanced stage, awaiting the adoption by Parliament, without however providing a concrete date for their adoption. Consequently, the 55th Plenary found that Bulgaria was not yet in a position to exit the follow-up procedure. Whilst the country was encouraged to complete the legislative process as soon as possible, the Plenary - mindful of Rule 13, paragraph 6 of the MONEYVAL 4th round Rules of Procedure and the fact that more than four years had passed since the adoption of Bulgaria's 4th round MER - decided to apply Step 1 of the CEPs. Bulgaria was invited to report back at the 56th Plenary with a compliance report. According to Rule 14, paragraph 2.1 of MONEYVAL's 4th round rules of procedure, Step 1 of the CEPs provides that MONEYVAL invites – by letter of its Chairman - the Secretary General of the Council of Europe to send a letter to the relevant minister of the state or territory concerned, drawing his/her attention to the non-compliance with the reference documents and the necessary corrective measures to be taken.

5. The amendments to Bulgaria's Criminal Code were adopted (through the "Law Amending and Supplementing the Criminal Code") shortly after the Plenary and promulgated on 19 December 2017. Upon reception of an English translation of the amendments in January 2018, the MONEYVAL Secretariat undertook a preliminary analysis of the amendments and concluded that they indeed addressed the outstanding deficiencies to a large extent. After consultation with the MONEYVAL Bureau, it was decided that the letter by the Chairman to the Secretary General (as required by Step 1 of CEPs) would explain the particular situation, namely that the deficiencies the Secretary General was invited to draw attention to the Bulgarian government would have been already addressed by the time such a letter was sent. The Chairman sent this letter to the Secretary General on 23 January 2018. By reply letter of 20 February 2018, the Secretary General replied to the Chairman that, in light of the particular circumstances that the outstanding deficiencies appeared to have meanwhile been addressed, he had used his discretion to exceptionally refrain from writing such a letter to the competent Bulgarian minister(s). Both letters are available in the "Chairman's correspondence"-document for the present Plenary (MONEYVAL56(2018)INF3.1, pages 11-12). On 26 April 2018, Bulgaria formally submitted its first compliance report on which the present analysis is based.

6. On a general note concerning all fourth-round follow-up and compliance reports: the procedure is a paper desk-based review, and thus by nature less detailed and thorough than a MER. Effectiveness aspects can be taken into account only through consideration of data and information provided by the authorities. It is also important to note that the conclusions in this analysis do not prejudge the results of future assessments, as they are based on information which was not verified through an on-site process and was not, in all cases, as comprehensive as it would have been during a mutual evaluation.

Special Recommendation II (Criminalisation of terrorist financing)

7. Special Recommendation II (SR.II) was rated PC in Bulgaria's 4th round MER. Bulgaria criminalises its terrorism offence in Article 108a, paragraph 1 of the Criminal Code, while the FT offence is criminalised under paragraph 2 of that provision. Since the 2013 MER, the authorities had already addressed a number of deficiencies which were discussed in the secretariat analyses of September 2016 and May/June 2017.[2] These included: that the FT offence now extends to funds which are to be used in full or in part; that the collection or provision of property of funds for the use by an individual terrorist or terrorist organisations is criminalised, without the necessary intention that they are used in the commission of a terrorist act; and the introduction of a liability for legal person at least on a "quasi-criminal level". Moreover, Bulgaria criminalised the financing of recruitment and training for terrorism (as required under R.5.2.*bis* of the 2012 FATF standards) as well as a number of related criminal offences.

8. The above analyses, as well as the latest analysis in December 2017, however reiterated that a number of deficiencies remained, which related to the criminalisation of all offences listed in the Annex to the FT Convention as well as the purposive element of the terrorism/FT offence.

9. With regard to the criminalisation of all offences listed in the Annex to the FT Convention, the missing offences concerned the "Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents", the "Convention on the Physical Protection of Nuclear Material", the "Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation", the "Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation" and the "Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf". The following table gives an overview of progress made by Bulgaria with regard to the criminalisation of the offences contained in these international treaties which had not been covered at the time of the adoption of the 4th round MER (for more details, please see pp. 4-14 of Bulgaria's compliance report):

Treaty	**Article 108a Criminal Code (FT offence) covering the treaty offences in the Bulgarian Criminal Code (CC) by reference to the following offences**	**Deficiency covered through the amendments of the Criminal Code in December 2017**
Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents	The FT offence now covers the financing of any other attack upon a person or liberty; a violent attack upon the premises, a private accommodation, or the means of transport, or a threat to commit any such attack (Articles 142a, para. 3; Article 144, para. 2; Article 170, para. 3 CC. Only "murder" (Article 116 CC) is not explicitly covered, but would fall under the wide definition of "attack upon a person".	Mostly covered
Convention on the Physical Protection of Nuclear Material	The FT offence now covers: 1. The financing of an act which constitutes the disposal of nuclear material and which is likely to cause death or serious injury to a person or substantial damage to property or the environment (Article 356f CC); 2. An act without lawful authority which constitutes the receipt, possession, use, transfer, disposal or dispersal of nuclear material which causes or is likely to cause death or serious injury to any person or substantial damage to property or to the environment (Article 356k CC).	Covered

[2] For more details, see the secretariat analysis of 29 September 2016 (MONEYVAL(2016)21rev2_ANALYSIS, in particular paras. 18-25); May/June 2017 (MONEYVAL(2017)21rev2_ANALYSIS, in particular paras. 19-27) and December 2017 (MONEYVAL(2017)26_ANALYSIS, in particular paras. 8-11).

Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation	The FT offence now covers: 1. The financing of any act of using a device, substance or weapon destroying or seriously damaging the facilities of an airport or an aircraft, or disrupting the services/safety of the airport (Article 40 CC); 2. The financing of any act of using a device, substance or weapon performing an act of violence against a person at an airport which causes or is likely to cause serious injury or death (Article 341a CC).	Covered
Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf	The FT offence now covers the financing of: 1. Destruction of or causing damage to a fixed Platform (Article 340, para. 3 CC); 2. Seizure or control of a fixed platform by force or threat (Article 341b, para. 1 CC); Placement of a device or substance to destroy a platform, or acts of violence against persons on a fixed platform to endanger its safety (Article 341c CC).	Covered
Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation	The FT offence now covers the financing of: 1. Destruction of or causing damage to a ship or its cargo (Article 340, para. 1); 2. Seizure or taking control of a ship by force or threat (Article 341b CC); 3. Placement on a ship of a device which is likely to destroy the ship; destruction of navigational facilities or interference with their operation acts of violence; communication of information which that person knows to be false, thereby endangering the safe navigation of a ship; act of violence against a person on board of a ship if that act is likely to endanger the safe navigation of that ship (Article 341c CC); 4. In a manner that causes or is likely to cause death or serious injury or damage - use against or on a ship or discharge from a ship of any explosive, radioactive material or BCN weapon; discharge from a ship of oil, liquefied natural gas, or other hazardous or noxious substance; use of a ship; transportation on board of a ship of any explosive or radioactive material, any BCN weapon, any source material, special fissionable material, or equipment or material especially designed or prepared for the processing, use or production of special fissionable material, any equipment, materials or software or related technology that significantly contributes to the design, manufacture or delivery of a BCN weapon (Article 341c CC); 5. Financing the offence of endangering the safe navigation of a ship by destroying or damaging maritime navigational facilities or interfering with their operation (Article 340, para. 3 CC).	Covered
International Convention for the Suppression of Terrorist Bombings	Article 2 of the Convention requires the criminalisation of the unlawful and intentional delivery, placement, discharging or detonation of an explosive or other lethal device in, into or against a place of public use, a State or government facility, a public transportation system or an infrastructure facility. The Bulgarian authorities maintain that the criminalisation of the financing of these acts is	Not fully covered

	ensured in their CC through the reference in the FT offence (Article 108a) to several provisions mentioned above, including Article 330, Article 333, Article 336a, Article 341a and Article 341c. However, the secretariat is of the opinion that the above provisions do not fully capture the requirements of Article 2 of the Convention, as they only relate to the explosion of buildings, machines, forests, property of substantial importance, fixed platforms, aircrafts and ships. The offences do not fully capture places of public use, transportation systems and infrastructure facilities (other than ships and aircrafts) within the meaning of Article 2 of the Convention. Hence the requirements for this Convention are not fully covered.	

10. The above table demonstrates that, out of the remaining criminal offences required by six conventions for which Bulgaria had not yet fully aligned its FT offence with, four have now been covered, one has been mostly covered and one has not yet been fully covered.

11. With regard to the purposive element, Article 108a, paragraph 1 of the Criminal Code required the commission for the purpose of "threatening/forcing a competent authority, a member of the public or a representative of a foreign state or international organisation to perform or omit whatsoever *in the circle of his/her functions*" (Emphasis added). This restrictive element has now been removed through the amendments to the Criminal Code in December 2017 which simply refers to "*to perform or omit the performance of any act*". However, the deficiency identified in the 4th round MER[3] remains that the purposive element also relates to the acts listed in the nine Conventions and Protocols to the FT Convention, which should not contain a reference to such intentional element.[4]

12. In light of the above and previous analysis, Bulgaria has addressed in the past years most deficiencies identified under SR.II in the 4th round MER. Some deficiencies remain, such as the lack of criminalisation of the financing of a small number of offences listed in the nine Conventions and Protocols to the FT Convention, as well as the fact that the purposive element still relates to the financing of these offences. These deficiencies had not been addressed in the recent amendments to the Criminal Code. Bulgaria is urged to address them as soon as possible and, at the latest, before MONEYVAL's 5th round mutual evaluation of Bulgaria. Despite these deficiencies, the secretariat considers that Bulgaria has meanwhile addressed most recommended actions on SR.II from the 4th round MER and thus brought the level of compliance with SR.II at least to a level of "largely compliant".

Recommendation 3 (Confiscation and Provisional Measures)

13. Bulgaria was rated "partially compliant with R.3 in its 4th round MER. The country addressed the deficiencies stated in the 4th round MER as follows:

Deficiency 1 - *lack of criminalisation of some predicate offences (i.e. market manipulation and insider trading) and limitations this may impose to seizure and confiscation*

14. The above-mentioned criminal offences were introduced through the amendments to the Criminal Code (Articles 260a, 260b and 260c) in December 2017, which has sufficiently addressed the deficiency.

[3] 4th round MER of Bulgaria (MONEYVAL(2013)13, para. 213).

[4] However, see in this regard the FATF Guidance "Criminalising Terrorist Financing (Recommendation 5)" of October 2016 (para. 17): "In some legal systems, the TF offence applies a purposive element to all the relevant conduct, including treaty offences; but a terrorist purpose can be inferred from the nature of these actions themselves, and need not be demonstrated separately by prosecutors."

Deficiency 2 - *The seizure and confiscation measures should be extended to the instrumentalities used and intended for use in the commission of ML and FT, and to the object of the ML crime, in cases where the assets do not belong to the culprit charged with the laundering offence.*

15. As previously discussed in the Secretariat analysis of 31 May 2017 (MONEYVAL(2017) 21rev2_ANALYSIS, para. 28), the authorities had provided decisions from various domestic courts, dating from the period 2015-2016, which demonstrated that confiscation measures were achieved with regard to the object of ML crimes belonging to a third person (other than the culprit). However, the deficiency remains that instrumentalities belonging to third persons cannot be confiscated expressly under Bulgarian law. The authorities are strongly encouraged to fully address this deficiency by the time of the 5th round mutual evaluation.

Deficiency 3 – *The authorities are recommended to take legislative measures in order to include a definition of property, which is subject to security measures and confiscation.*

16. In March 2018, Bulgaria's new *Law on Counter-Corruption and Unlawfully Acquired Assets Forfeiture*, which provides for a definition of property with regard to security measures and confiscation. The definition relates to "any kind or property, whether tangible or intangible, movable or immovable, limited real rights, as well as legal instruments providing the right of ownership or other rights to property". Hence this deficiency has been fully addressed.

Deficiency 4 - *Distinct provisions and adequate procedures for protection of the rights of* bona fide *third parties should be included in the legislation.*

17. The deficiency which concerns the protection of *bona fide* third parties has not triggered further legislative changes. As stated in the previous analyses of September 2016 and May/June 2017, the arguments of the authorities were that this had been sufficiently covered by the *Law on Forfeiture to the Exchequer of Unlawfully Acquired Assets* (Articles 64, 67 and 91), while case-law also confirmed that such approach brought their protection to a satisfactory level.

Conclusion on R.3

18. In light of the above and previous analyses, Bulgaria has addressed in the past years – and since the last Plenary through amendments to the Criminal Code in December 2017 and a new definition of "property" for the purposes of confiscation in the *Law on Counter-Corruption and Unlawfully Acquired Assets Forfeiture* of March 2018 in particular - a number of deficiencies identified under R.3 in the 4th round MER. While some deficiencies remain, Bulgaria is urged to address them as soon as possible and, at the latest, before MONEYVAL's 5th round mutual evaluation of Bulgaria. Despite these deficiencies, the secretariat considers that Bulgaria has meanwhile addressed most recommended actions on R.3 from the 4th round MER and thus has brought the level of compliance with R.3 at least to a level of "largely compliant".

Overall conclusion on Step 1 of CEPs with regard to Bulgaria

19. In light of Bulgaria's first compliance report, the country has undertaken measures since the 55th MONEYVAL Plenary in December 2017 which demonstrate that the application of Step 1 of CEPs have triggered measurable results in a very short time. With the entry into force of the amendments to the Criminal Code in January 2018 and the *Law on Counter-Corruption and Unlawfully Acquired Assets Forfeiture* in March 2018, Bulgaria has rectified a number of outstanding deficiencies under both R.3 and SR.II which has brought the level of compliance to a "largely compliance". However, Bulgaria is urged to address the outstanding deficiencies outlined in the present analysis before the 5th round of mutual evaluation, not least to be able to provide proper results on effectiveness with regard to these two recommendations. Overall, the secretariat considers that Bulgaria has sufficiently met the expectation of the 55th Plenary in December 2017. As a consequence, it is proposed that the Plenary lifts the application of CEPs with regard to Bulgaria at the present Plenary.

Whether to remove Bulgaria from the follow-up process of the 4th round of mutual evaluations

20. For a country to be removed from the follow-up process, Rule 13, paragraph 4 of MONEYVAL's 4th round rules of procedure requires that the country has effective anti-money laundering and combating the financing of terrorism (AML/CFT) system in force, under which the State or territory has implemented the core and key recommendations at a level essentially equivalent to a "compliant" (C) or "largely compliant" (LC). However, the Plenary may retain some limited flexibility with regard to those recommendations listed that are not core recommendations if substantial progress has also been made on the overall set of recommendations that have been rated "partially compliant" (PC) or "non-compliant" (NC).

21. As a result of the 4th round of mutual evaluation report of Bulgaria adopted by MONEYVAL in September 2013 was rated PC on 9 Recommendations, including two core[5] and three key[6] recommendations, as indicated in the table below:

Core Recommendations rated PC (no Core Recommendations were rated NC)
Recommendation 10 (Record keeping)
Special Recommendation II (Criminalisation of terrorist financing)
Key Recommendations rated PC (no Key Recommendations were rated NC)
Recommendation 3 (Confiscation and provisional measures)
Special Recommendation I (Implementation of United Nations instruments)
Special Recommendation III (Freeze and confiscate terrorist assets)
5 other Recommendations rated PC (no other Recommendations were rated NC)
Recommendation 11 (Unusual transactions)
Recommendation 12 (DNFBPs – R.5, 6, 8-11)
Recommendation 16 (DNFBPs – R.13-15 and 21)
Recommendation 24 (Regulation, Supervision and monitoring)

22. With the present document having already concluded that recent legislative amendments have brought R.3 and SR.II to a level of "largely compliant", the remaining core and key issues which were not yet at a level of at least "largely compliant" in the 4th round assessment were R.10, SR.I and SR.III. In this respect, the secretariat notes that the conclusion made at the 53rd Plenary in May/June 2017[7] had been that, in light of the progress made since the adoption of the 4th round MER in 2013, the rating for these three recommendations had meanwhile been brought to a level equivalent to "largely compliant". This analysis is replicated in the following.

R.10 (Record keeping)

23. The MER recognised several deficiencies with regard to R.10: that the record keeping requirements did not apply to all financial institutions; that the transaction records – the way they were kept - did not necessarily guarantee the proper reconstruction of a transaction; and that there was no

[5] The core Recommendations, as defined in the FATF procedures, are R.1, SR.II, R.5, R.10, R.13 and SR.IV.
[6] The key Recommendations, as defined in the FATF procedures, are R.3, R.4, R.26, R.23, R.35, R.36, R.40, SR.I, SR.III and SR.V.
[7] MONEYVAL(2017)4_ANALYSIS, paras. 14 *et seq*.

obligation to keep the records for more than 5 years, even if requested by the authorities or the FIU. Subsequently, the amendments to the *Law on Measures against Money Laundering* (LMML) were adopted and entered into force on 25 December 2012. However, they were not taken into account when the MER was adopted, given that the on-site visit took place two months before the amendments entered into force.

24. With regard to the requirement to apply record-keeping obligations to all financial institutions, the amendments to the LMML rectified this deficiency (Article 8 in conjunction with Article 3, paragraphs 2 and 3). The record-keeping obligation currently covers all reporting entities, including all financial institutions, and thus ensures compliance with this requirement under R.10.

25. Article 12 of the *Rules on the Implementation of the Law on Measures against Money Laundering* (RILMML) provides further instructions on gathering and storing the information. This includes the opening, maintaining and storing of files which compile information, documents and conclusions. These amendments entered into force in March 2013. Moreover, the aforementioned rules empower the director of the FIU to issue an obligatory instruction to the reporting entities on terms and conditions for the collection and storage of the information. The director of the FIU is therefore entitled to instruct a particular reporting entity (or categories of reporting entities) on how to store information as to enable the reconstruction of individual transactions. In practice, the FIU director requests the entities to amend their internal rules on control and prevention of money laundering and to introduce a different information collection and storage regime. Each reporting entity is obliged to have internal rules on control and prevention of money laundering by virtue of Article 16 of the LMML. The implementation of that rule, as well as the instruction given by the FIU director, is subject to the FIU's on-site inspections. Furthermore, when it comes to reporting obligations, the LMML (Article 13(3)) empowers the FIU and its director to require information, under specific terms, from the state and municipal authorities. Such request, as per virtue of the law, cannot be denied by these authorities. Additionally, the information requested shall be provided within the period set by the FIU. Such approach guarantees that all necessary documents would be provided to the FIU promptly, without delay and in line with the FIU's needs. Failure to comply with these requirements is subject to sanctions (Article 23 of the LMML). In addition, the FIU can submit this information to other competent authorities if they requested this. The amendments to the LMML empower the Director of the FIU to prolong the record-keeping period for financial institutions up to 7 years; such request should be made in writing (Article 8 of LMML).

Conclusion on R.10

26. Overall, the conclusion made at the 53rd Plenary in May/June 2017[8] can be maintained that in light of the progress made to rectify the deficiencies with regard to the application of R.10, the adopted measures have created a sufficient basis to consider that the rating has meanwhile been brought to a level equivalent to "largely compliant".

SR.III (Freeze and confiscate terrorist assets)

27. In April 2016, amendments to the *Law on Measures Against the Financing of Terrorism* (LMFT) entered into force with the aim to put the prevention of terrorism financing in line with the requirements of the SR.III. Requirements of the new Article 4b of the LMFT provide that the preventive measures shall apply to three categories of persons (natural and legal), groups and organisations, namely:

a. those on which sanctions for terrorism or for its financing have been imposed with a regulation of the European Union and the Council;

b. those identified by the United Nations Security Council as associated with terrorism, or with respect to whom sanctions for terrorism have been imposed by a resolution of the United Nations Security Council;

[8] MONEYVAL(2017)4_ANALYSIS, paras. 14 *et seq*.

c. those included in a list adopted with a decision of the Council of Ministers of Bulgaria.

28. The preventive measures (foreseen in Article 3 of the law) are applicable to persons, groups and organisations identified by the United Nations Security Council, subject to their publication under the Article 5a, paragraph (1), item 2 of the Law. This provision requires the Ministry of Foreign Affairs to publish immediately on its website any information/modifications of the lists of persons under the respective UN SC resolutions. The LMFT additionally includes the possibility for electronic reporting of STRs related to TF, which are to be submitted to the FIU. It might therefore be concluded that the implementation of the UNSCR listing has immediate effect.

29. Pursuant to Article 5 of the LMFT the domestic list shall be adopted, supplemented and amended by decision of the Council of Ministers on a motion by the Minister of Foreign Affairs, the Minister of Interior, the Chairperson of the State Agency for National Security, or the Prosecutor General. In addition, the domestic list shall include persons identified by the competent authorities of another state as foreseen by the listing requirements of UNSCR 1373. The same article also provides the mechanism for de-listing of persons (both natural and legal), groups and organisations from the domestic list.

30. Article 6 of the LMFT stipulates the requirements in relation to blocking of funds and other financial assets or economic resources. The Law also provides a wider definition of the term 'funds' and other financial assets or economic resources and seem to be in line with the requirements of the FATF.

31. The FIU has also made the necessary changes on its website in order to comply with the recommendations made in the 2013 MER concerning effectiveness. The website section "Measures against money laundering and terrorism financing" leads to a new subsection named "Measures against terrorism financing" which comprises the following links: "Consolidated list of persons, groups and organisations subject to financial sanctions by the European Union"; "Sanctioning policy of the European Union"; "Sanctions by the UNSCC"; "Sanctions by the Treasury Department of the USA – Office of Foreign Assets (OFAC) – SDN List"; "Guidance for application on measures for prevention and counteraction against terrorism financing"; "Guidance on reporting under LMML and LMFT"; and "Model criteria for identification of suspicious clients, transactions and deals, related to terrorism financing". The authorities consider that this approach facilitates the access to information by all reporting entities.

32. No specific guidelines for the private sector, as recommended by the MER, were reported by the authorities.

Conclusion on SR.III

33. Overall, the conclusion made at the 53rd Plenary in May/June 2017[9] can be maintained that the adopted measures create a sufficient basis to consider that the rating of SR.III has been brought to a level equivalent to "largely compliant".

SR.I (Implementation of United Nations instruments)

34. With the majority of deficiencies under SR.II and SR.III having been addressed to a degree that compliance has been brought to a level of "largely compliant", the secretariat considers that the compliance with SR.II has likewise been achieved to a sufficiently large extent (i.e. "largely compliant").

Conclusion

35. In light of Bulgaria's first compliance report, the country has undertaken measures since the 55th MONEYVAL Plenary in December 2017 which demonstrate that the application of Step 1 of CEPs has triggered measurable results in a very short time. In particular, Bulgaria has rectified a number of

[9] MONEYVAL(2017)4_ANALYSIS, paras. 36 *et seq*.

outstanding deficiencies under both R.3 and SR.II which has brought the level of compliance to a "largely compliance". However, Bulgaria is urged to address the outstanding deficiencies outlined in the present analysis before the 5th round of mutual evaluation, not least to be able to provide proper results on effectiveness with regard to these two recommendations. Prior to the 56th Plenary, Bulgaria had already addressed deficiencies on the other three core and key recommendations originally rated "partially compliant" in the MER of 2013, which the Plenary had already considered to have brought the level of compliance to "largely compliant". The secretariat has not received any information that any measures have in the meantime been taken by Bulgaria which would call into question this previous assessment. Therefore, it can be concluded that Bulgaria has brought all outstanding core and key recommendations to a level of "largely complaint", as required by the removal-conditions in Rule 13, paragraph 4 of MONEYVAL's 4th round rules of procedure.

36. As a consequence, the secretariat proposes that the Plenary lifts the application of CEPs with regard to Bulgaria and removes Bulgaria from the 4th round follow-up process. Bulgaria should be invited to report to the Plenary on the outstanding minor deficiencies outlined in this analysis under MONEYVAL's *tour de table* procedure in preparation of the country's 5th round mutual evaluation.