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Bulgaria

Progress report and written analysis by the Secretariat of Core Recommendations[1]

11 April 2011

[1] Second 3rd Round Written Progress Report Submitted to MONEYVAL

Bulgaria is a member of MONEYVAL. This progress report was adopted at MONEYVAL's 35th Plenary meeting (Strasbourg, 11-14 April 2011). For further information on the examination and adoption of this report, please refer to the Meeting Report (ref. MONEYVAL(2011)8) at http://www.coe.int/moneyval

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This is the second 3rd Round written progress report submitted to MONEYVAL by the country. This document includes a written analysis by the MONEYVAL Secretariat of the information provided by Bulgaria on the Core Recommendations (R. 1, R. 5, R. 10, R. 13, SR.II and SR.IV), in accordance with the decision taken at MONEYVAL's 32nd plenary in respect of progress reports.

Bulgaria

Second 3rd Round Written Progress Report Submitted to MONEYVAL

1. Written analysis of progress made in respect of the FATF Core Recommendations

1.1 Introduction

1. The purpose of this paper is to introduce Bulgaria's second progress report back to the Plenary concerning the progress that it has made to remedy the deficiencies identified in the 3rd round mutual evaluation report (MER) on selected Recommendations.

2. Bulgaria was visited under the third evaluation round from 22 to 28 April 2007 and the mutual evaluation report (MER) was examined and adopted by MONEYVAL at its 26th Plenary meeting (31 March - 4 April 2008). According to the procedures, Bulgaria submitted its first year progress report to the 29th Plenary in March 2009.

3. This paper is based on the Rules of Procedure as revised in March 2010 which require a Secretariat written analysis of progress against the core Recommendations[1]. The full progress report is subject to peer review by the Plenary, assisted by the Rapporteur Country and the Secretariat (Rules 38-40). The procedure requires the Plenary to be satisfied with the information provided and the progress undertaken in order to proceed with the adoption of the progress report, as submitted by the country, and the Secretariat written analysis, with both documents being subject to subsequent publication.

4. Bulgaria has provided the Secretariat and Plenary with a full report on its progress, including supporting material, according to the established progress report template. The Secretariat has drafted the present report to describe and analyse the progress made for each of the core Recommendations.

5. Bulgaria received the following ratings on the core Recommendations:

R.1 – Money laundering offence (LC)
SR.II – Criminalisation of terrorist financing (LC)
R.5 – Customer due diligence (PC)
R.10 – Record Keeping (LC)
R.13 – Suspicious transaction reporting (PC)
SR.IV – Suspicious transaction reporting related to terrorism (PC)

6. This paper provides a review and analysis of the measures taken by Bulgaria to address the deficiencies in relation to the core Recommendations (Section II) together with a summary of the

[1] The core Recommendations as defined in the FATF procedures are R.1, R.5, R.10, R.13, SR.II and SR.IV.

main conclusions of this review (Section II). This paper should be read in conjunction with the progress report and annexes submitted by Bulgaria.

7. It is important to be noted that the present analysis focuses only on the core Recommendations and thus only a part of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system is assessed. Furthermore, when assessing progress made, effectiveness was taken into account, to the extent possible in a paper based desk review, on the basis of the information and statistics provided by Bulgaria, and as such the assessment made does not confirm full effectiveness.

1.2 Detailed review of measures taken by Bulgaria in relation to the Core Recommendations

A. Main changes since the adoption of the MER

8. Since the adoption of the MER and the First Progress Report, Bulgaria has taken the following measures with a view to addressing the deficiencies identified in respect of the core Recommendations, including:

- Important steps to overcome the difficulties encountered by Bulgarian judges with regard to the mental element of money laundering, so that convictions could be made after determining that laundered proceeds come from a general category of crime, and not from a particularised offence committed on a specific date. The Supreme Court of Cassation confirmed several such convictions (8) and provided specific clarifications to serve as a basis for future adjudication by courts.
- Training programmes have been developed and conducted and guidance has been issued by the FIU and other supervisory authorities in order to raise AML/CFT risk awareness for financial sector (and DNFBP, though it is outside the scope of this secretariat review). Statistics confirm that this approach has led to an improvement in the total number and structure of the STRs.
- A new law on the registration regime has introduced tighter requirements for transparent information on ownership structures and management regimes.

9. Bulgaria has also taken additional measures to address deficiencies identified in respect of the key and other Recommendations, as indicated in the progress report. However these fall outside of the scope of the present report and are thus not reflected here.

B. Review of measures taken in relation to the Core Recommendations

Recommendation 1 - Money laundering offence (rated LC in the MER)

10. Deficiency 1 identified in the MER (*Ensure that all designated categories of offences are fully covered as predicates (insider trading and market manipulation and one aspect of terrorist financing))* At the time of the 3rd round evaluation, the money laundering offence in Bulgaria had an "*all crimes*" basis. The list of crimes in domestic legislation was considered as comprehensive and almost all of the designated categories of offences required by FATF were covered. However, market manipulation and insider trading, as it is generally understood, were not covered. Also, the scope of terrorist financing was considered as insufficiently broad to cover all the aspects of SR II. The missing element relates to the provision or collection of funds for any purpose (including legitimate activities).

11. Insider trading and market manipulation are regulated in the Measures Against Market Abuse with Financial Instrument Act, which contains clear definitions of the two and prohibits the use of such behaviour under administrative liability, as opposed criminal liability, and are thus still not susceptible to money laundering prosecution.

12. According to the Bulgarian authorities, at present, a new Concept for Criminal Policy of the Republic of Bulgaria was adopted in July 2010. The abovementioned Concept envisages the elaboration and adoption of a new Penal Code. One of the main purposes of the new Penal Code is to address the necessity to criminalise modern types of criminal activity, including those provided for under the international agreements undertaken by the Republic of Bulgaria. The timescale for the drafting and adoption of the new Penal Code is estimated to be 2014.

13. It is understood that market manipulation and insider trading are taken into consideration in the concept of the new Penal Code, but no draft has been provided. Also, the deficiency in financing of terrorism definition is intended to be covered in the new Penal Code, but no draft wording has been provided.

14. It appears therefore that at least two issues identified by the evaluators as deficiencies in the predicate base for money laundering are being considered by the Bulgarian authorities (though over a long time scale) under the review of the Penal Code, but the issues are not settled yet. Thus, the deficiencies found by the evaluators remain.

15. Turning to effectiveness of implementation of R1, between 2007 and 2011, the total number of convicted persons was 103[2].

16. The Supreme Court of Cassation confirmed several convictions (8), and in addition, provided specific clarifications on one of the cases, that serves as a basis for future adjudication by courts. Even though the decision is not obligatory for the courts (apart from the parties to the specific case) it be used as a basis for proving intention.

17. According to the decision of the Bulgarian Supreme Court of Cassation of March 2009 on a ML case:

"For the fulfillment of the corpus delicti of ML, it is irrelevant whether there were at all penal proceedings for the predicate crime and what the outcome of such proceedings (if any) was. The settling of the penal proceedings for the predicate crime does not objectively hinder the possibility for ML and therefore cannot preclude responsibility for the latter. There is no requirement that the crime from which the proceeds came should be a crime of certain kind…
Considering this, the corpus delicti of Art. 253, Para. 1, as far as the object of the crime is concerned, requires proving, without any doubt and in a categorical way, only the link between the object and the predicate crime. This link can also be established by the grounded conclusion of the deciding court that there is no other possible legal source of the property. During the proceedings under Art. 253, Para. 1 of the Penal Code, the circumstances about place, time, way of receiving, amount of the "blemished" property resulting from the predicate crime, the specific type of the same property, the place of storing (if this form of deed is not claimed against the defendant) do not require clarifying, let alone the establishing of coincidence of the property (acquired as a result of the predicate crime) with the property used under Art. 253, Para. 1 of the Penal Code…

[2] The total number of convicted persons, includes convictions which are not final.

The property can be acquired not only from crime but also from other act dangerous to the public such as administrative/disciplinary violation, civil delict."

18. If the above mentioned dicta is taken into consideration by courts generally, from a desk review, it appears likely that there should be some success in the 3rd party laundering, which is an important indicator of the effectiveness of money laundering criminalization. The effectiveness of the system needs to be confirmed by further jurisprudence.

19. Comment was made in the MER that the use of suspended sentences in more than a half of the final convictions raised questions as to the effective and dissuasive nature of the sanctions imposed for money laundering. The use of suspended sentences appears to be gradually reducing[3].

Special Recommendation II - Criminalisation of terrorist financing (rated LC in the MER)

20. Deficiency 1 identified in the MER *(Not clear if the offence as provided in the Bulgarian CC also includes contributions for any purpose (including legitimate activity)).*At the time of the on site visit, terrorism financing criminalization in the Republic of Bulgaria appeared to be quite wide, covering the requirements imposed by international conventions and clearly covering collection of funds for terrorist acts. However, the examiners had reservations on how the terrorist financing offence could be applied more widely to cover the provision or collection of funds for any purpose (including a legitimate activity) by a terrorist or a terrorist group, such as supporting the family while a terrorist is in prison. However, the assessors noted that this might me a matter of interpretation.

21. In the first progress report, the Bulgarian authorities maintained that they do not consider that amendment of art. 108a of the Penal Code is necessary, because the Bulgarian legislator decided to use the widest wording possible.

22. At present, a draft of the *General part* and a draft of the *Structure of the Special part* of the new Criminal Code are being elaborated by the Bulgarian authorities. The Structure of the Special part is differentiated according to the particular crimes. The draft of the Special part of the new Criminal Code is still under elaboration.

23. On this particular aspect, it appears that the Bulgarian authorities only partially agree on the issue related to the broader approach of SR II described above. If they are to legislate in accordance with the 3rd round report, no new wording has so far been provided by the Bulgarian authorities (even as draft) and it appears that little concrete steps have been taken in this direction.

24. The reviewers of this progress report have the same view as the evaluators and consider this issue requires clarification in the way the evaluators outlined.

25. Deficiency 2 identified in the MER *(Liability of legal persons still limited to administrative accountability*). According to the Bulgarian Criminal Code, criminal liability could only be imposed on a natural person who has committed a crime. Bulgarian criminal law does not provide for criminal liability of legal persons. However, the law on Administrative Offences and Sanctions provides for administrative liability of legal persons for criminal offences if a number of conditions are met.

[3] Between 2007 and 2011 58 sentences were immediate and 45 suspended.

26. In the first progress report it was stated that according to the Programme for the Activities of the Inspectorate at the Supreme Judicial Council for 2009, special attention would be paid by the inspectors on the implementation of Art 83 of the Law on Administrative Offences and Sanctions (liability of legal persons for criminal offences).

27. None-the-less at present, responsibility for offences by legal persons is regulated only under the Law on administrative offences and sanctions, the normative act which envisages the imposition of property sanctions on legal persons for failure to perform their obligations.

28. It appears that this recommendation is not yet met.

29. It is noted that there have been 3 STRs based on finance of terrorism, but there is no evidence of any finance of terrorism investigation, prosecution or conviction. Thus, no useful comment can be made on the effectiveness of financing of terrorism criminalization in this desk review.

Recommendation 5 - Customer due diligence (rated PC in the MER)

30. Deficiency 1 identified in the MER (*It was the view of the evaluators that the definition of beneficial owner was not fully understood by all financial institutions).*At the time of the on-site visit, it appeared that banks were familiar with the requirements to identify beneficial ownership and did perform CDD measures. The BNB indicated that it specifically reviewed the clients' files for compliance with the requirements to locate and, if necessary, declare beneficial ownership. Based on the information supplied, failure to obtain beneficial ownership had not been sanctioned by the Bulgarian FIU, and it was suggested that, in general, grater emphasis should be placed on supervision and education of financial institutions on the beneficial ownership requirements.

31. Measures taken by Bulgarian authorities in this respect consist of:
    - ongoing annual training sessions of banks and financial institutions regulated by BNB with a special focus on establishing the ultimate beneficial owners. The information presented to the sector was based on material prepared by the AML Subcommittee to the Joint Committee of EU Banking Authority, European Securities and Markets Authority and European Insurance and Ocupational Pensions Authority.
    - Trainings provided by the Bulgarian FIU in 2009-2010 to the obliged entities under LMML[4]. In 2009 trainings were provided to the banks (two trainings, including one based on a specific request by a bank), investment intermediaries and management companies. Regular meetings were also held with representatives of obliged entities. In 2010 trainings were provided to banks (specific request by two banks and 3 meetings with the specialized units for AML/CTF in the banks), the Stock Exchange and the Central Depository. In 2010 there were also several meetings of the experts of the FIU with insurers and leasing companies related to risk assessment.

32. In addition, the Bulgarian FIU actively checks the compliance of the obliged entities with the requirements for identification and verification of the beneficial owner. Relevant sanctions have been imposed (statistical information on supervisory findings were supplied). The infringements found mainly refer to identification and verification of the beneficial ownership of complex corporate structures especially in the case of joint stock companies whose shares are publicly traded on a regulated market.

[4] AML domestic Law

33. According to the Law on the Commercial Register (amendments of 2008) all commercial vehicles should transfer their registration to the new commercial register of the Registry Agency and a wide array of information is currently provided on the ownership and management structures of the commercial vehicles that have completed their duty under the amended Law on the Commercial Register.

34. The Amendment and Supplements of the Financial Supervision Commission Acts introduced the obligation for disclosure of information on the persons who are beneficial owners of entities supervised by the Financial Supervision Commission (FSC). Thus disclosure of all natural persons who own 5 and over 5 per cent of the voting rights in the general meeting or from the capital of the respective entity, supervised by FSC. The information is publicly available (published on FSC web site).

35. The Bulgarian authorities have clearly upgraded their supervision and education system on beneficial owner requirements. From a desk review, supported by comprehensive statistics, it appears that this recommendation was fully addressed by the Bulgarian authorities.

36. Deficiency 2 identified in the MER *(Obligation to perform full CDD measures for terrorists financing should be required in the law).* Bulgarian legislation and regulation on financial institutions' duty of diligence concerning customers and transactions were described in the 3rd round MER as fairly satisfactory. All financial institutions have specialised units for customers' identification. However, it was assessed that the obligation to undertake CDD measures for terrorist financing should be required in the law.

37. In the first round progress report, the Bulgarian authorities stated that on the occasion of on-site inspections, experts from FSC[5] examine the AML/CFT rules and ensure they are in line with the relevant law's requirements, as well as whether the process of customer identification is executed correctly and all the documentation is required before a money transaction is made or an order executed.

38. According to the Bulgarian authorities, the obligation will be provided for with the amendments to the LMFT[6]. The draft Law that was coordinated among Bulgarian institutions in February 2011, is to be discussed in the Council of Ministers in March 2011 and will be presented to Parliament in early April 2011. The proposed amendments to Art. 9, Para. 3 LMTF stipulate that:

"(3) The persons under Art. 3, Paras. 2 and 3 of the Law on Measures against Money Laundering are obliged, whenever a suspicion for terrorist financing emerges, to carry out identification of clients and verification of their identity related to the suspicious operation or transaction, under the terms of Art. 6 of the Law on Measures against Money Laundering, to gather information concerning the deal or operation pursuant to Art. 7 of the Law on Measures against Money Laundering and to immediately notify the Financial Intelligence Directorate of the State Agency for National Security as well, before the operation or transaction is performed, while delaying its implementation within the admissible period laid down by the legislative regulations on the relevant type of activity. In such cases, the Agency shall exercise the powers vested therein under Articles 13 and 18 of the Law on Measures against Money Laundering."
(*See Appendix III, Annex 3 for the full text of the amendments and complements*).

[5] Financial Supervision Commission

[6] CFT domestic Law

39. Hence, it appears that the Bulgarian authorities have taken steps towards meeting the MONEYVAL recommendation, first (in the absence of the explicit legal provision), by imposing CDD measures in practice, and then, by preparing amendments to the law so the wording makes specific reference to the CDD obligation on suspicions of financing of terrorism. The approval of the Law as well as the final provisions of the text will be reviewed in the 4th round evaluation.

40. Deficiency 3 identified in the MER *(Lack of guidance on applying simplified due diligence).* Bulgarian legislation stipulates that under the terms and conditions provided for in the RIMML[7], and after assessing the potential risk, credit and financial institutions can apply simplified or extended measures when undertaking identification of their clients and verification of their identity. At the time of the on site visit, a limited category of "low risk" clients was prescribed: a branch of a foreign licensed in Bulgaria, and a bank of the EU Member States. There was no formal guidance on measures for simplified due diligence. However, the Bulgarian authorities stated that the FIU has provided informal guidance at the request of the financial institutions.

41. Following the 3rd MER recommendation, guidance on applying the simplified due diligence was issued by BNB, Financial Supervision Commission and the FIU.

42. In addition, BNB has organized workshops for the banks and the regulated financial institutions to discuss the requirements of simplified CDD and the FIU provides guidance to the obliged entities on the application of simplified CDD on an ad hoc basis and as part of the trainings and regular meetings with the representatives of obliged entities.

43. With the FIU, BNB and FSC issuing guidance addressing simplified CDD requirements backed by training provided to the reporting entities, it appears that the recommendation was fully implemented by the Bulgarian authorities.

44. Deficiency 4 identified in the MER *(Requirement to verify source of funds was not fully demonstrated throughout the financial sector).* There is an explicit obligation in LMML that requires a "source-of- funds" declaration prior to effecting a transaction or deal at a value exceeding BGN 30,000 or its equivalent in foreign currency or, respectively, exceeding BGN 10,000 or its equivalent in foreign currency where payment is made in cash. If the customer or the person entering into a business relationship is required to present a "source-of-funds" declaration declines, the obliged entity shall refuse to enter in such a relationship. No money order or a transaction will be executed.

45. According to the Bulgarian authorities, annual workshops, organized by BNB for the banks and financial institutions, addressed the process of establishing the sources of customers' funds. The discussions were based on the legal requirements and on a practical case.

46. It is now stated that the obliged entities understand and apply their obligations. The issue is nevertheless included in training provided to financial institutions and is one of the focuses of the on-site inspections of the FIU. In 2009 inspections were carried out in 26 financial institutions and infringements of the obligation related to the source of funds were found. Eleven infringements of this obligation were found in 2009 and ten in 2010.

47. The Bulgarian authorities are addressing this recommendation.

[7] Rules on the Implementation of AML Law

48. Deficiency 5 identified in the MER *(The evaluators found that some financial institutions needed more training on risk assessment).* Bulgarian authorities used a multidisciplinary task-force to assess comparative risks throughout the financial and DNFBP sectors. Additionally, they used a plan for on site inspections based on such an assessment. At the time of the 3rd MER, some financial institutions had special software to assess customer risk and others had opened tenders for such software. However, no formal training programme on risk assessment was available for financial institutions and DNFBP.

49. Following the recommendation, four-day training sessions were organized for the financial institutions regulated by BNB to explain the importance of risk assessment and its influence on the activities and reputation of the institutions. Refresher trainings were held for banks. Risk assessment and the implementation of group policies were discussed from the legal and practical points of view.

50. Trainings were also provided by the Bulgarian FIU. In 2010 there were several meetings of the experts of the FIU with insurers and leasing companies related to risk assessment. Meetings were held also with the association of the insurance brokers with a view to elaborating and applying unified internal rules throughout the sector.

51. In addition, the 2010 Phare Twinning Project of the Financial Supervision Commission (FSC) focused in one of its activities on improvement of the capacity of the FSC in the AML sector through provision of training on the EU best practices.

52. From a desk review it appears that the Bulgarian authorities have taken steps in order to properly address training on the risk assessment issue. The effectiveness of this is to be determined in the 4th round evaluation.

53. Deficiency 6 identified in the MER *(With the exception of banks, financial institutions need to work harder to raise awareness and be effective in CDD due diligence).*At the time of the 3rd round evaluation on site visit, there were several areas where effective implementation of CDD measures was a concern across the financial sector. It was not clear whether non-bank financial institutions had procedures covering the beneficial ownership and source of funds. The general understanding of these areas did not appear to be as robust as in the banking sector.

54. Following the recommendation, one of the main topics of the workshops organized subsequently by BNB for the banks and the regulated financial institutions was dedicated to CDD measures and process. Case studies were presented and discussed. This issue was also subject to training and meetings in 2009 and 2010, with the obliged entities (apart from banks) from the insurance sector, investment intermediaries, management vehicles, leasing companies, the Stock Exchange and the Central Depository.

55. From a desk review it appears that the Bulgarian authorities are upgrading their awareness raising and training mechanisms. The effectiveness of this remains to be determined in the 4th round evaluation.

Recommendation 10 - Record Keeping (rated LC in the MER)

56. Deficiency 1 identified in the MER (*Transactions records should be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity).*In Bulgarian legislation, the obligation to maintain records for the transactions is covered by LMML and the RIMLLM. In addition, the record keeping internal procedures adopted

by the reporting entities must be approved by the Director of the FIU. The obligation to ensure that record keeping includes both domestic and international transactions is prescribed by the generic terms "transactions and operations". It was noted that the language is quite broad and may not provide sufficient guidance in order to reconstruct financial records.

57. In following up the above mentioned deficiency, the Bulgarian authorities advised that no infringements relating to transaction records were found during the on-site inspections. In addition, the experience of the department responsible for the analysis of STRs within the Bulgarian FIU shows that transaction records are sufficient to complete the analysis of transactions and for gathering the necessary information based on requests by law enforcement authorities.

58. Deficiency 2 identified in the MER (*There is not a requirement in law or regulation to keep documents longer than five years if requested by a competent authority)*The Bulgarian AML Law obliges subject persons to maintain for a period of 5 years the data about the customers and the documents relating to the transactions and operations carried out. However, the record keeping obligation does not seem to require obliged persons to keep records for a longer period if requested to do so by a competent authority, regardless of whether the business relationship is ongoing or has been terminated.

59. According to the Bulgarian authorities, at the present time, the issue is still under consideration between the responsible institutions and is not deemed to be an impediment to the successful investigation and prosecution in the overview of the system made for the purposes of providing guidelines for ML investigations (as included in the Handbook for Investigation of ML).

60. The recommendation is not yet implemented.

61. Deficiency 3 identified in the MER (*Certain DNFPBs record keeping was only for tax compliance purpose)*Analyzing the identified deficiency, Bulgarian authorities maintain that the on-site inspections performed in 2009 and 2010 by the FIU, targeting DNFBP (a total of 37 on-site inspections for both years) did not reveal any infringements of the legal provisions on record keeping. Whenever requested by the inspectors of FIU, the client files and the files of transactions and deals were presented to them. The Bulgarian Authorities should none-the-less keep this issue under review in on going inspections.

Recommendation 13 – Suspicious transaction reporting (rated PC in the MER)

62. Deficiency 1 identified in the MER *(Attempted transactions are not explicitly covered).*According to the Bulgarian authorities, explicit provisions covering attempted transactions were included in the amendments to the LMFT and LMML. The draft Law is to be discussed in the Council of Ministers in March 2011 and will be presented to Parliament in early April 2011. The provisions of the draft laws are as follows:

LMFT, proposed complement to Art. 9 (a new Para. 4)
"(4) The obligation for notification under Paras. 1 and 3 also applies to the attempt to carry out an operation or transaction aimed at financing of terrorism, as well as to the means which are suspected to be related or used for terrorist acts or used by terrorist organizations and individual terrorists."

LMML, proposed complement to Art. 11 (a new Para. 5)
"(5) The obligation under Para. 1 also arises in the cases when the operation or transaction have not been completed".

63. It appears that the Bulgarian authorities are addressing the issue raised in the 3rd MER. An appropriate text is provided in the draft law, which if adopted in these terms should meet the recommendation.

64. Deficiency 2 identified in the MER *(Insider trading and market manipulation are not predicate offences and therefore not covered by the reporting obligation)* See Recommendation 1, Deficiency 1.

65. Deficiency 3 identified in the MER *(There are few STRs from non–banking financial institutions (effectiveness issue).* According to the statistics provided by the Bulgarian authorities, the number of STRs received in 2009 and especially 2010 shows a clear increase of non-banking financial institutions' awareness with regard to AML/CFT requirements. Such an outcome seems to be a result of the training efforts of the FIU and supervision authorities and the on-site inspections.

66. Apart from the non-banking sector, the overall number of STRs produced by the financial system show a constant increase in number.

67. It appears that the above mentioned deficiency is being addressed.

Special Recommendation IV– Suspicious transaction reporting related to terrorism (rated PC in the MER)

68. Deficiency 1 identified in the MER *(No reporting obligation covering funds suspected to be linked or related to, or to be used for terrorist acts or by terrorist organisations)*The issue is not solved yet, though it is being addressed by the Bulgarian authorities by the redrafting of the wording of some paragraphs of the LMTF law, as follows:
§ 2. In Art. 9 the following amendments and complements shall be included:
1. Para. 3 shall be amended as follows:
(3) The persons under Art. 3, Paras. 2 and 3 of the Law on Measures against Money Laundering are obliged, whenever a suspicion for terrorist financing emerges, to carry out identification of clients and …...to immediately notify the Financial Intelligence Directorate of the State Agency for National Security as well, ….…
2. A new § 1 with the following text shall be created:
"§ 1. Under this Law financing of terrorism shall be the direct or indirect, illegal and intentional provision and/or collection of financial funds, financial assets or any other property and/or provision of financial services with the intention that they will be used or with the knowledge that that they will be used, completely or partially, for committing terrorism within the meaning of the Penal Code."

69. Moreover, a new para 4 has been drafted with the following wording:
The obligation for notification under Paras. 1 and 3 also applies to the attempt to carry out an operation or transaction aimed at financing of terrorism, as well as to the means which are suspected to be related or used for terrorist acts or used by terrorist organizations and individual terrorists.

70. In the light of the new text of the draft AML Law it appears that the issue identified in the 3rd MER will be partially covered. The proposed revised definition of terrorist financing refers to
financial funds, financial assets or any other property and/or provision of financial services … to be used, completely or partially, for committing terrorism within the meaning of the Penal Code

(by that meeting the first part of the recommendation), but the reporting obligation would, if this is enacted, extend to any assets that are *suspected to be related or used for terrorist acts or used by terrorist organizations and individual terrorists*.

71. Legislation for the reporting obligation in the area will nonetheless be incomplete for the system as a whole if the legal provision (for financing of terrorism) is not similarly broadened and clarified. The final text of the Law will need to be carefully considered in the 4th evaluation.

72. Deficiency 2 identified in the MER (*Clear provision needed that STRs must be field promptly).*The Bulgarian LMFT Law provides that subject persons shall be obliged on occurrence of doubt of financing of terrorism, to inform the Minister of Interior and the FIU. Unlike the requirement of Art 11 of the AML Law, which requires reports to be made "forthwith", the art. 9(3) of LMFT Law does not use the word promptly and it is recommended that this should be clarified.

73. A provision for "immediate" filing of the reports suspected to be linked to TF is included in the proposed amendments to the LMFT.

74. The provision is not yet implemented. The issue also will need to be followed up in the 4th round evaluation.

75. Deficiency 3 identified in the MER (*The obligation to report attempted suspicious transactions of financing of terrorism is not explicitly covered).* According to the Bulgarian authorities, explicit provisions covering attempted transactions were included in the amendments to the LMFT and LMML that were coordinated between institutions in February 2011. The draft Law is to be discussed in the Council of Ministers in March 2011 and as stated above be presented to Parliament in early April 2011.

76. However, the above mentioned Law is not in force yet.

77. Deficiency 4 identified in the MER (*Only 2 reports filed by banks and the industry as a whole do not seem to be well-versed in this requirement).* The Bulgarian authorities stated that there is an on-going campaign of awareness-raising in the framework of regular meetings with representatives of reporting entities and on-site inspections. The BNB official website contains updated information on the legal acts adopted at the EU level in respect of restrictive measures against countries, individuals, legal persons and organizations related to terrorist activities. Trainings and regular meetings of FID-SANS with the obliged entities have included the issue of TF reporting.

78. Deficiency 5 identified in the MER (*Further education needs to be conducted on filing terrorist financing reports).* The Bulgarian authorities stated that the trainings and regular meetings of the FIU with the DNFPB (described under R.5 Deficiency 7), have included the issue of TF reporting. However the number of STRs filed on suspicions of terrorism by DNFBP is limited to 1 received in 2008.

1.3 Main conclusions

79. The report on the Core recommendations shows that numerous developments have occurred which address major issues raised by the evaluators and which are improving effectiveness of money laundering criminalization and the implementation of CDD measures. The Penal legislation still needs to be completed with regard to some designated categories of predicate offence and criminal liability of legal persons is also still to be addressed.

80. The Customer Due Diligence is being actively addressed by the Bulgarian authorities, with a focus on awareness-raising, training, risk assessment and practice. Serious training and awareness raising programs have been developed and implemented by the FIU and other supervisory authorities. However, the legal obligation to perform full CDD for terrorist financing is not still implemented but should be provided for with the amendments to the Law on Measures against Financing of Terrorism (LMFT).

81. Regarding the SRII and SRIV (rated LC and PC in the 3rd round MER) the desk review notes the progresses designed in the draft new legislation, but also a potential inconsistency between the proposed definition of financing of terrorism for reporting purposes in the LMFT and the definition of the financing of terrorism crime, in that the reporting obligations are wider. That might lead to a situation where a reported suspicious transaction, subsequently disseminated by the FIU to law enforcement authorities, might fall out of the scope of financing of terrorism crime. This inconsistency should be avoided.

82. There is a welcome progress and developing jurisprudence in respect of ML criminalization. Bulgaria is encouraged to continue challenging the courts with the more difficult (third party) laundering cases, particularly where there is evidence from which a court can draw the necessary inferences of either the underlying predicate criminality or of knowledge that relevant property is of criminal origin. In this way the jurisprudence should become more clearly established.

83. As a result of the discussions held in the context of the examination of this second progress report, the Plenary was satisfied with the information provided and the progress being undertaken and thus approved the progress report and the analysis of the progress on the core Recommendations. Pursuant to Rule 41 of the Rules of procedure, the progress report will be subject of an update in every two years between evaluation visit (i.e. April 2013), though the Plenary may decide to fix an earlier date at which an update should be presented.

2. Information submitted by Bulgaria for the second progress report

2.1 General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field

Position at date of first progress report (18 March 2009)

a) Since the adoption of the assessment report at the MONEYVAL 26th plenary meeting (31.03-4.04.2008) the general framework of Bulgarian AML/CFT system did not change.

- November 2007 draft amendments to the Law on Measures against Money Laundering /LMML/ and Law on Measures against Terrorist Financing /LMTF/ has been adopted in order to transpose the 3rd AML/CFT Directive of EU.
- December 2007 draft amendments to the Regulations on the Implementation of LMML have been adopted in order to transpose the 3rd AML/CFT Directive of EU.
- February 2008 draft amendments to the Law on Funds Transfers, Electronic Payment Instruments and Payment Systems have been adopted. They introduced a license regime for money remittance companies;
- April 2008 the registration authority for bureaux de change was changed – the new registration authority is National Revenue Agency instead of the FIU /Financial Intelligence Agency/, because of its incorporation in the structure of newly established agency – State Agency for National Security.
- January 2008 a new state agency was established - State Agency for National Security (SANS). It merged in its structure 3 former existing state bodies – National Security Service, MoI; Military Counterintelligence, Minister of Defence and Bulgarian FIU- Financial Intelligence Agency, Minister of Finance. The purpose to establish this new agency – restructuring the national security sector and achieving better results and interaction of state bodies involved in the fight against corruption, organized crime and money laundering;
- Beginning of 2008 Bulgarian FIU was transformed from independent agency, subordinated to the Minister of Finance into unit of SANS, but it preserved its operational independence;
- August 2008 the Ministry of Interior also undertook changes – now it has 5 chief directorates. One of these chief directorates, named Criminal Police Chief Directorate, merged the former Chief Directorate for Combating Organized Crime and Economic Police. The new directorates are named Counteraction to Organised and Serious Crime Directorate and Counteraction to Common Crime Directorate. The purpose was to improve interaction within MoI itself and its efficiency.

New developments since the adoption of the first progress report

March 2009 - A registration regime was introduced for financial institutions performing activities under art.3, para.1 of Law on Credit Institutions. The registration regime has introduced requirements for transparent ownership structure and fit and proper requirements for managers.

March 2009 and December 2010 - Banks are obliged to update on a periodic bases their internal rules and procedures for monitoring the risks including the risk related to ML/TF. Banks have to improve the preventive systems against ML/TF following the best practices. An efficient reporting line is requested to be established covering any encountered weaknesses in the organization of the banking activities.

October 2009 – The Ministry of Interior was restructured to restore the Chief Directorate Combating Organized Crime as a chief directorate that is not subordinated to the Chief Directorate Criminal Police. The aim was to optimize the activities of the Ministry of Interior and enhance the counteraction of organized crime.

December 2009 - A full set of new criteria and indicators for detecting suspicious or unusual operations based on analysis of risk was elaborated for the obliged entities in 2009 and published on the web site of the Bulgarian FIU.

2009 – A Handbook for the Investigation of Money Laundering was elaborated in cooperation among the Supreme Prosecution of Casssation, the National Investigation Service, the Ministry of Interior, State Agency for National Security, the Commission for Establishing Proceeds of Crime (CEPACA). The handbook is a way to facilitate the work of LEAs. One of the focuses of the handbook is that the investigation into the assets should accompany every investigation for acquisitive crime.

January-November 2010 - The system for assessing the priority of the cases was further elaborated in 2010 by introducing a detailed set of criteria as a basis for the decision to open the respective type of case – an operational case or a case for information/analytical purposes. The system allows for enhanced selection of the STRs that need further analysis and gathering additional information in order to increase the effectiveness of the disclosures to LEAs.

February 2011 - Amendments to the Law on Measures against Financing of Terrorism (LMFT) and the Law on Measures against Money Laundering (LMML) were coordinated among the Bulgarian authorities, ensuring the fulfilment of the recommendations in regard to attempted transactions reporting as well as complementing the list of obliged entities. The amendments are expected to be adopted by the Parliament by April 2011 and immediately enter into force.

February 2011 - The Law for Limiting Payments in Cash was published in the Official Gazette on 22 February 2011 and entered into force on 26 February 2011, limiting payments in cash over 15 000 BGN (equal to about 7 500 EUR). As a result of this law two categories of persons are no longer obliged entities under the LMML – the traders in goods when payment is in cash and is over 30 000 BGN (about 15 000 EUR) (Art. 3, Para. 2, Item 24 LMML) and the traders in motor vehicles when payment is in cash over 30 000 BGN (Art. 3, Para. 2, Item 21 LMML). Please see Appendix III, Annex 5 for the text of the Law.

February 2011 – Strategy for National Security was adopted by the Bulgarian Parliament. The Strategy provides for the following priorities in regard to financial security: maintaining financial sector integrity through the AML/CTF measures; effective cooperation with the private sector for limiting grey economy and further elaborating mechanisms to prevent money laundering. (A strategy for counteracting money laundering is currently under discussion among the Bulgarian authorities with the participation of the private sector and NGOs.)

2.2 Core Recommendations

Please indicate improvements which have been made in respect of the FATF Core Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Largely compliant	
Recommendation	*Not all designated categories of offences are fully covered as predicates (insider*

of the MONEYVAL Report	*trading and market manipulation; and one aspect of terrorist financing).*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Insider Trading and Market Manipulation are regulated in the Measures Against Market Abuse with Financial Instruments Act (Promulgated, SG, No. 84/17.10.2006, effective 1.01.2007, amended and supplemented, SG No. 52/29.06.2007, effective since 3.07.2007). This Act contains clear definitions of market manipulation and insider trading as well as prohibitions thereto (Art 8 – 11). Chapter VII regulates the administrative liability and the penalties for violations of the Act: According to Art. 40 para 1 any person who commits or admits the committing of an offence under Art. 8 - 11 shall be liable to a fine from BGN 20 000 to 50 000 (10 000 – 25 000 Euro) if the act does not constitute a crime. Under para 2, in case of a repeated offence the fine is from BGN 50 000 to 100 000 (25 000 – 50 000 Euro). In case of non-compliance with an imposed coercive administrative measure, those who have committed the act and those who have allowed it shall be liable to a fine from BGN 5 000 to 20 000 (2 500 – 10 000 Euro). Those who aid, abet and conceal a crime are also penalized, taking into account the nature and extent of their involvement. For the same offences property sanction are imposed on legal entities and sole traders as follows: from BGN 50 000 to 100 000 (25 000 – 50 000 Euro) and in case of a repeated offence - from BGN 100 000 to 200 000 (50 000 – 100 000 Euro). Assets acquired as a result of the offence shall be confiscated in favor of the State, to the extent to which they cannot be refunded to the damaged persons. The protocols for the establishment of offences shall be drawn up by officials authorized by the deputy chairman of the Financial Supervision Commission, and the penalty warrants shall be issued by the Deputy Chairman. The establishment of offences, the issuing of, appeal against and enforcement of penalty warrants shall be carried out in accordance with the Administrative Violations and Sanctions Act. According to Art. 33 para 2 of the Administrative Violations and Sanctions Act, if an act of violation against which an administrative-penal proceeding have been initiated is established to constitute a crime, such proceedings shall be discontinued and all materials shall be forwarded to the relevant prosecutor. Thus insider trading and market manipulation may be prosecuted as crimes. However, because of the fact that the Penal Code does not contain explicitly their criminalization as separate crimes, their inclusion in the Penal Code is under discussion: Since December 2007 the Advisory Council on Criminal Policy with the Minister of Justice works on the Concept for Criminal Policy of the Republic of Bulgaria and new Penal Code, including through the engagement of a broad circle of practitioners and academics from the criminal and legislative field. The special expert group at the Council has already discussed the issue with explicit incrimination of insider trading and market manipulation in the new Penal Code. Consideration has been given also to the need of full reflection of the requirements of international conventions in the provision stipulating financing of terrorism. In order to provoke a broad discussion, the main ideas of the MJ for the Concept for Criminal Policy were published on the Internet site of the Ministry of Justice on 9 December 2008 inviting comments and suggestions of interested institutions. At present the statements and proposals received are being summarized and a new Concept document will be published at the end of March 2009. Thereafter the concept for new Penal Code will be drafted, where insider trading, market manipulation and the full range of financing of terrorism will be included.

Measures taken to implement the recommendations since the adoption of the first progress report	Since the elections for a new government held in July 2009, a comprehensive review of the Concept for Criminal Policy was carried out. As a result a Concept for Criminal Policy of the Republic of Bulgaria for the period 2010 – 2014 was adopted in July 2010. The abovementioned Concept envisages the elaboration and adoption of a new Penal Code. One of the main purposes is the new Penal Code to address the necessity to criminalise up-to-date types of criminal activity, including due to international engagements of the Republic of Bulgaria. At present, a draft of the General part and a draft of the Structure of the Special part of the new Criminal Code are elaborated. The Structure of the Special part is differentiated according to the particular crimes. Currently, the draft of the Special part of the new Criminal Code is under elaboration. Within the process of elaboration, thorough discussion concerning money laundering and financing of terrorism is forthcoming.
Recommendation of the MONEYVAL Report	*Liability of the legal persons remain limited to administrative liability.(R.2)*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Liability of legal persons for criminal offences, including money laundering was introduced in September 2005 by amending the Law on Administrative Offences and Sanctions. The Law provides for a monetary sanction of up to BGN 1 million (approximately 500 000 Euro) but not less than the amount of the advantage obtained or that could have been obtained. Confiscation of the proceeds of crime is also provided by the Law. The sanctions shall be imposed irrespective of the penal responsibility of the physical perpetrator. The Law provides also for regulation of the procedure for imposing sanctions on legal persons. After its introduction in 2005 this institute has been widely applied by prosecutors and judges and is assessed positively by them. The issue of criminal liability of legal persons is being discussed in different parts of legal society in Bulgaria. The opinions received within the framework of discussion on the new Concept for Criminal Policy (expected to be published till the end of March 2009- see above) are controversial. It is still not decided whether the Concept would include such fundamental change in Bulgarian legal theory. According to the Programme for the Activities of the Inspectorate at the Supreme Judicial Council for 2009 special attention will be paid by the inspectors on the implementation of Art 83 of the Law on Administrative Offences and Sanctions (liability of legal persons for criminal offences). The analysis of the monitoring will show whether next steps in this direction will be made.
Measures taken to implement the recommendations since the adoption of the first progress report	The principle for the personal character of the criminal liability – meaning that a punishment could be imposed solely on a natural person, exists ever since the adoption of the Bulgarian Criminal Code in 1968. The issue concerning the responsibility of legal persons is regulated under the Law on administrative offences and sanctions, which was adopted in 1969. Ever since the adoption of the abovementioned Law, the latter (Art. 83 – of that time) is the only normative act which envisages the imposition of property sanctions on legal persons for failure to perform their obligations. Based on that principle, the regulation laid down in the Law on administrative offences and sanctions was further developed in 2005 through the adoption of the relevant provisions – Art. 83a

	– Art. 83f (please see above).
Recommendation of the MONEYVAL Report	*Almost half of the final convictions on money laundering were dealt with suspended sentences of imprisonment, fact which raises questions with respect to the compliance with the requirements of "effective and dissuasive sanctions.(R.2)*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Statistics confirms that Bulgaria has one of the highest numbers of convictions for money laundering. The tendency in the last year shows that courts impose sentences without suspension of their implementation.
Measures taken to implement the recommendations since the adoption of the first progress report	In 2006-2010 effective sentences were adjudicated for 57 persons and suspended sentences for 46 persons. The suspended sentences are usually adjudicated when an agreement is reached between prosecution and defendant, which entails the immediate entering into force of the conviction and the possibility to forfeit the respective property.
Recommendation of the MONEYVAL Report	*Difficulties of proof of intention need further addressing on guidance or legislation to address effectiveness issues.(R.2)*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The difficulties mentioned by some practitioners during the onsite visit as regards proving intention for money laundering are considered to be overcome by the judicial practice. In October 2008 a very important sentence was pronounced and made public by the Supreme Cassation Court (the Supreme Court upheld the decisions of the Sofia District Court and the Sofia Appelate Court in money laundering case related to bank fraud) which brought clarity in the interpretation of the conditions needed to prove intention in money laundering: In this sentence the court states: "Differing from concealment, in case of money laundering it is not necessary the predicate crime to be finally proven with the instruments existing under the Penal Procedure Code. Otherwise it would mean one to accept that money laundering could not be fulfilled. For the predicate crime or the other act dangerous to the public (Art. 253, para 1 Penal Code) only general data must be established. This is the case because normally this activity is related to drug trafficking and/or trafficking of human beings or other actions for which there are no real evidences and which cannot be investigated under the normal penal procedure. The test for availability of evidences about a crime under Art 253 PC (money laundering) requires answers to several questions: - Are there important money flows movements, undertaken by the accused person? - Could these movements be explained by commercial deals or deals of any type, which may justify the origin of such large amount of money? In this respect, can the reason for a sudden wealth of the person and is it explicable? - Are there data about links between the person accused and persons from the criminal underground, which could explain the origin of the assets as criminally acquired assets? If the answers to the first and third questions are positive, and the answer to the

	second question is negative, the court should accept that the crime money laundering is fulfilled". In this case there is a sentence where the amount of the money from the predicate offence /the amount is smaller than the one from the money laundering/ is established as a result of the gathered circumstantial/indirect evidence for the committed crime In this way, the jurisprudence (Supreme Cassation Court), without explicit provision in the Penal Procedure or Penal Code makes clear that some kind of reversal of the burden of proof must be applied in cases of money laundering. Further an informational system for the Public Prosecutor's Office is yet to be implemented. This informational system shall contain data for all guilty verdicts and the reasons for the guilty verdicts. It shall also contain the approved agreements/plea bargains and methodical guidelines with regard to the investigation of the crime 'money laundering".
Measures taken to implement the recommendations since the adoption of the first progress report	The Supreme Court of Cassation confirmed several convictions /8/, and in addition provided specific clarifications on one of the cases that serve as a basis for future adjudication by courts. Even though the decision is not obligatory for the courts (apart from the parties to the specific case) it is used as a basis for proving the intention. According to the decision of the Bulgarian Supreme Court of Cassation of March 2009 on a ML case: "For the fulfillment of the corpus delicti of ML, it is irrelevant whether there were at all penal proceedings for the predicate crime and what the outcome of such proceedings (if any) was. The settling of the penal proceedings for the predicate crime does not objectively hinder the possibility for ML and therefore cannot preclude responsibility for the latter. There is no requirement that the crime from which the proceeds came should be a crime of certain kind… Considering this, the corpus delicti of Art. 253, Para. 1, as far as the object of the crime is concerned, requires proving, without any doubt and in a categorical way, only the link between the object and the predicate crime. This link can also be established by the grounded conclusion of the deciding court that there is no other possible legal source of the property. During the proceedings under Art. 253, Para. 1 of the Penal Code, the circumstances about place, time, way of receiving, amount of the "blemished" property resulting from the predicate crime, the specific type of the same property, the place of storing (if this form of deed is not claimed against the defendant) do not require clarifying, let alone the establishing of coincidence of the property (acquired as a result of the predicate crime) with the property used under Art. 253, Para. 1 of the Penal Code… The property can be acquired not only from crime but also from other act dangerous to the public such as administrative/disciplinary violation, civil delict."
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant	

initiatives	

Recommendation 5 (Customer due diligence) I. Regarding financial institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*It was the view of the evaluators that the definition of beneficial owner was not fully understood by all financial institutions*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Although the recommendation does not refer to the banking sector BNB with the assistance of TAIEX, European Commission has organized a workshop for the banks where the issues of beneficial owner was discussed in details. On-site inspections also were carried out by BNB for assessment the proper implementation of the legal requirement for beneficial owners by the banks. Further also Financial Supervision Commissions` experience has not indicated that the supervised entities from the non-banking financial sector lack understanding on the issue of beneficial ownership the FSC continuously makes efforts to raise the awareness thereof. In 2007, On-site Inspection Manuals were adopted in the field of insurance and capital market supervision providing detailed procedures on the compliance checks regarding the AML/CTF requirements. Based on these manuals every on-site inspection focuses inter alia on the existence of internal rules on the AML/CTF within the supervised entity as well as whether they are approved by the FIU and complied with by the entity. In these procedures, in case lack of clear understanding is estimated, proper guidance can be provided. Furthermore, meetings between experts of the Financial Supervision Commission (FSC) and representatives of the supervised entities (from the investment sector) are held at the FSC's premises on a monthly basis. So far, the supervised entities have not stated any difficulties in understanding the term "beneficial owner" nor have they posed any questions concerning its interpretation. Should there be any questions regarding this issue, experts from the FSC are open to discuss. In addition according to the observations from on-site inspections carried out by FID-SANS in 2008 and 2009 the definition of beneficial owner is clear to the inspected reporting entities. The training materials elaborated by FID, SANS also cover the issue during the usual trainings, where FID, SANS is invited to make a presentation on AML/CFT framework and counter measures.
Measures taken to implement the recommendations since the adoption of the first progress report	On going annual training sessions of banks and financial institutions regulated by BNB were organized by the Central bank. The issues of CDD procedures with a special focus on the establishing the ultimate beneficial owners were presented by BNB experts and discussed in details with the regulated institutions. The information presented to the sector was based on the compendium papers and common understandings prepared by the AML Subcommittee to the Joint Committee of EBA, ESMA and EIOPA. The issue of beneficial ownership is explained in all trainings provided by the Bulgarian FIU to the obliged entities under LMML during the period 2009-2010. In 2009 trainings were provided to the banks (two trainings, including one based on a

	specific request by a bank), investment intermediaries and management company. Regular meetings were also held with representatives of obliged entities. In 2010 trainings were provided to banks (specific request by two banks and 3 meetings with the specialized units for AML/CTF in the banks), the Stock Exchange and the Central Depository. In 2010 there were also several meetings of the experts of FID-SANS with insurers and leasing companies related to risk assessment. In addition the Bulgarian FIU is actively checking the compliance of the obliged entities with the requirements for identification and verification of the beneficial owner. Relevant sanctions have been imposed (please see the statistical information on supervisory findings). However, please note that the infringements found mainly refer to identification and verification of the beneficial ownership of complex corporate structure especially in the case of joint stock companies whose shares are publicly traded on a regulated market. In addition according to the Law on the Commercial Register (amendments of 2008) all commercial vehicles should transfer their registration to the new commercial register of the Registry Agency (deadline is by the end of 2011) and a wide array of information is currently provided by the commercial register on the ownership and management structure of the commercial vehicles that have completed their duty under the amended Law on the Commercial Register. The Amendment and Supplements of the Financial Supervision Commission Acts (promulgated State Gazette, issue 43 of 2010) introduced the obligation for disclosure of information on the persons who are beneficial owners of entities supervised by the Financial Supervision Commission (FSC). Thus disclosure of all natural persons who own 5 and over 5 per cent of the voting rights in the general meeting or from the capital of the respective entity, supervised by FSC. The information is publicly available (published on FSC web site).
Recommendation of the MONEYVAL Report	*Obligation to perform full CDD measures for terrorists financing should be required in the law*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Draft amendments of the LMTF were elaborated by FID, SANS. They were sent for consideration to the MoI; a working group was established to review the proposed amendments. Further the draft will be disused at Multidisciplinary Task Force for the Prevention of ML and TF, it is planed to be included in the Council Ministers Program for discussions in the period July-December 2009. Each non-banking financial entity is obliged by law to establish and apply, within 4 months of its registration in Court, internal rules for control and prevention of money laundering and terrorist financing. Upon on-site visits, experts from FSC are examining these rules and make sure they are in line with the relevant law's requirements, as well as whether the process of customer identification is executed correctly and all the documentation required before a money transaction is made or an order executed, is presented to the employees of the supervised entities. Up to now, during on-site visits, experts from FSC have not found any deficiencies of the internal rules application.
Measures taken to implement the recommendations since the adoption of the	The obligation is provided for with the amendments to the LMFT. The draft Law that was coordinated among Bulgarian institutions in February 2011, is to be discussed in the Council of Ministers in March 2011 and shall be presented to Parliament in early April 2011. The amendments to Art. 9, Para. 3 LMTF stipulate that:

first progress report	"(3) The persons under Art. 3, Paras. 2 and 3 of the Law on Measures against Money Laundering are obliged, whenever a suspicion for terrorist financing emerges, to carry out identification of clients and verification of their identity related to the suspicious operation or transaction, under the terms of Art. 6 of the Law on Measures against Money Laundering, to gather information concerning the deal or operation pursuant to Art. 7 of the Law on Measures against Money Laundering and to immediately notify the Financial Intelligence Directorate of the State Agency for National Security as well, before the operation or transaction is performed, while delaying its implementation within the admissible period laid down by the legislative regulations on the relevant type of activity. In such cases, the Agency shall exercise the powers vested therein under Articles 13 and 18 of the Law on Measures against Money Laundering." Please see Appendix III, Annex 3 for the full text of the amendments and complements.
Recommendation of the MONEYVAL Report	*Lack of guidance on applying simplified due diligence*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Guidance on applying the simplified due diligence is issued by BNB. Further draft guidance is elaborated by FID, SANS recently. It should be coordinated with other supervisory bodies and then will be published on FID-SANS web-site. Also, the Regulations on the Implementation of LMML elaborate further the provisions on simplified due diligence under the LMML. Also article in news bulletin of Financial Supervision Commission no 5/2007 reviewed the Control and Prevention of ML and TF within financial institutions including simplified due diligence. The positive list of counties applying same AML/CFT standards was adopted by the Minister of Finance and Governor of BNB in October 2008 and published in Bulgarian SG 96/7.11.2008.
Measures taken to implement the recommendations since the adoption of the first progress report	In addition to the guidance issued, BNB has organized workshops for the banks and the regulated financial institutions to discuss the requirements of simplified CDD and to provide explanations for the practical implementation. Guidance on the application of simplified CDD, taking into account the data available in the new commercial register and pursuant to Art. 4, Para. 16 of the LMML, was elaborated by FID-SANS at the beginning of 2010 and serves as a basis for clarifying the procedure to the obliged entities. With the transfer of the registration of a commercial vehicle pursuant to the amendments of the Law on the Commercial Register (amended 2008), the commercial vehicle can be sufficiently identified using the data and copies of documents supplied to the commercial register (Registry Agency) and certified to be true by the commercial vehicle (subject to penal responsibility). Thus, wherever a commercial vehicle registered in Bulgaria and whose registration has been transferred to the new commercial register (certified by obtaining a Single Identification Code), the verification required by the AML/CTF legislation shall be carried out through the information publicly available in the commercial register. In addition FID-SANS provides guidance to the obliged entities on the application of simplified CDD on an ad hoc basis and as part of the trainings and regular meetings with the representatives of obliged entities. Please see the trainings mentioned above.

Recommendation of the MONEYVAL Report	*Requirement to verify source of funds was not fully demonstrated throughout the financial sector.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Although the recommendation does not refer to the banking sector BNB with the assistance of TAIEX, European Commission has organized a workshop for the banks covering the topic of verification of source of funds. In addition on-site inspections were conducted focusing on the bank procedures for verification the source of funds and the way the procedures were implemented by the banks. There is an explicit obligation in art. 4, para 7 of LMML that requires persons effecting a transaction or a deal via or with a person referred to in Article 3, paragraphs (2) and (3) of the same act, at a value exceeding BGN 30,000 or its equivalent in foreign currency or, respectively, exceeding BGN 10,000 or its equivalent in foreign currency where payment is made in cash, shall be bound to require a source-of- funds declaration prior to effecting such transaction or deal. The format for the declaration referred to in paragraph (7) and under Article 6, paragraph (5), Item (3), the terms and procedure for filing, as well as the terms and procedure for exception from the declaration requirement shall be regulated in the rules for implementing this Act (annex 2 of RILMML contains a sample of a source-of- fund declaration that is required upon the above stated circumstances). Customer identification, for counter terrorism financing purposes, is an obligation emerging from art. 9, para 5 of LMFT. The same criteria for suspicious transactions apply for both anti money laundering and counter terrorism financing purposes. If the customer or the person entering into a business relationship is required to present a source-of-funds declaration and the declines to provide such, the latter will be refused to enter in such a relationship. No money order or a transaction will be executed. According to art.11a of LMML, persons referred to in Article 3, paragraphs (2) and (3) of LMML shall notify the Financial Intelligence Directorate of the State Agency for National Security by the 15th day of the month following the month of the information supplied, of any payment in cash at a value exceeding BGN 30,000 or its equivalent in foreign currency made by or to any of their clients. All the information required by LMML, is kept by the supervised entity for 5 years and is available to FSC and FIA upon their request The on-site inspections conducted so far by the supervisory bodies and FIU indicated that inspected reporting institutes understand and apply their obligations. Further the issue was discussed among the supervisors and FIU and was noted that further attention to this issue should be pay in future inspections.
Measures taken to implement the recommendations since the adoption of the first progress report	Annual workshops, organized by BNB for the banks and financial institutions regulated by BNB, addressed the process of establishing the sources of customers' funds. The discussions were based on the legal requirements and on a practical case. The general view of FID-SANS is still that the obliged entities understand and apply their obligations. The issue is nevertheless included in trainings provided to financial institutions. At the same time the issue is one of the focuses of the on-site inspections of FID-SANS. In 2009 inspections were carried out in 26 financial institutions and acts of findings were issued where infringements of Art. 4, Para. 7 of the LMML were found. There were 11 infringements of the aforementioned obligation found in 2009. In 2010 the on-site inspections of financial institutions were 26. There were 10 infringements found on Art. 4, Para. 7 of the LMML.

Recommendation of the MONEYVAL Report	*The evaluators found that some financial institutions needed more training on risk assessment*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Although the conclusion is not relevant to the banking sector a seminar was organized with the assistance of TAIEX covering the topic of AML/CFT risks specific to banking activities and the risk assessment. Further FID-SANS conducted analysis on the conclusion and its observations from the daily work of reporting entities, following this analysis a target groups for further trainings on the issue are planed. Training campaign is planned for the summer with different target groups. According to the art. 16, para 2 of LMML, the internal rules for control and prevention of money laundering and terrorist financing must set out „criteria for detecting suspicious transactions or deals and clients, the procedure for personnel training and the use of technical means for the prevention and detection of money laundering, as well as a system for internal control over the implementation of all measures under this law". In this sense, the information collected by each investment firm (reporting entity) when business or professional relations are established, is analyzed by special unit established within the entity in accordance with article 6 (5) of LMML. Pursuant to art. 8 of RILMML, the special unit analyses the information and thus assess the client's risk profile. Clients with a higher risk profile are put under special observation. The criteria defining higher risk profile for clients have to be provided in the internal rules of the entity. For high-risk profile clients, the extended measures provided by article 8 (3) of RILMML are applied. According to art. 18 of RILMML, a continuous training for the employees must be provided by the special unit. All the employees of the investment firm must be trained and made familiar with the internal rules for control and prevention of money laundering and terrorist financing. Special and more detailed training is provided to the employees having a direct contact with clients, i.e. the employees under art. 39 (1) of Markets in financial instruments act. If there are any questions or matters of ambiguity, FIU will provide further guidance.
Measures taken to implement the recommendations since the adoption of the first progress report	Four-day training sessions were organized for the financial institutions regulated by BNB to explain the importance of risk assessment and its influence on the activities and reputation of the institutions. Refreshing trainings were held for banks. Risk assessment and the implementation of group policies were discussed from the legal and practical point of view. The issue was discussed with the obliged entities as part of the trainings provided by FID-SANS. In 2010 there were several meetings of the experts of FID-SANS with insurers and leasing companies related to risk assessment. Meetings were held also with the association of the insurance brokers in view of elaborating and applying unified internal rules throughout the sector. In addition the 2010 Phare Twinning Project of the Financial Supervision Commission (FSC) focused in one of its activities on the following issues that are of significance in view of drafting a strategy and further assisting the obliged entities: 1. improvement of the capacity of the FSC in the AML sector through providing of training on the best EU practices for dealing with information on suspicious transactions of money laundering received by or sent to the Financial Directorate within the National Security State Agency and other security services bodies; 2. Better coordination between competent bodies, especially the FID within the SANS

	and foreign AML bodies, in relation to the initiation of actions against money laundering; 3. Preparation of criteria for identification of suspicious operations or/and transactions, as well as measures for prevention and disclosure of money laundering cases; 4. Further development of the existing AML inspection manual and training on the implementation of the AML inspection manual, including in it FSC obligations on CFT.
Recommendation of the MONEYVAL Report	*With the exception of banks financial institutions need to work harder to raise awareness and be effective in CDD due diligence*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	There is on-going process on this issue. In 2007 the FIU took part in 5 AML/CFT trainings for staff of reporting entities /3 commercial banks, 1 investment intermediary, 1 pension funds and insurance companies./
Measures taken to implement the recommendations since the adoption of the first progress report	One of the main topics of the workshops organized by BNB for the banks and the regulated financial institutions was dedicated on CDD measures and process. Case studies were presented and discussed with the audience. This issue was also subject to the trainings and meetings with the obliged entities (apart from banks) of the insurance sector, investment intermediaries and management vehicles and leasing companies, the Stock Exchange and the Central Depository in 2009 and 2010. Please see also information above on FSC Phare Project in 2010.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 5 (Customer due diligence) II. Regarding DNFBP[8]	
Recommendation of the MONEYVAL Report	*Several DNFBP lack awareness and full knowledge of this obligation to perform CDD*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	It was discussed during a meeting of Multidisciplinary Task Force for the Prevention of ML and TF. So far the observations and experience of the FIU based on conducted on-site inspections by the FIU indicated that great part of reporting entities in the respective sectors have AML awareness and perform accordingly their obligations.
Measures taken	A special program was developed by FID-SANS together with Crown Agents for

[8] i.e. part of Recommendation 12.

to implement the recommendations since the adoption of the first progress report	training persons providing legal advice in 2009. Two extensive trainings were completed with the participation of lawyers from other EU countries (United Kingdom). Training for casinos was organized jointly by FID-SANS, SCG and Crown Agents in 2009. Detailed instructions for anti-money laundering measures, as well as correspondent criteria, were developed after the training course with Crown Agents. These instructions are circulated in all casinos through the medium of the Bulgarian association of gambling and entertainment industry and are obligatory for implementation. The SCG's control bodies, while checking up casinos, make sure these instructions are abided by. An extensive training was provided to the notaries in 2010. In addition there was one extensive training provided to real estate intermediaries in 2009. FID-SANS cooperated also with the National Association Real Estates in view of elaborating unified internal rules for real estate intermediaries. One training was provided by FID-SANS to the Institute of Certified Accountants in 2009 and additional trainings were organized to two regional structures of the Institute thus vastly extending the scope of the activity. In 2010 there were two meetings for clarifying various AML/CTF issues with the Bulgarian Posts.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 10 (Record keeping) I. Regarding Financial Institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Transactions records should be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The evaluator's conclusion was discussed during meeting of Multidisciplinary Task Force for the Prevention of ML and TF in October 2008. The expressed view by the state institutions following this discussion is that the legal provisions are clear to reporting entities and practice confirmed that, but the FIU will prepare in addition guidelines on this to explain the legal provisions.
Measures taken to implement the recommendations since the adoption of the	No infringements related to transaction records were found during the on-site inspections. In addition the experience of the department responsible for the analysis of STRs within the Bulgarian FIU shows that transaction records are sufficient to complete the analysis of transactions and for gathering the necessary information based on request by LEAs.

first progress report	
Recommendation of the MONEYVAL Report	*There is not requirement in law or regulation to keep documents longer than five years if requested by a competent authority*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The evaluator's conclusion was discussed during meeting of Multidisciplinary Task Force for the Prevention of ML and TF in October 2008. The state bodies represented in the task force do not consider that amendments of legal provisions on this issue are urgently necessary, but this recommendation shall be taken under consideration by future version of the LMML.
Measures taken to implement the recommendations since the adoption of the first progress report	The issue is still under consideration between the responsible institutions and is not deemed an impediment to the successful investigation and prosecution in the overview of the system made for the purposes of providing guidelines for the ML investigations (as included in the Handbook for Investigation of ML).
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 10 (Record keeping) II. Regarding DNFBP[9]	
Recommendation of the MONEYVAL Report	*Casinos should undertake steps to improve record keeping*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The State Commission on Gambling (SCG) advises casino operators and their association BAAGG (Bulgarian Association for Amusing Games and Gambling) to update "The internal rules for control and prevention of the money laundering on the part of persons, organizing and implementing casino gambling". Detailed instructions for identification complex control must underlie in the rules, as well as more précised criterions for registers maintaining improvement. Further meetings between representatives of FID-SANS and SCG /respectively BAAGG took place during which recommendations under the assessment report were discussed. FID, SANS and SCG planed some joint on-site inspections in 2009 to check the level of compliance.

[9] i.e. part of Recommendation 12.

	BAAGG submitted beginning of 2009 updated draft of Internal rules for control and prevention of the money laundering, which was approved. A workshop for members of BAAGG is planned for the end of March 2009 in order FID, SANS lecturers to make more detailed presentations on record keeping, CDD for the purposes of ML/TF as well as PEPs and other relevant issues.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings to the casinos were provided together with SCG and Crown Agents in 2009. Detailed instructions for anti-money laundering measures, as well as correspondent criteria, were developed after the training course with Crown Agents. These instructions are circulated in all casinos through the medium of the Bulgarian association of gambling and entertainment industry and are obligatory for implementation. The SCG's control bodies, while checking up casinos, make sure these instructions are abided by. In addition FID-SANS carried out 2 joint inspections with the SCG in 2009 and 2 joint inspections in 2010.
Recommendation of the MONEYVAL Report	*Certain DNFPBs record keeping was only for tax compliance purpose*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was also discussed during the meeting between representatives of FID-SANS, SCG and BAAGG. FID, SANS and SCG planed some on-site inspections in 2009 to check the level of compliance.
Measures taken to implement the recommendations since the adoption of the first progress report	During the on-site inspections in 2009 and 2010 of DNFBPs (a total of 37 on-site inspections for both years) FID-SANS found no infringements of Art. 8 LMML related to record keeping. Whenever requested by the inspectors of FID-SANS, the client files and the files of transactions and deals were presented to them.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 13 (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL	*Attempted suspicious transactions are not explicitly covered*

Report	
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The wording of art.7 (1) LMML is sufficiently broad so as to cover even attempted suspicious transactions. Further the issue was discussed among the Bulgarian state bodies and although they consider that attempted transactions are covered in the LMML, by future version of the LMML until the end of 2009 this will be specifically provided. "Art.7 (1) Where a suspicion for money laundering arises, the persons under Article 3, paragraphs (2) and (3), shall be bound to collect information about the material components and the size of the transaction or deal, the respective documents and other identification data. (2) (Amended, SG No. 54/2006, SG No. 109/2007) The data collected for the purposes of this Act shall be documented and stored in a way providing access to the Financial Intelligence Directorate of the State Agency for National Security, the relevant supervisory authorities, and the auditors."
Measures taken to implement the recommendations since the adoption of the first progress report	Explicit provisions covering attempted transactions were included in the amendments to the LMFT and LMML that were coordinated between institutions in February 2011. The draft Law is to be discussed in the Council of Ministers in March 2011 and shall be presented to Parliament in early April 2011. The provisions of the mentioned laws are as follows: LMFT, proposed complement to Art. 9 (a new Para. 4) "(4) The obligation for notification under Paras. 1 and 3 also applies to the attempt to carry out an operation or transaction aimed at financing of terrorism, as well as to the means which are suspected to be related or used for terrorist acts or used by terrorist organizations and individual terrorists." LMML, proposed complement to Art. 11 (a new Para. 5) "(5) The obligation under Para. 1 also arises in the cases when the operation or transaction have not been completed". The text of al amendments and complements is included in Appendix III, Annex 3.
Recommendation of the MONEYVAL Report	*Insider trading and market manipulation are not predicate offences and therefore not covered by the reporting obligation*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Please see comments under R.1
Measures taken to implement the recommendations since the adoption of the first progress report	Please note that as the Penal Code's approach includes as predicate any act dangerous to the public and the aforementioned adjudication of the Supreme Court of Cassation of March 2009 clarifies that "the property (that is object of the crime ML) can be acquired not only from crime but also from other act dangerous to the public such as administrative/disciplinary violation, civil delict", the Bulgarian authorities consider this recommendation to be covered.

Recommendation of the MONEYVAL Report	*No reporting obligation covering funds suspected to be linked or related to, or to be used for terrorist acts or by terrorist organisations.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Provisions of Art 9 (1) and (3) of the LMTF cover the reporting obligation for all types of funds suspected to be linked or related to financing of terrorism. Further the working group established to review the proposed amendments to the LMTF will further discuss this issue. The draft amendments will be disused at Multidisciplinary Task Force for the Prevention of ML and TF, it is planed to be included in the Council Ministers Program for discussions in the period July-December 2009. **Article 9.** (1) (amended SG 109 of 20.12.2007) Any person, who knows that given financial operations or transactions are intended to finance terrorism, must immediately notify the Minister of Interior and the chairperson of the State Agency for National Security. (3) (Amended, SG No. 31/2003, SG No. 92/2007; SG 109/2007; amend and suppl. SG 36/2008) Should suspicion arise about the financing of terrorism, the persons under Article 3 (2) and (3) of the Law on Measures against Money Laundering must immediately notify also the Financial Intelligence Directroate of State Agency for National Security before the operation or transaction is performed, while delaying its implementation within the admissible period laid down by the legislative regulations on the relevant type of activity. In such cases, the Agency shall exercise the powers vested therein under Articles 13 and 18 of the Law on Measures against Money Laundering.
Measures taken to implement the recommendations since the adoption of the first progress report	The issue has been further clarified through the draft Law amending LMTF. The provisions are as follows: § 2. In Art. 9 the following amendments and complements shall be included: 1. Para. 3 shall be amended as follows: (3) The persons under Art. 3, Paras. 2 and 3 of the Law on Measures against Money Laundering are obliged, whenever a suspicion for terrorist financing emerges, to carry out identification of clients and verification of their identity related to the suspicious operation or transaction, under the terms of Art. 6 of the Law on Measures against Money Laundering, to gather information concerning the deal or operation pursuant to Art. 7 of the Law on Measures against Money Laundering and to immediately notify the Financial Intelligence Directorate of the State Agency for National Security as well, before the operation or transaction is performed, while delaying its implementation within the admissible period laid down by the legislative regulations on the relevant type of activity. In such cases, the Agency shall exercise the powers vested therein under Articles 13 and 18 of the Law on Measures against Money Laundering. § 3. In the Additional Provision the following amendments and complements shall be included: 1. The phrase Additional Provisions shall be replaced by the words "Additional Provisions". 2. A new § 1 with the following text shall be created: "§ 1. Under this Law financing of terrorism shall be the direct or indirect, illegal and intentional provision and/or collection of financial funds, financial assets or any other property and/or provision of financial services with the intention that they will be used or with the knowledge that that they will be used, completely or

	partially, for committing terrorism within the meaning of the Penal Code." Please refer to Appendix III, Annex 3 for the full text of the draft Law.
Recommendation of the MONEYVAL Report	*There are few STRs from non–banking financial institutions (effectiveness issue)*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was discussed on Multidisciplinary Task Force for the Prevention of ML and TF in October 2008. It was decided supervisory bodies to undertake expounding campaign during regular on-site inspections of reporting entities.
Measures taken to implement the recommendations since the adoption of the first progress report	The STRs received in 2009 and especially 2010 show a clear increase as a result of the training efforts and the on-site inspections of FID-SANS. It is noteworthy that the securities sector, the currency exchange and the money remittance sector show significant reporting increase. In addition the 2010 Phare Twinning Project of the Financial Supervision Commission focused in one of its activities on the following issues that are of significance in view of drafting a strategy and further assisting the obliged entities: 1. improvement of the capacity of the FSC in the AML sector through providing of training on the best EU practices for dealing with information on suspicious transactions of money laundering received by or sent to the Financial Directorate within the National Security State Agency and other security services bodies; 2. Better coordination between competent bodies, especially the FID within the SANS and foreign AML bodies, in relation to the initiation of actions against money laundering; 3. Preparation of criteria for identification of suspicious operations or/and transactions, as well as measures for prevention and disclosure of money laundering cases; 4. Further development of the existing AML inspection manual and training on the implementation of the AML inspection manual, including in it FSC obligations on CFT.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP[10]	
Recommendation of the MONEYVAL Report	*The same deficiencies in the implementation of Recommendation 13 in respect of financial institutions apply to DNFBP*
Measures reported	The issue was discussed on Multidisciplinary Task Force for the Prevention of ML

[10] i.e. part of Recommendation 16.

as of 18 March 2009 to implement the Recommendation of the report	and TF in October 2008. It was decided supervisory bodies to undertake expounding campaign during regular on-site inspections of reporting entities.
Measures taken to implement the recommendations since the adoption of the first progress report	The draft amendments to the LMFT and LMML explained under R.13 for the financial institutions are applicable to all obliged entities, therefore will cover the DNFBPs. At the same time FID-SANS continues to provide training to the DNFBPs as well as pays special attention to DNFBPs in the on-site inspections.
Recommendation of the MONEYVAL Report	*Further education required on filing of suspicious activity reports*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	This is on-going process. For the trainings, planned in the beginning of 2009, the issue is included as separate part in the training materials for real estate agents and casino operators /March and April 2009/. The issue will be covered also in future trainings for lawyers, notaries and real estate agents, which are planned for the end of 2009. Additionally FID-SANS plans to have 1 days AML/CFT trainings for real estates, notaries and layers in the last week of October where also UK experts will join as presenters to the FID-SANS`s lecturers.
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS developed and published on its web site (www.dans.bg – section Money Laundering) new criteria for the obliged entities including the DNFBPs in 2009. These criteria are explained during the trainings provided by FID-SANS and an increase in reporting (both STRs and cash threshold transactions) by some of the DNFBPs is observed (notaries and casinos). A special program was developed by FID-SANS together with Crown Agents for training persons providing legal advice in 2009. Two extensive trainings were completed with the participation of lawyers from other EU countries (United Kingdom). Training for casinos was organized jointly by FID-SANS, SCG and Crown Agents in 2009. Detailed instructions for anti-money laundering measures, as well as correspondent criteria, were developed after the training course with Crown Agents. These instructions are circulated in all casinos through the medium of the Bulgarian association of gambling and entertainment industry and are obligatory for implementation. The SCG's control bodies, while checking up casinos, make sure these instructions are abided by. An extensive training was provided to the notaries in 2010. In addition there was one extensive training provided to real estate intermediaries in 2009. FID-SANS cooperated also with the National Association Real Estates in view of elaborating unified internal rules for real estate intermediaries. One training was provided by FID-SANS to the Institute of Certified Accountants in 2009 and additional trainings were organized to two regional structures of the Institute thus vastly extending the scope of the activity. In 2010 there were two meetings for clarifying various AML/CTF issues with the Bulgarian Posts.

(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation II (Criminalisation of terrorist financing)	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Not clear if the offense as provided in the Bulgarian CC also includes contributions for <u>any</u> purpose (including legitimate activity)*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was discussed on Multidisciplinary Task Force for the Prevention of ML and TF in October 2008, presently Bulgarian authorities do not consider that amendment of art. 108a of the Penal Code is necessary, because the Bulgarian legislator decided to use the possible large wording. The Article 108a para 2 (New, SG No. 92/2002) of Penal Code provides for the criminalization of terrorist financing in Bulgaria: "(1) Anyone who, in view of causing disturbance or fear among the population or of threatening, or forcing a competent authority, a representative of a public institution or of a foreign state or international organization to perform or omit part of his/her duties, commits a crime under art. 115, 128, art. 142, par. 1, art. 216, par. 1, art. 326, art. 330, par. 1, art. 333, art. 334, par. 1, art. 337, par. 1, art. 339, par. 1, art. 340, paras. 1 and 2, art. 341a, paras. 1 - 3, art. 341b, par. 1, art. 344, art. 347, par. 1, art. 348, art. 349, paras. 1 and 3, art. 350, par. 1, art. 352, par. 1, art. 354, par. 1, art. 356f, par. 1, art. 356h, shall be punished for terrorism by deprivation of liberty from five to fifteen years, and where death has been caused - by deprivation of liberty of up to thirty years, to life imprisonment or to life imprisonment less substitution. (2) Anyone who, regardless of the specific mode of operation, directly or indirectly collects or provides means for accomplishing acts under par. 1, in full knowledge or based on the assumption these would be utilized to the above purposes, shall be punished by deprivation of liberty of three to fifteen years and a fine of up to BGN 30 000 (15 000 Euro). (3) The object under par. 2 above, that has been the focus of crime, shall be expropriated to the benefit of the State, and where this object may not be found or has been disposed of, payment of the equivalent sum in cash shall be ruled." However, as stated above, since December 2007 the Advisory Council on Criminal Policy with the Minister of Justice works on the Concept for Criminal Policy of the Republic of Bulgaria and new Penal Code, including through the engagement of a broad circle of practitioners and academics from the criminal and legislative field. The special expert group at the Council has already discussed the issue with explicit incrimination of insider trading and market manipulation in the new Penal Code. Consideration has been given also to the need of full reflection of the requirements

	of international conventions in the provision stipulating financing of terrorism. In order to provoke a broad discussion, the main ideas of the MJ for the Concept for Criminal Policy were published on the Internet site of the Ministry of Justice on 9 December 2008 inviting comments and suggestions of interested institutions. At present the statements and proposals received are being summarized and a new Concept document will be published at the end of March 2009. Thereafter the concept for new Penal Code will be drafted, where insider trading, market manipulation and the full range of financing of terrorism will be included**.**
Measures taken to implement the recommendations since the adoption of the first progress report	Since the elections for a new government held in July 2009, a comprehensive review of the Concept for Criminal Policy was carried out. As a result a *Concept for Criminal Policy of the Republic of Bulgaria for the period 2010 – 2014* was adopted in July 2010. The abovementioned Concept envisages the elaboration and adoption of a new Penal Code. One of the main purposes is the new Penal Code to address the necessity to criminalise *up-to-date* types of criminal activity, including due to international engagements of the Republic of Bulgaria. At present, a draft of the *General part* and a draft of the *Structure of the Special part* of the new Criminal Code are elaborated. The Structure of the Special part is differentiated according to the particular crimes. Currently, the draft of the Special part of the new Criminal Code is under elaboration. Within the process of elaboration, thorough discussion concerning money laundering and financing of terrorism is forthcoming.
Recommendation of the MONEYVAL Report	*Liability of legal persons still limited to administrative accountability*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was discussed during meeting f Multidisciplinary Task Force for the Prevention of ML and TF in October 2008. Because the criminal liability of legal persons is advisable and not obligatory Bulgaria does not consider that its introduction in Bulgarian legal framework is pressing. As already explained, liability of legal persons for criminal offences, including preparation for terrorism and terrorist financing, was introduced in September 2005 by amending the Law on Administrative Offences and Sanctions. The Law provides for a monetary sanction of up to BGN 1 million (approximately 500 000 Euro) but not less than the amount of the advantage obtained or that could have been obtained. Confiscation of the proceeds of crime is also provided by the Law. The sanctions shall be imposed irrespective of the penal responsibility of the physical perpetrator. The Law provides also for regulation of the procedure for imposing sanctions on legal persons. After its introduction in 2005 this institute has been widely applied by prosecutors and judges and is assessed positively by them. The issue of criminal liability of legal persons is being discussed in different parts of legal society in Bulgaria. The opinions received within the framework of discussion on the new Concept for Criminal Policy (expected to be published till the end of March 2009- see above) are controversial. It is still not decided whether the Concept would include such fundamental change in Bulgarian legal theory. According to the Programme for the Activities of the Inspectorate at the Supreme Judicial Council for 2009 special attention will be paid by the inspectors on the implementation of Art 83 of the Law on Administrative Offences and Sanctions (liability of legal persons for criminal offences). The analysis of the monitoring will show whether next steps in this direction will be made.

Measures taken to implement the recommendations since the adoption of the first progress report	The principle for the personal character of the criminal liability – meaning that a punishment could be imposed solely on a natural person, exists ever since the adoption of the Bulgarian Criminal Code in 1968. The issue concerning the responsibility of legal persons is regulated under the Law on administrative offences and sanctions, which was adopted in 1969. Ever since the adoption of the abovementioned Law, the latter *(Art. 83 – of that time)* is the only normative act which envisages the imposition of property sanctions on legal persons for failure to perform their obligations. Based on that principle, the regulation laid down in the Law on administrative offences and sanctions was further developed in 2005 through the adoption of the relevant provisions – Art. 83a – Art. 83f (please see above).
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation IV (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*No reporting obligation covering funds suspected to be linked or related to, or to be used for terrorist acts or by terrorist organisations*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Provisions of Art 9 (1) and (3), LMTF cover the reporting obligation for all types of funds suspected to be linked or related to financing of terrorism. Further the working group established to review the proposed amendments to the LMTF will further discuss this issue. The draft amendments will be disused at Multidisciplinary Task Force for the Prevention of ML and TF, it is planed to be included in the Council Ministers Program for discussions in the period July-December 2009. …Article 9. (1) (amended SG 109 of 20.12.2007) Any person, who knows that given financial operations or transactions are intended to finance terrorism, must immediately notify the Minister of Interior and the chairperson of the State Agency for National Security. ….(3) (Amended, SG No. 31/2003, SG No. 92/2007; SG 109/2007; amend and suppl. SG 36/2008) Should suspicion arise about the financing of terrorism, the persons under Article 3 (2) and (3) of the Law on Measures against Money Laundering must immediately notify also the Financial Intelligence Directorate of State Agency for National Security before the operation or transaction is performed, while delaying its implementation within the admissible period laid down by the legislative regulations on the relevant type of activity. In such cases, the Agency shall exercise the powers vested therein under Articles 13 and 18 of the Law on

	Measures against Money Laundering.
Measures taken to implement the recommendations since the adoption of the first progress report	The obligation is provided for with the amendments to the LMFT. The draft Law that was coordinated among Bulgarian institutions in February 2011, is to be discussed in the Council of Ministers in March 2011 and shall be presented to Parliament in early April 2011. The amendments to Art. 9, Para. 3 LMTF stipulate that: "(3) The persons under Art. 3, Paras. 2 and 3 of the Law on Measures against Money Laundering are obliged, whenever a suspicion for terrorist financing emerges, to carry out identification of clients and verification of their identity related to the suspicious operation or transaction, under the terms of Art. 6 of the Law on Measures against Money Laundering, to gather information concerning the deal or operation pursuant to Art. 7 of the Law on Measures against Money Laundering and to immediately notify the Financial Intelligence Directorate of the State Agency for National Security as well, before the operation or transaction is performed, while delaying its implementation within the admissible period laid down by the legislative regulations on the relevant type of activity. In such cases, the Agency shall exercise the powers vested therein under Articles 13 and 18 of the Law on Measures against Money Laundering." Please see Appendix III, Annex 3 for the full text of the amendments and complements.
Recommendation of the MONEYVAL Report	*Clear provision needed that STRs must be field promptly*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Further the working group established to review the proposed amendments to the LMTF will further discuss this issue. The draft amendments will be disused at Multidisciplinary Task Force for the Prevention of ML and TF, it is planed to be included in the Council Ministers Program for discussions in the period July-December 2009.
Measures taken to implement the recommendations since the adoption of the first progress report	A provision for "immediate" filing of the reports suspected to be linked to TF is included in the proposed amendments to the LMFT. Please see above the proposed amendment to Art. 9, Para. 3 LMTF .
Recommendation of the MONEYVAL Report	*The obligation to report attempted suspicious transactions of financing of terrorism is not explicitly covered*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Please, see the comments above**.**
Measures taken to implement the	Explicit provisions covering attempted transactions were included in the amendments to the LMFT and LMML that were coordinated between institutions in

recommendations since the adoption of the first progress report	February 2011. The draft Law is to be discussed in the Council of Ministers in March 2011 and shall be presented to Parliament in early April 2011. The provisions of the mentioned laws are as follows: LMFT, proposed complement to Art. 9 (a new Para. 4) "(4) The obligation for notification under Paras. 1 and 3 also applies to the attempt to carry out an operation or transaction aimed at financing of terrorism, as well as to the means which are suspected to be related or used for terrorist acts or used by terrorist organizations and individual terrorists." LMML, proposed complement to Art. 11 (a new Para. 5) "(5) The obligation under Para. 1 also arises in the cases when the operation or transaction have not been completed".
Recommendation of the MONEYVAL Report	*Only 2 reports filed by banks and the industry as a whole do not seem to be well-versed in this requirements*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	This is an on-going campaign in the framework of regular meetings with representatives of reporting entities or conducted on-site inspections. It will be further covered also in the trainings planned to take place in the beginning of 2009 (for banks).
Measures taken to implement the recommendations since the adoption of the first progress report	BNB official website contains updated information on the legal acts adopted at the EU level in respect of restrictive measures against countries, individuals, legal persons and organizations related with terrorist activities. Trainings and regular meetings of FID-SANS with the obliged entities have included the issue of TF reporting.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation IV (Suspicious transaction reporting) II. Regarding DNFBP	
Recommendation of the MONEYVAL Report	*Further education needs to be conducted on filing terrorist financing reports*
Measures reported as of 18 March	This is on-going campaign in the framework of regular meetings with representatives of reporting entities or conducted on-site inspections. It will be

2009 to implement the Recommendation of the report	further covered also in the trainings planned to take place in the beginning of 2009 (for real estate agents and casino operators) and also in future trainings for lawyers, notaries and real estate agents, which are planned for the end of 2009.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings and regular meetings of FID-SANS with the obliged entities have included the issue of TF reporting. Please see previous replies in regard to DNFBPs for a list of trainings.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

2.3 Other Recommendations

In the last report the following FATF recommendations were rated as "partially compliant" (PC) or "non compliant" (NC) (see also Appendix 1). Please, specify for each one what measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the evaluation report.

Recommendation 3 (Provisional measures and confiscation)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Differences of view between the Bulgarian authorities on the application of third party confiscation need resolution to ensure it is happening*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The Inspectorate at the Supreme Judicial Council (a new Institution established in February 2008, which controls the movement of judicial proceedings) has dealt with the implementation of Art. 53 Penal Code on confiscation. There have been meetings between inspectors and prosecutors from the Sofia Prosecutors Office during which the application of the confiscation institute was discussed. In the Programme for the Activities of the Inspectorate for 2009 there are focused check-ups envisaged, which would examine the implementation of freezing and confiscation in all appellate regions in Bulgaria would be conducted. It is expected the results of these check-ups to lead to issuing of concrete instructions for the prosecutors in different levels as well as to the adoption of common Guidelines by the Prosecutor General or the Supreme Cassation Prosecutors Office on the application of the general regime of confiscation which would increase the effectiveness of the law-enforcement and judicial authorities.
Measures taken to implement the recommendations since the adoption of the first progress report	The provisions of Art. 53 and Art. 253, Para. 6 stipulates that the object of crime will be forfeited. If the object of crime has been acquired by another person it will be forfeited in case there is involvement of this third party to the money laundering /the third party knew or suspected that the property is proceeds of crime). If the third party did not know, the person who is convicted of money laundering would have to pay the equal value. The Commission for Establishing Property Acquired though Crime is in any case notified when there is money laundering indictment and the forfeiture of property of a third party is provided by the law regulating the activity of the Commission (Art. 7 and others). In addition for the period 2009-2011 there have been a number of confiscations (following motions by CEPACA) of property of third parties (family members).
Recommendation of the MONEYVAL Report	*Clearer guidance to be given to prosecutors on confiscation of indirect proceeds and value confiscation*
Measures reported as of 18 March 2009 to implement the	By virtue of Art 253, par.(6) (New, SG 85/98; prev. para 4, SG 21/00; prev. para 5) of the Penal Code "The subject of the crime or the property into which it has been transformed shall be seized in favour of the state, and if it is missing or alienated, its equivalence shall be adjudged."

Recommendation of the report	With regard to this, there are court decisions, according to which if the subject of the crime is missing, the persons /perpetrators/ are convicted to pay the equivalence of the subject.
Measures taken to implement the recommendations since the adoption of the first progress report	Whenever the object of crime or the property into which it was transformed is missing or is transferred to a third party, the court adjudicates that the equal value shall be paid and that is the normal, regular practice of the courts. The new handbook on money laundering also provides sufficient guidance to the prosecutors in relation to confiscation. For the period 2009-2011 there have been confiscations of property of equal value in 12 cases. Property of equal value is confiscated in the following cases: 1) in cases when the object of crime constitutes missing financial funds – the payment of these funds is pronounced by court; 2) in cases when the object of crime was financial funds transformed into other property – the equal value of the transformed property would be pronounced by the court to be paid by the perpetrator. The total amount of the confiscated assets under the aforementioned hypotheses is approximately 1 800 000 EUR for the period 2009-2011.
Recommendation of the MONEYVAL Report	*Lack of effectiveness of the general confiscation regime*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Further strengthening of the effectiveness of the general confiscation regime is expected to be achieved trough the Twinning light project titled "Further Strengthening the Administrative Capacity of the Public Prosecutor's Office for fighting crimes under the Law of Divestment in Favour of the State of Property Acquired from Criminal Activity" (LDFSPACA) (launched on 12 January 2009). The specific objectives of the Project are: - Further strengthening of the Administrative Capacity of the Public Prosecutor's Office of the Republic of Bulgaria to fight the types of crime, leading to divestment of property acquired by criminal activity; – Establishment of joint working groups of prosecutors, investigators, financial bodies and CEPACA; – Establishment of efficient inter-institutional cooperation and international cooperation in view of investigating and combating serious crime, potentially leading to divestment of property acquired by crime; – Qualification of specialized prosecutors working on this type of crimes should be enhanced by means of training and better cooperation with other institutions, resulting in effective implementation of the EU standards and optimization of the results of their work and for better understanding by the interpretation and enforcement of the law and additional practical skills; – Training of trainers from the staff of law-enforcement bodies- prosecutors, investigators, s.c. Doznateli, government officials from Mol and MF for revealing and investigating crimes, accomplished by persons holding responsible official positions and magistrates. Activities will be undertaken for the conducting of in-depth discussions of EU 'good' and 'best practices' with regard to crime and corruption on the high levels with an accent on confiscation of property acquired by crime, with the participation of all bodies involved in fighting that type of crimes, i.e. police,

	investigation, financial intelligence etc. The project also envisaged trainings for magistrates – prosecutors, judges and investigators, as well as to strengthen the cooperation with other state institutions for better understanding the interpretation and enforcement of the law and additional practical skills. The trainings concern accomplishment of 3 workshops for 30 trainers on the field of crimes envisaged by the Law of Divestment in favour of the state of property acquired from criminal activity. Two comprehensive catalogues of recommendations will be elaborated: one for further development of the working relations between the state bodies, the other for ways of identifying the property acquired by crime, and providing a legal advice and assistance by its implementation.
Measures taken to implement the recommendations since the adoption of the first progress report	Please note the statistics on confiscations for 2009-2010 which indicate a clear increase in the confiscated amounts. In addition the aforementioned Twinning Project for the prosecution also contributed to raising the effectiveness of the confiscation regime.
Recommendation of the MONEYVAL Report	*New agency (CEPACA) not operating for sufficient length of time to judge its effectiveness*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Presently SEPACA works successfully – it is fully operational, has results by applying the Law of Divestment in favour of the State of Property, Acquired from Criminal Activity (LDFSPACA) - SEPACA started totally 335 proceedings for establishing of property acquired from criminal activity. 303 securing measures at total value of 154 402 265 BGN were imposed and 102 motivated requests for divestment in favour of the state of the property, acquired from criminal activity were presented to the court for the period 2006-2008. In 2008 the court of first instance has enacted 8 decisions for forfeiture of property acquired from criminal activity – the court pronounced in favour of the Commission, two of the cases were confirmed at second instance and presently they are appealing before the Supreme Court of Cassation in Bulgaria. For more details please see the short report on its activity in annex I.
Measures taken to implement the recommendations since the adoption of the first progress report	From 01.01.2010 to 31.12.2010, the Commission for establishing of property acquired from criminal activity has initiated 177 legal proceedings for establishing of criminal assets. For the previous 2009, the Commission has initiated 155 proceedings. From 01.01.2010 to 31.12.2010 the Commission for establishing of property acquired from criminal activity has initiated 82 lawsuits for criminal assets forfeiture with a total value of claims of 120 928 041 BGN. For the previous 2009, the Commission has initiated 79 lawsuits for criminal assets forfeiture with a total value of claims of 68 876 264 BGN. For the period from 01.01.2010 to 31.01.2011, there are 12 court decisions for forfeiture entered into force, concerning property and assets at estimateted total value of 7 795 958 BGN /according the value of the motion/. The worth of the property is evaluated at 6 915 140 BGN according to the fee due to the courts for their rulings /which under Bulgarian legislation is 4 % of the amount of the motion/. In 2009, 4 court decisions for forfeiture entered into force, concerning property and assets at estimateted total value of 953 976 BGN according the value of the motion.

	The worth of the seized property is evaluated at 677 198 BGN according to the fee due to the courts for their rulings. Please see Appendix III, Annex 4 for additional details.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Draft amendments to the Law for Establishing Proceeds of Crime and Their Forfeiture in Favour of the State have been elaborated and currently in the final stage of their discussion. Please refer to Appendix III, Annex 4 for full details on the proposed amendments.

Recommendation 6 (Politically exposed persons)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*There is no clear provision in law or regulation or other enforceable means for the determination of whether a customer is a PEP*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The recommendation was accordingly addressed in art.8a of RILMML /December 2007/. Art.8a. (new SG 108/2007) (1) Customers pursuant to Art.5a, Para. 1 of the LMML consist of potential customers, existing customers and beneficial owners of the client that is a legal person who are: 1. heads of State, heads of government, ministers and deputy or assistant ministers; 2. members of parliament; 3. members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances; 4. members of courts of auditors; 5. members the boards of central banks; 6. ambassadors and charges d'affaires; 7. high ranking officers in the armed forces; 8. members of the administrative, management or supervisory bodies of state-owned enterprises; (2) The categories stipulated in Para. 1, items 1-7 include where applicable the respective positions in the institutions and bodies of the European Union and of the international organizations. (3) The measures stipulated for the categories of customers under Para. 1 shall also be applied in respect of mayors and deputy mayors of municipalities, the mayors and their deputies of the districts and the chairpersons of the municipal councils. (4) The categories stated in Para. 1, items 1-8 do not include officials at intermediate or more junior level. (5) For the purpose of Art. 5a of the LMML the related person shall include: 1. spouse or persons who live in factual partnership with them; 2. relatives of descending line to the first degree of affinity and their spouse

	or persons who live in factual partnership with them; 3. the relatives of ascending order of the first degree of affinity; 4. any natural person who is known or it can be supposed from publicly available information to have joint beneficial ownership of legal person, or any other close business relations, with a person referred to in Para. 1; 5. any natural person who has sole beneficial ownership of a legal person which is known or it can be supposed from publicly available information to have been set up for the benefit de facto of the person referred to in paragraph 1. (6) Without prejudice to the application of enhanced due diligence based on the assessment of risk in case the person no longer holds a position under Para. 1 for a period no shorter than 1 year, the persons under Art. 3, Paras. 2 and 3 of the LMML are not obliged to apply Art. 5a, Para.1 of the LMML and Art. 8a, Paras. 7-12 of these Rules. (7) For a person under Art. 3, Paras. 2 and 3 of the LMML to enter into business relations with persons found to fall under the categories pursuant to Para.1 or related persons under Para.5, the approval is required of an official at a managerial position, designated by the respective executive body of the person under Art. 3, Paras. 2 and 3 of the LMML. (8) In cases where after establishing commercial or professional relations it is found out that a customer or the beneficial owner of a customer that is legal person falls under the categories as per Para. 1 or is related person under Para. 5, the continuation of business relations requires prior approval of a person under the preceding paragraph. (9) The persons under Art. 3, Para. 2 and 3 of the LMML are obliged to undertake adequate actions to establish the origin of the funds, used in the commercial or professional relations with a customer or the beneficial owner of a customer that is a legal person for whom they have found out that he/she is a person under Para. 1 or a related person under Para. 5. (10) The obligation under Para. 9 also arises when performing separate operation or transaction without establishing professional or commercial relations with the customer or the beneficial owner of the customer that is a legal person, for whom it is found out that he/she is a person under Para. 1 or a related person under Para. 5, regardless of the value of the operations or decal. (11) The persons under Art. 3, Para. 2 and 3 of the LMML are obliged to carry out constant and enhanced monitoring over their commercial or professional relations with persons under Para. 1 and related persons under Para. 5. (12) In regard to the potential customer, existing customer or beneficial owner of a customer that is a legal person, who holds a position under Para. 1 or is a related person under Para. 5, the enhanced measures under Art. 8, Para. 3. shall apply. The concrete measures which shall be applied in each respective case are to be decided by the person under Art. 3, Para.2 and 3 of the LMML while taking into consideration the type of customer pursuant to Paras. 1 and 5 and the nature of the commercial or business relation with him/her. (13) Based on the analysis of risk the persons under Art. 3, Paras. 2 and 3 of the LMML are obliged to elaborate effective internal systems, that would allow them to determine whether a potential customer, an existing customer or the beneficial owner of a customer legal person holds a position under Para.1 or is related person under Para. 5. (14) The systems under Para. 13 can be based on the following sources of information:

	1. information gathered through the application of Art. 8, Para. 3; 2. written declaration required from the customer with the purpose of determining whether the person falls within the categories pointed in Paras. 1 and 5; 3. information received through the use of internal or external databases. (15) In case of failure to identify a customer as falling under Art. 5a, Para. 1 of the LMML the control bodies are obliged to discuss the reasons for the infringement and where adequate measures under Para. 13 had been taken, they should abstain from imposing a sanction.
Measures taken to implement the recommendations since the adoption of the first progress report	The view of Bulgarian authorities is that the aforementioned provisions of the RILMML adequately cover this recommendation.
Recommendation of the MONEYVAL Report	*There is no provision for senior management approval to establish a relationship with a PEP*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The recommendation was accordingly addressed in art.8a (7) of RILMML (December 2007).
Measures taken to implement the recommendations since the adoption of the first progress report	The view of Bulgarian authorities is that the aforementioned provisions of the RILMML adequately cover this recommendation.
Recommendation of the MONEYVAL Report	*No provision for senior management approval to continue business relationship where the customer subsequently is found to be or becomes a PEP*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The recommendation was accordingly addressed in art.8a (8) of RILMML (December 2007).
Measures taken to implement the recommendations since the adoption of the first progress report	The view of Bulgarian authorities is that the aforementioned provisions of the RILMML adequately cover this recommendation.

Recommendation of the MONEYVAL Report	*No provision to require financial institutions in a business relationship with a PEP to conduct enhanced ongoing monitoring on that relationship*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The recommendation was accordingly addressed in art.8a (11) of RILMML /December 2007/.
Measures taken to implement the recommendations since the adoption of the first progress report	The view of Bulgarian authorities is that the aforementioned provisions of the RILMML adequately cover this recommendation.
Recommendation of the MONEYVAL Report	*The evaluators found that some financial institutions needed more training on PEPs*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Seminar was organized with the assistance of TAIEX, European Commission covering the topic of PEPs for commercial banks. Further the issue will be covered in separate part of usual trainings, where FID of SANS lecturers take part.
Measures taken to implement the recommendations since the adoption of the first progress report	BNB has organised workshops for banks and financial institutions regulated by the Central Bank. During these workshops training sessions were dedicated to PEPs topic. During the on-site inspections of FID-SANS it was generally observed that obliged entities have implemented a system for identifying PEPs, either through special databases or based on special declarations. The issue is also covered in the regular trainings and meetings with obliged entities. In addition discussions were held with the Court of Auditors in relation to devising a system of publishing names of domestic PEPs in a manner that could be facilitate identification by the obliged entities. No infringements of the obligations for PEPs were observed during the on-site inspections (please see statistics).
Recommendation of the MONEYVAL Report	*Reservation about effective implementation*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The FIU received 18 STRs concerning PEPs for the period 2007-2008

Measures taken to implement the recommendations since the adoption of the first progress report	There were 14 STRs concerning PEPs in 2009-2011. Of these STRs four were related to family members of PEPs.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 7 (Corresponding banking)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*No enforceable requirement to assess the respondent institution's AML/CFT controls , and ascertain that they are adequate and effective*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue is accordingly addressed in art.5b (1) items 1 and 2 LMML. "Article 5b (New, SG No. 92/2007) (1) When entering in correspondent relations with a credit institution from a third country other than those named in the list under Article 4, paragraph (9), a credit institution under Article 3, paragraph (2), subparagraph (1) shall: 1. gather sufficient information on the respondent credit institution enabling it to gain full understanding of the nature of its activity and to determine, on the basis of publicly available information, the institution's reputation and the quality of its supervision; 2. assess the internal controls against money laundering and financing of terrorism applied by the respondent credit institution."
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS considers that the aforementioned provisions adequately cover the recommendation.
Recommendation of the MONEYVAL Report	*No enforceable requirement to obtain senior management's approval before establishing new correspondent relationship*
Measures reported as of 18 March 2009 to implement	The issue is accordingly addressed in art.5b (1) item 3 LMML "3. make arrangements according to which the establishment of any new correspondent banking relations is to take place only upon the prior approval of a

the Recommendation of the report	person holding a managerial position with the credit institution"
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS considers that the aforementioned provisions adequately cover the recommendation.
Recommendation of the MONEYVAL Report	*No enforceable requirement to document the respective AML/CFT responsibilities of each institution*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue is accordingly addressed in art.5b (1) item 4 LMML. "4. allocate the responsibilities of either of the two correspondent institutions concerning the application of measures against money laundering and financing of terrorism and document this allocation accordingly"
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS considers that the aforementioned provisions adequately cover the recommendation.
Recommendation of the MONEYVAL Report	*Criteria 7.1 to 7.5 potentially apply to financial institutions other than banks . There is no guidance on this issue by the FIA or other authority*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Presently FID, SANS and FSC work on such draft.
Measures taken to implement the recommendations since the adoption of the first progress report	Such draft is still under consideration by Bulgarian authorities. Bulgarian legislation is entirely in line with Directive 2005/60/EC. Bulgarian AML legislation in terms of correspondent banking specifically refers to credit institutions as required by the Directive. The definition of credit institutions in Bulgarian legislation follows the definition of the EU acquis communautaire (Directive 2006/48/EC). Any amendments to the provision of the Bulgarian AML (Art. 5b of the LMML) need to take into account the provisions of EU law.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other	

enforceable means" and other relevant initiatives	

Recommendation 8 (New technologies and non face-to-face business)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Financial institutions are not directly required to have policies in place to prevent the misuse of technological developments in ML and TF schemes*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue is accordingly addressed in art.5c LMML, art.8b RILMML "Article 5c (New, SG No. 92/2007) Persons under Article 3, paragraphs (2) and (3) must apply extended measures in respect of products or transactions which might lead to anonymity, under terms and following procedures as determined in the rules for implementing this Act." "Art. 8b. (new SG 108/2007) In regard to products and transactions which might lead to anonymity the persons under Art. 3, Paras. 2 and 3 are obliged to apply the following measures: 1. analyze the risk associated with the respective product or transaction while taking into consideration factors such as the use of the product in more than one jurisdiction, the size of the financial resources associated with the products and transactions and the profile of the customers of the respective product or transaction; 2. undertake constant monitoring of the respective product or transaction and take appropriate measures to determine the level of risk; 3. to acquaint the employees with the risk related to the respective product or transaction and the measures necessary to counteract the risk; 4. document the risk analysis undertaken and the measures taken to counteract the risk."
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS considers that the aforementioned provisions adequately cover the recommendation. In addition during the on-site inspections it was observed that adequate measures for physical identification are undertaken by the obliged entities as well as the requirements of the AML legislation are properly implemented by the obliged entities e.g. in internet banking, securities trading (the use of the COBOS system for trading) etc. No infringements of these provisions of the legislation were found during on-site inspections.
Recommendation of the MONEYVAL Report	*Unclear how business issuing and performing operations with emerging technologies such as prepaid or account-linked value cards are implementing measures*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Please see provisions of art 8b of RILMML.
Measures taken to implement the	Please see above.

recommendations since the adoption of the first progress report	
Recommendation of the MONEYVAL Report	*Enforceable measures to prevent the misuse of new and developing technologies are not implemented.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Please see provisions of art 8b of RILMML.
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS considers the aforementioned measures adequately covering the recommendation.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 11 (Unusual transactions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The Bulgarian authorities should consider to explicitly incorporating the obligations of Recommendations 11 in law or regulation*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The FIU considers that present version of the LMML correspond to the requirements of the Recommendation 11 in its part of art.3 (1) i.3. and art 7a of the law, further BNB presented draft texts during consideration of 2006 draft amendments of the LMML, these draft texts will be further disused in 2009. Article 3(1) (Amended, SG No. 54/2006) The measures for prevention against using the financial system for money laundering purposes shall be:.. 3. collection of information from the client regarding the purpose and the nature of the relationship, which has been established or is to be established with the client.. … Article 7a (New, SG No. 54/2006, effective 5.10.2006) (1) Persons under Article 3, Paragraphs 2 and 3 shall place under special monitoring their commercial or

	professional relations, and transactions involving persons from countries, which do not apply or apply fully the international standards against money laundering. (2) When the transaction under Paragraph 1 has no logical economic explanation or readily visible grounds, persons under Article 3, Paragraph 2 and 3 shall collect to the extent possible additional information on any circumstances related to the transaction, as well as its purpose. (3) (Amended, SG No. 92/2007) Countries which do not apply, or do not fully apply international standards against money laundering, shall be specified in a list approved by the Minister of Finance in accordance with the decisions under Article 40, paragraph 4 of Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. Any additional measures against such countries shall be set forth in the rules for implementing this Act
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS considers the previously described provisions of Bulgarian legislation as well as the new criteria for identifying suspicious deals, transactions and clients elaborated in 2009, sufficient to cover unusual transactions.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to examine the background and purpose of such transactions, set their findings out in writing.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Please, see above. The legal provisions of the law and its by-law are further elaborated in the Internal Rules for Prevention ML&TF of reporting entities. So far the FIU and supervisory bodies, based on its observations from on-site visits of reporting entities, consider that financial institutions comply with this requirement.
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS considers that the previously supplied information together with the criteria for identifying suspicious deals, transactions and clients (elaborated in 2009) and the trainings provided to the obliged entities, are sufficient to cover the recommendation.
Recommendation of the MONEYVAL Report	*Financial institutions should keep the finding available for competent authorities and audit for at least five years*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	This is provided in art. 8 and 9 of the LMML and further elaborated in the RILMML, which provisions were further elaborated in chapter 2 of RILMML, art. 12-15. Article 8 (Amended, SG No. 1/2001) In the cases under Articles 4-7, the persons under Article 3, paragraphs (2) and (3), shall be bound to keep the documents and data about clients and about transactions or deals for a period of 5 years following their completion. For clients, the period shall commence from the beginning of the calendar year following the year of terminating the relationship, and for deals and transactions it shall commence from the beginning of the calendar year following

	the year of effecting the latter. **LMML** Article 9 (Amended, SG No. 1/2001, SG No. 109/2007) The data and documents under Article 8 shall be provided to the Financial Intelligence Directorate of the State Agency for National Security upon request, in the original or a transcript certified ex officio. The procedure, time and regular periods for that shall be established in the implementation rules of the Act. **RILMML**: Art. 12 (1) The gathering of information whenever a suspicion of money laundering arises shall be carried out under the terms and conditions of the LMML, the Rules and the internal rules under Art. 16, Para. 1 of the LMML. (2) The persons under Art. 3, Paras. 2 and 3 of the LMML are obliged to register in a special log each notification regarding suspicion for money laundering that is disclosed by their employees to a representative of the specialized unit or a member of the managing bodies irrespective of the means for transmitting the notification. (3) The log under Para. 2 shall be strung through, numbered and endorsed with the signature of the head of the specialized unit and the seal of the person under Art. 3, Paras. 2 and 3 of the LMML. (4) Whenever registering a notification under Para. 2 the head of the specialized unit or a person authorized by him/her shall initiate a file in which all documents related to the actions taken by employees of the person under Art. 3, Paras. 2 and 3 in regard to the notification shall be collected and sequenced in accordance with the filing sequence. (5) The head of the specialized unit shall be responsible for the appropriate storage and maintenance of the log under Para. 2 as well as of the files under Para. 4. (6) The persons under Art. 3, Paras. 2 and 3 shall perform their obligations under this article personally where it is impossible to establish a specialized unit. (7) (amend. SG 37/2008) The Chairperson of State Agency for National Security may issue obligatory instructions to the persons under Art. 3, Paras. 2 and 3 of the LMML regarding the terms and conditions for collection and storage of the information. Art. 13. (amend. SG 37/2008) (1) The disclosure under Art. 11 of the LMML shall be carried out in writing and using the form adopted by the Director of Financial Intelligence Directorate of State Agency for National Security. (2) Officially certified copies of all gathered documents on the operation or transaction and on the client shall be enclosed in the disclosure. (3) In urgent cases the disclosure may be carried out orally while written confirmation shall be filed within 24 hours. (4) The incompliance with the form does not void the disclosure already carried out. Art. 14. The persons under Art. 3, Paras. 2 and 3 of the LMML are obliged to ensure that the information under Art. 12 is stored in a way that would not allow the use of the information for purposes other than those specified in the LMML. Art. 15 (1) In order to check and disclose the information received the Financial Intelligence Directorate of State Agency for National Security may carry out on-site inspection of the persons under Art. 3, Paras. 2 and 3 – on its own or jointly with the supervisory organs. (2) During the inspections under Para. 1 the Financial Intelligence Directorate of the State Agency for National Security has the powers to: 1. unlimited access to the official premises of the persons being subject of the

	inspection 2. demand documents, information and written explanations about the circumstances related to the subject of the inspection 3. (amend. SG 37/2008) get assistance of expert appraisers or other experts. (3) The ordinance for the inspection shall specify the purpose, duration and place of the inspection, the person that is being inspected as well as the name and position of the inspecting persons.
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS considers the aforementioned legal provision to adequately cover the recommendation.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 12 (DNFBP – R. 5, 6, 8-11)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Several DNFBP lack awareness and full knowledge of their obligations to perform CDD*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was discussed during meeting of Multidisciplinary Task Force for the Prevention of ML and TF. It was considered to include the issue for practical discussions with reporting entities during the regular on-site visits in 2009. Further the observations from on-site inspections of FID, SANS during 2007-2008 showed that great part of reporting entities under the LMML do understand their obligations under the law. In addition some joint on-site inspections of FID-SANS with the State Commission on Gambling /SCG/ are planned for first half of 2009. For this purpose an one half day workshop for employees of State Commission on Gambling are planned for the end of March 2009, where experts from FID-SANS, SCG and Crown Agents will made "refreshment trainings" for inspectors of SCG. Further the issue will be covered in the trainings planed for casinos, real estate agents, lawyers, auditors and notaries.
Measures taken to implement the recommendations since the adoption of the	The issue is considered a priority by FID-SANS. The Bulgarian FIU is dealing with this issue through the trainings provided alone or together with Crown Agents. The on-site inspections are also contributing to increase awareness among the DNFBPs. The 2009 revised criteria for identifying suspicious deals, transactions and clients are also among the measures implemented.

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Recommendation of the MONEYVAL Report	*Same deficiencies for PEPs as described under financial institutions. A list of domestic has been drawn up but DNFBP do not routinely check the list. Most DNFBP were unaware of the timing of CDD or how to conduct such process*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was discussed during meeting of Multidisciplinary Task Force for the Prevention of ML and TF. Further the PEPs issue is elaborated in separate part of trainings where FID, SANS lecturers took part in 2007 and 2008.
Measures taken to implement the recommendations since the adoption of the first progress report	Art. 8a of the RILMML provides sufficient basis for the procedures in relation to PEPs. In addition trainings provided and recommendations as a result of the on-site inspections by FID-SANS also contribute to increasing awareness and application of the procedures.
Recommendation of the MONEYVAL Report	*Casinos should undertake steps to improve record keeping*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The State Commission on Gambling (SCG) advises casino operators and their association BAAGG (Bulgarian Association for Amusing Games and Gambling) to update "The inner rules for control and prevention of the money laundering on the part of persons, organizing and implementing casino gambling". Detailed instructions for identification complex control must underlie in the rules, as well as more précised criterions for registers maintaining improvement
Measures taken to implement the recommendations since the adoption of the first progress report	The developed instructions of SCG in this area are applied by casinos. The results of the joint inspections by SCG and FID-SANS (4 inspections in 2009-2010) show that record keeping is carried out in correspondence with the above mentioned instructions. The trainings provided to casinos by FID-SANS together with the State Commission on Gambling in 2009 and 2010 focused also on this issue.
Recommendation of the MONEYVAL Report	*Measures should be adopted to prevent misuse of technical developments in certain DNFBP sectors*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was discussed during a meeting with representatives of FID, SANS, SCG and BAAGG. Similar discussions are planed with Notary Chamber and Supreme Bar Council.
Measures taken to implement the recommendations	In addition to the aforementioned revised criteria for identifying suspicious deals, transactions and clients, the issue was also discussed during the regular meetings with the reporting entities and their professional organizations in view of amending

since the adoption of the first progress report	the internal rules and the criteria for identification of the suspicious transactions. Meetings are carried out on ad hoc basis and also based on request by the obliged entities. There were also written guidance provided to various obliged entities in view of their reporting obligation.
Recommendation of the MONEYVAL Report	*Not clear how the provisions on complex/unusual transactions are being implemented across the range of DNFBP*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was discussed during a meeting with representatives of FID, SANS, SCG and BAAGG.
Measures taken to implement the recommendations since the adoption of the first progress report	The unusual/complex transactions are dealt with in the revised criteria for identifying suspicious deals, transactions and clients. Several examples are as follows: For the casinos these criteria cover not only the general activities but also various kinds of games offered in casinos. Trainings were provided to casinos in 2009.There were also 4 inspections of casinos in 2009-2010. The criteria for company service providers include various cases that carry additional risk including application for registration of complex structures and numerous offshore companies, shell companies, illogical powers of attorney and third persons used as proxies of companies, the profile of the persons applying for proxies or company directors, etc. Transactions without economic logic are also dealt with in the criteria for real estate intermediaries, including use of straw persons, the discrepancies in the business profile of the client acquiring real estate, ways in which the deals are concluded, that differ from the usual practices, participation of third parties, etc. There were 6 on-site inspections of real estate intermediaries in 2009 and 2 in 2010. The criteria for notaries focus on consecutive real estate transactions, deals not corresponding with the actual nature of business of a client, unusual collaterals or loans, etc. There were 6 inspections of notaries in 2009 and 4 in 2010. The unusual/complex transactions are addressed also in the criteria for persons providing legal advice, including highly specific services that are not usually performed by the respective lawyer, related consecutive deals, unusual channels for payment, wealth not corresponding to the usual profile in the specific sector, unusual representation in regard to complex corporate structures, unusually high fees for consulting, advertising, etc. There were on-site inspections of 4 law companies in 2009 and 2 in 2010.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 16 (DNFBP – R. 13-15 & 21)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The same deficiencies in the implementation of Recommendations 13-15 and 21 in respect of financial institutions apply equally to DNFBP*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Conducting a training campaign by supervisory bodies was discussed during meeting of Multidisciplinary Task Force for the Prevention of ML and TF October 2008.
Measures taken to implement the recommendations since the adoption of the first progress report	The requirements of R. 14 and R. 15 are set in the LMML and RILMML (Articles 14, 15 and 16 LMML; Art. 17 of RILMML) and implemented by the obliged entities. No infringements of the mentioned requirements were found in 2009-2010 during the on-site inspections. In addition the Law for Limiting Payments in Cash is expected to significantly reduce the ML/TF risks related to DNFBPs. Please see Appendix III, Annex 5 for the text of the Law. The trainings provided to DNFBPs include clarifications on the application of the legal provisions in these areas.
Recommendation of the MONEYVAL Report	*Further education needs to be conducted on filing for both suspicious activity and terrorist financing and additionally training on addressing CDD for unusual or suspicious transactions and terrorist financing.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Conducting a training campaign by supervisory bodies was discussed during meeting of Multidisciplinary Task Force for the Prevention of ML and TF in October 2008.
Measures taken to implement the recommendations since the adoption of the first progress report	The issue was addressed in the trainings (see above for list of these trainings). The revised criteria for identifying suspicious deals, transactions and clients are also addressing the issue.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 21 (Special attention for higher risk contries)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*No requirement to set out in writing any findings of examinations on the background and purpose when transactions have no apparent economic or visible lawful purpose and to maintain such finding for at least five years to assist competent authorities*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue is covered by art.8 (4) in relation to (3) of the RILMML. RILMML: Art. 8 (4) (new SG 108/2007) The customers, operations and transactions that are linked to states included in the list under Art. 7a, Para.3 of the LMML shall be considered of higher risk and shall be subjected to enhanced due diligence and the measures under Para. 3 shall be applied Art. 8, Para. 3 RILMML refers to enhanced CDD based on guidance by the director of FID-SANS.
Measures taken to implement the recommendations since the adoption of the first progress report	The aforementioned provision is clearly addressing the issue. The general record keeping requirements apply in this case.
Recommendation of the MONEYVAL Report	*No advisories for non-compliant countries*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The FIU issued advisories regarding statements of FATF and Moneyval /in 2007 and 2008/.
Measures taken to implement the recommendations since the adoption of the first progress report	Art. 8, Para. 3 RILMML refers to enhanced CDD based on guidance by the director of FID-SANS. Advisories are issued by the Bulgarian FIU on a regular basis including jurisdictions identified as part of the ICRG process as well as the jurisdictions of concern to Moneyval. There were 3 advisories in 2009, 2 in 2010. A specific mechanism was developed in 2010 also in regard to proliferation (Iran) and an advisory was issued in February 2011 followed by guidelines published at the web site of the Bulgarian FIU. BNB sends notification letters to banks for countries and jurisdictions being considered at the EU level as representing high risk. The respective legal documents adopted by the EU competent authorities are published on BNB official website.
Recommendation of the MONEYVAL Report	*There are no mechanisms in place to apply counter measures*
Measures reported as of 18 March 2009 to implement the	Please, see the reply from previous sections.

Recommendation of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS consider the issue to be covered by the aforementioned legal provisions.
Recommendation of the MONEYVAL Report	*Difficult to measure full effectiveness because list of countries is not yet developed*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The FIU issued advisories regarding statements of FATF and Moneyval /in 2007 and 2008/.
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS is issuing advisories in regard to the jurisdictions of concern as described above. In addition the criteria for identifying suspicious deals, transactions and clients refer to the higher risk related to certain jurisdictions. These indicators include for example reference to the higher risk associated with assets declared as coming entirely from offshore jurisdictions and tax havens. AML/CFT inspections in banks (by the Banking Supervision department of BNB) focus on procedures and measures implemented in respect of customers related with high risk countries. The results from the assessment of banking practices show that country risk is one of the criteria on the bases of which the appropriate risk category is assigned to the customers. BNB observations show that customers are ranked as high risk if their origin is related to high risk jurisdiction or the counterparties of the customer are from high risk jurisdiction. It should be underlined that the established practice is defined by the written procedures adopted by the bank senior management and sent to FIU for approval. The list of high risk jurisdictions represents an appendix to the internal banking rules. BNB sends notification letters to banks for countries and jurisdictions being considered at the EU level as representing high risk. The respective legal documents adopted by the EU competent authorities are published on BNB official website.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 24 (DNFBP – Regulation, supervision and monitoring)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Further outreach and training of the DNFBP sector, NRA and SCG is required to ensure effective implementation*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In May 2008 with ordinance of the Chairman of the State Agency for National Security (SANS) new Internal Rules of NRA on ML/CF Control and Prevention were approved. The updated rules contain and describe in details the criteria for detecting suspicious operations, transactions and individuals. The internal rules are published at NRA Intranet site and are available to all the officials. Further training for tax and customs officials on AML/CFT counteraction and prevention was conducted in the framework of 2008 project of Crown Agents. Lecturers from Crown Agents and FID of SANS delivered 17 one-day trainings in October 2008. They were attended by 400 officials from NRA and Customs.
Measures taken to implement the recommendations since the adoption of the first progress report	In 2009 there were joint trainings with the State Commission on Gambling. The campaign for training experts of the National Revenue Agency in 2008 is considered to adequately cover the recommendation.
Recommendation of the MONEYVAL Report	*Further cooperation between FIA and supervisory authorities is required to ensure full effectiveness*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In May 2008 Instructions were signed for Cooperation and Information Exchange between NRA and SANS, including measures against money laundering and financing of terrorism. These instructions regulate in details the cooperation, current information exchange and support between the structures of these two agencies both at central and territorial level. FID, SANS planed some meetings for 2009 with other supervisory bodies to reinforce its cooperation with them. Initial meetings to draft possible range of 2009 interaction already took place.
Measures taken to implement the recommendations since the adoption of the first progress report	FID-SANS is actively cooperating with the Financial Supervision Commission, the National Revenue Agency, the Bulgarian National Bank and the State Commission on Gambling. In 2010 the Financial Supervision Commission (FSC) implemented successfully a Phare Twinning project "Further Strengthening the Administrative Capacity of the FSC Aiming at the Efficient Implementation of the Acquis Commuautaire". FID-SANS was also involved in activities under the project. The component where FSC cooperated with FID-SANS was "Further actions within the scope of the FSC powers and activities in the field of AML sector" The Member State Partner was Italian Ministry of the Economy and Finance. Under the AML component the main activities were: 1. improvement of the capacity of the FSC in the AML sector through providing of training on the best EU practices for dealing with information on suspicious

	transactions of money laundering received by or sent to the Financial Directorate within the National Security State Agency and other security services bodies; 2. Better coordination between competent bodies, especially the FID within the SANS and foreign AML bodies, in relation to the initiation of actions against money laundering; 3. Preparation of criteria for identification of suspicious operations or/and transactions, as well as measures for prevention and disclosure of money laundering cases; 4. Further development of the existing AML inspection manual and training on the implementation of the AML inspection manual, including in it FSC obligations on CFT. In 2009 there were 8 joint inspections with the FSC, 2 joint inspections with SCG and 4 joint inspections with the NRA. In 2010 there were 10 joint inspections with FSC and 2 joint inspections with SCG. In 2009 there were 14 joint on-site inspections between FID-SANS and other supervisors – 8 inspections together with Financial Supervision Commission, 2 inspections with SCG and 4 inspections with NRA. In 2010 the joint inspections included 5 inspections with FSC and 2 inspections with SCG.
Recommendation of the MONEYVAL Report	*Number of STRs too low to reflect the true risk profile of various sectors*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In the framework of conducted on-site inspections in 2008 the issue to raise the number of STRs was also covered**.**
Measures taken to implement the recommendations since the adoption of the first progress report	The issue was addressed in trainings, revised criteria (2009) for identifying suspicious deals, transactions and clients, meetings with the sectors and inspections.
Recommendation of the MONEYVAL Report	*Further training to raise awareness of STR requirements and risk indicators might improve the number and quality of reports*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In the framework of conducted on-site inspections in 2008 the issue to raise the number of STRs was also covered**.**
Measures taken to implement the recommendations since the adoption of the first progress report	Please see the previous answer.

Recommendation of the MONEYVAL Report	*SRO for casinos should consider increasing monitoring for AML/CFT compliance*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was discussed during meetings with representatives of FID of SANS and SGG and respectively BAAGG (Bulgarian Association for Amusing Games and Gambling). The BAAGG will discus it during its regular meetings.
Measures taken to implement the recommendations since the adoption of the first progress report	There is commitment by the SCG for implementing the recommendation. In 2010 started the development of new rules for casinos work and finance control. The new rules for work and finance control organization, as well as the inner rules for anti-money laundering measures of each one casino, in correspondence with the new requirements, will be approved by SCG. FID-SANS has also assisted the SCG in regard to effectively checking for the AML/CTF requirements.
Recommendation of the MONEYVAL Report	*The FIA may consider strengthening enforcement of AML laws by granting authority to sanction by supervisory authorities*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue is still under consideration among the agencies. After considering such an option and evaluating its pros and cons FSC has the opinion that it should not result in a reasonable contribution (it should not add value) in the process of strengthening the enforcement of AML. At present, FSC has enough powers to enforce AML law by applying coercive administrative measures in the field of AML and even to withdraw the license of an insurance company (Art. 302, para 1, point 1 of the Code on Insurance, in relation with Art. 32, para 1, point 10 of the Code on Insurance).
Measures taken to implement the recommendations since the adoption of the first progress report	The aforementioned conclusions of the first progress report are still valid.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 32 (Comprehensive statistics)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The statistics were not consolidated in respect of prosecution and convictions*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Statistics are kept at the Supreme Cassation Prosecutor's Office about the unfinished pre-trial proceedings for money laundering, the number of the accused persons, the cases which were brought to court and the enacted convictions. Further consolidated statistics is maintained by the Supreme Judicial Council.
Measures taken to implement the recommendations since the adoption of the first progress report	Amendments to the Law on the Juducial Power of 2009 (Promulgated State Gazette issue 33, 2009) provide for a unified information system for counteracting crime based on a core developed and maintained by the Prosecutor's Office. The core is linked to all judicial authorities, Ministry of Interior, Ministry of Justice, State Agency for National Security, Ministry of Defense, and Ministry of Finance. The system through this core is supposed to provide the basis for consolidated statistical information.
Recommendation of the MONEYVAL Report	*Limited information but no statistics showing speed of analysis*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was disused internally in FID of SANS, it will be taken into consideration by future upgrading of its databases.
Measures taken to implement the recommendations since the adoption of the first progress report	There is a general understanding and commitment of the management of the State Agency for National Security on undertaking an upgrade of the information system of the Bulgarian FIU in the short term. A preliminary assessment and technical specifications shall be provided by the FID-SANS experts by the end of March 2011.
Recommendation of the MONEYVAL Report	*There are no statistics on spontaneous referrals by the FIA to foreign countries*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was disused internally in FID of SANS, so far the requests which the FIU sent to other FIUs could be regarded also as spontaneous referrals, because they include all relevant information on particular case to particular country. The information is provided even before the FIU decided to forward materials to the law enforcement, but the FIU consider to separate information flow with other FIUs on pure spontaneous referrals.
Measures taken to implement the recommendations	The issue is to be dealt with in the new information system. FID-SANS still considers the requests sent to other FIU in most cases could be equated to spontaneous referrals given the descriptions of transactions provided and the scope

since the adoption of the first progress report	of involved persons provided in each request.
Recommendation of the MONEYVAL Report	*Joint statistics should be considered. No data on FIU spontaneously sent information. No clear data on prosecution/judicial statistics regarding money laundering seizure and confiscation*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Please, see the responses to sections above.
Measures taken to implement the recommendations since the adoption of the first progress report	Please see previous replies.
Recommendation of the MONEYVAL Report	*The statistics are not kept on the predicate offences, the nature of the request, whether it was granted or refused, and the time required to respond*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Ministry of Justice, as the central authority under 141 Council of Europe Convention has commissioned the development of a software which will allow statistics to be kept on the predicate offences, the nature of the request, whether it was granted or refused, and the time required to respond. It is expected the software to be used as from June 2009.
Measures taken to implement the recommendations since the adoption of the first progress report	Amendments to the Law on the Juducial Power of 2009 (Promulgated State Gazette issue 33, 2009) provide for a unified information system for counteracting crime based on a core developed and maintained by the Prosecutor's Office. The core is linked to all judicial authorities, Ministry of Interior, Ministry of Justice, State Agency for National Security, Ministry of Defense, and Ministry of Finance. The system through this core is supposed to provide the basis for consolidated statistical information.
Recommendation of the MONEYVAL Report	*No statistics on underlying reason for filing STRs*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The issue was disused internally in FID of SANS, so far such statistic can not be extracted automatically from databases. It could be done manually. It is planed to be included in future upgrade of our IT systems.
Measures taken to implement the	There is a general understanding and commitment of the management of the State Agency for National Security on undertaking an upgrade of the information system

recommendations since the adoption of the first progress report	of the Bulgarian FIU as soon as possible. A preliminary assessment and technical specifications shall be provided by the FID-SANS experts by the end of March 2011.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation VIII (Non-profit organisations)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Although the last review of the law on NPOs was recently undertaken (2006), the examiners do not see it as fully adequate and comprehensive review (relates only to NPOs for public benefit)*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	FID, SANS updated its risk assessment regarding NPOs recently, in addition to support its analyses it requested and received report from Terror Directorate of SANS regarding possible involvement or misuse of NGO and foundations in last 3 years for purposes of terrorist financing. The information from second report confirms the observations of FID, SANS – the money flows were used rather for educational purposes than financing of illegal activities.
Measures taken to implement the recommendations since the adoption of the first progress report	Bulgarian FIU considers the aforementioned assessment's results to be valid.
Recommendation of the MONEYVAL Report	*Detailed provisions regarding financial obligations and annual reports are only applicable to NPOs for public benefit*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	A working group for analyzing the Law on NPOs will be established in 2009 at the Ministry of Justice.
Measures taken to implement the recommendations since the	The issue is still under discussion.

adoption of the first progress report	
Recommendation of the MONEYVAL Report	*Consideration should be given to widening the annual obligations of the NPOs for public benefit to the other NPOS*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	A working group for analyzing the Law on NPOs will be established in 2009 at the Ministry of Justice.
Measures taken to implement the recommendations since the adoption of the first progress report	The issue is still under discussion.
Recommendation of the MONEYVAL Report	*Consideration should be given to introduce the provisions in control and deletion of the registration of NPOs for public benefits to the other NPOs*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	A working group for analyzing the Law on NPOs will be established in 2009 at the Ministry of Justice.
Measures taken to implement the recommendations since the adoption of the first progress report	The issue is still under discussion.
Recommendation of the MONEYVAL Report	*No specific review of the risks in the NPO sector has been undertaken. Though there is some financial transparency and reporting structures (especially for NPOs for pubic benefit); Bulgaria to consider the development of a strategy of monitoring the most vulnerable parts of the NPO sector*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	A working group for analyzing the Law on NPOs will be established in 2009 at the Ministry of Justice.
Measures taken to implement the recommendations	An internal overview of the STRs and the TF risks related to NPOs was performed by FID-SANS in December 2010 based on the conclusions of the regular (quarterly) risk analyses performed by the analysis and inspectorate departments of FID-SANS.

since the adoption of the first progress report	The regular risk analyses are used as a basis for planning the on-site inspections of FID-SANS. A new methodology for the on-site inspection is also in place since January 2011 based on a number of specific criteria that need to assessed for each category of reporting entity. These criteria include the quantity and manner of reporting in each category as well as the turnovers, the infringements found during on-site inspections etc.
Recommendation of the MONEYVAL Report	*(No) Regular outreach to the sector to discuss scope and methods of abuse of NPOs, emerging trends in TF and new protective measures*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The FIU had regular meetings with the representatives of specialized internal services of reporting entities. Initially this process started with the representatives of banks, then the scope of meetings was widen in 2008 with representatives of DNFBPs and some of NPOs.
Measures taken to implement the recommendations since the adoption of the first progress report	Meetings were held by FID-SANS with NPOs in regard to elaborating internal rules. In 2009 there were 112 internal rules assessed and adopted and 96 internal rules in 2010.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation IX (Cash couriers)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*No explicit provision to question carriers as to origins of imported currency or bearer negotiable instruments*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Bulgarian Customs Authorities have applied Regulation (EC) No. 1889/2005 of the European Parliament and of the Council of 26 October 2005 on control of cash entering or leaving the Community since 15 June 2007. Used declaration form is in conformity with Regulation No. 1889/2005 and include particular information as well concerning origin (provenance) and intended use of cash or bearer negotiable instruments of a value of EUR 10 000 or more.
Measures taken to implement the recommendations	Amendments to the Bulgarian legislation have been undertaken to separate the control into obligatory (based on Regulation (EC) 1889/2005) and selective based on risk analysis (the national legislation applies to the cash and other valuables

since the adoption of the first progress report	carried through border) .
Recommendation of the MONEYVAL Report	*No power for Customs to detain pending further investigations by Border Police (effectiveness issue)*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The power of Customs in cases of failure to fulfil the obligation to declare cash of a value of EUR 10 000 or more is to detain and seize to the benefit of state the undeclared cash as well as to impose a fine according to administrative provisions. Where the committed violation constitutes a crime in accordance of the Bulgarian Penal Code (which means undeclared cash of a value of about EUR 17 000 or more), the case should be delivered to the prosecutor for penal prosecution. Customs have no power of investigation, detaining or interrogation of persons according to provisions in Penal Code. Customs Authorities have power to take written and oral explanations according to the Customs Act. Lack of power for Customs is the reason for lack of customs investigators. Because of this, at failure to fulfil the obligation to declare cash, a police investigator from the Border Police working under the supervision of prosecutor takes on the responsibility for interrogation and detaining / arresting of travellers.
Measures taken to implement the recommendations since the adoption of the first progress report	Currently specific steps for restoring the customs investigative powers are under way.
Recommendation of the MONEYVAL Report	*Sanctions regime unclear*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Where a violation against the currency regime, including the cross-border carriage of cash and failure to fulfill the obligation to declare it, constitutes a crime by virtue of the Bulgarian Penal Code, the subject of crime (the cash not declared) shall be seized to the benefit of state. Furthermore, the cases of crime are punishable by imprisonment of up to 6 years or a fine double the amount of the subject of crime (the cash not declared). Where violations against the regime related to the cross-border carriage of cash, precious metals, gems and objects made with or of them, as well as failure to fulfill the obligation to declare them do not constitute a crime, it shall be subject to administrative sanction as laid down in the administrative and penal provisions of the Bulgarian Currency Act. Seizure to the benefit of state is provided for such violations (the not declared cash, precious metals, gems and objects made with or of them) in addition to imposition of a fine of BGN 1000 up to BGN 3000 which, calculated in EUR based on the official exchange rate, equals to approximately EUR 510 up to EUR 1533. If the offender is a legal entity or sole entrepreneur, a property sanction of BGN 2000 up to BGN 6000, which is tantamount to approximately EUR 1022 up to EUR 3067, shall be imposed.

Measures taken to implement the recommendations since the adoption of the first progress report	There were steps undertaken to amend the administrative sanctions regime that provides for seizure of the object of infringement by the customs authority until the payment of the sanction by the person.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

2.4 Specific Questions

Answers from the first progress report

1) Please provide information on confiscations achieved by CEPACA since the adoption of the 3rd report. Has CEPACA's approach to following the money been adopted by law enforcement agencies generally? Please give examples.
SEPACA started totally 335 proceedings for establishing of property acquired from criminal activity, 303 securing measures at total value of 154 402 265 BGN were imposed and 102 motivated requests for divestment in favour of the state of the property, acquired from criminal activity were presented to the court for the period 2006-2008. In 2008 the court of first instance has enacted 8 decisions for forfeiture of property acquired from criminal activity – the court pronounced in favour of the Commission, two of the cases were confirmed at second instance and presently they are appealing before the Supreme Court of Cassation in Bulgaria.
2)What steps have been taken to ensure (for relevant FATF Recommendations) that the requirements previously thought to be satisfactorily covered in the internal rules of financial institutions approved by the FIA, are now provided for by acceptable enforceable means?
The conclusion from evaluation report was discussed in details within the meeting of Multidisciplinary Task Force for the Prevention of ML and TF in October 2008. As conclusion from these discussions Bulgarian authorities consider that for the purposes of LMML the present situation of general covering in the law and its by- law and internal rules of reporting entities is sufficient and clear /both for state authorities and reporting entities/.
3) Have all supervisory authorities been given the ability to impose sanctions for AML/CFT infringements and have extra resources been given to the FIA and the other supervisory authorities for AML/CFT supervisory purposes?
The first issue is still under consideration. Extra resources were given to BNB for AML/CFT supervisory purposes since June 2008. At present, FSC has enough powers to enforce AML law by applying coercive administrative measures in the field of AML.

***4) Have sanctions been imposed (whether administrative or criminal) specifically for AML/CFT infringements, at the instigation of financial sector supervisors, since the adoption of the 3rd report ? If so, please, indicate the main types of AML/CFT infringement detected by financial sector supervisors since the adoption of the 3rd report. (NB:* It is not necessary for these purposes to provide full detailed statistics, but an overview)**

Warning letters were issued by BNB for improving the bank procedures and their implementation for risk assessment related to AML/CFT area.

In 2007 the FIU issued 46 infringement bills, of those number 22 infringement bills against bureaux de change. In 2008 the FIU issued 53 infringement bills. The main types of established AML/CFT infringements are not requiring the declaration on funds` origin, not filing a CTR, not identifying the beneficiary owner, not identifying a client of reporting entity.

5) Has consideration been given to providing for an obligation of registering the ownership of bearer shares or to introducing other adequate transparency measures concerning bearer shares in the legal framework governing commercial companies?

Bulgarian Commercial Code, while envisaging the issuance of bearer shares, contains enough guarantees for transparency, respecting at the same time the third persons rights and the rights of the company:

- The type and number of shares (including bearer shares) and the persons who have subscribed them at the foundation/ incorporation of the company must be registered in the Commercial Register – Art. 165, point. 3, in connection with Art. 174, para. 2 Commercial Code.
- Should the shares (including bearer shares) be acquired by one person after the incorporation of the company, the name, respectively the trade name and the standard identification code of the shareholder are entered in the register – Art. 174, para. 2 Commercial Code.
- Bearer shares are not delivered until payment of their nominal value or issue price – Art. 178, para. 3.
- If the shares (including bearer shares) are to be bought back, the buy-back proposal is made public in the commercial register (чл 187c, para. 2), the datat about the shares acquired by the company are obligatorily stated in the annual activity report of the company (Art. 187d), the same applies also to shares of the company which are acquired and possessed by another company, in which the first company has, directly or indirectly, a majority of the voting rights, or on which it can, directly or indirectly, exercise control (чл. 187f).
- In all cases the company has the possibility to determine in its Statute special conditions for transfer of shares (including bearer shares) – Art. 165, point. 3.
- the company may also determine special conditions for using the rights over shares (including bearer shares) trough the participation in the general meetings of the shareholders, e.g. to regulate in which way a person shall legitimate her/himself as the owner of the shares – Art. 223, para. 4.

In addition to these guarantees, another fundamental issue must be considered – the shares are only legitimating securities, e.g. their issuance is not a constituent ground for the rights of the shareholders but only a ground for using them. E.g. if a person holds bearer shares unlawfully, their real owner has not lost his/her rights thereto and could ask the cancellation of the securities. There is a special procedure in Art. 560 – 568 Civil Procedure Code.

Special consideration has been given to the acquisition of bearer shares in the Amendment of the Ordinance Nr 1 from 2007 on keeping, storage and access to the Commercial Register (published in SG 6/2009, in force since 23. 01. 2009) which determines the forms of applications, quote comprehensively the attachments thereto for each type of entry, expungement or disclosure according to the requirements of the law, as well as the format of the electronic documents.

Art. 24, para. 3, point. 8 of this Ordinance provides for presentation, in addition to the application for registering in the Commercial Register of the acquisition of bearer shares by one person, also evidences for this acquisition – a verification protocol by the governing body, which verifies the fact of acquisition of bearer shares. Thus an additional requirement for publicity and transparency guarantees were introduced, because all documents, included in the Commercial Register and the attachments to the registry applications are accessible on-line for every interested person.

According to Article 11 of the Commercial Register Act (Amended, SG No. 50/2008) The Commercial Register is public and any person has free access thereto and to the scanned form of the documents on the basis of which the entries, expungements and disclosures have been made, as well as to the scanned form of the company files of reregistered traders. The Registry Agency has ensured free access against no charge to applications contained in the Commercial Register database system, the electronic form of the documents attached thereto and refusals decreed at the Internet Portal ra.bg.
In addition a Draft Law on Amending the Law on Public Offering of Securities is pending in the Parliament, which will further improve transparency in this respect

Additional questions since the first progress report

1. Have banks and financial institutions now an enforceable requirement to screen all employees?
Law on Credit Institutions obliges the banks to develop and adopt written internal rules for corporate governance and avoiding conflict of interest. The rules contain requirements on the systems in place and the duties of employees. The rules shall ensure the implementation of best international practices. The inspection for the compliance with the rules falls within the obligations of the internal auditor who is obliged to report to the Bank Management Board and BNB for inconsistencies. Several cases are under investigation at present resulting from the implementation of screening systems. Ordinance No. 32 on the requirements to the organization and activity of the internal control unit of the insurer, reinsurer and of the persons included in an insurance or reinsurance group, Ordinance № 25 on the Requirements for the Activities of Investment Companies and Common Funds, Markets in Financial Instruments Act and Ordinance No. 38 on the requirements for activities of the investment intermediaries obliges FSC's supervised entities to have adequate requirement to screen their employees as FSC is obliged to inspect their efficiency.
2. In terms of ML convictions can you indicate the relevant predicate offences, the number of autonomous ML cases, and the number of self laundering cases?
The data from both pre-trial proceedings and the convictions adjudicated indicate that the most common type of predicate is human trafficking and inciting prostitution, followed by drug trafficking, fraud, illegal banking activity, tax fraud, extortion and others. Some details follow: 2009 – 7 ML cases with predicate human trafficking, 2 ML cases related to extortion and drug trafficking, 1 ML case related to smuggling, 18 ML cases related to fraud, bank cards fraud, use of false documents, breach of trust, tax crimes, illegal income obtained in forbidden or immoral way. 2010 – 4 ML cases related to human trafficking, 3 ML cases related to drug smuggling, 2 ML cases related to illegal banking activity, extortion and fraud, 1 ML case – tax crime and illegal income obtained in forbidden or immoral way. The ML convictions include: 2009 – in 12 cases the defendants were convicted also for the predicate crimes, in 6 cases – conviction only for ML after prior convictions for the predicate crimes. One person was convicted without conviction for a predicate crime, that is the person knew the assets are proceeds of crime. 2010 – in 7 cases persons were convicted also for the predicate crimes, in 7 cases conviction only for ML after prior convictions for the predicate crimes, proving in one of these cases that 3 persons knew that the property are proceeds from crime. In one case a person was convicted on the basis of knowledge the

property are proceeds from crime.
3. Have Guidelines been issued and adopted by the Prosecutor General or the Supreme Cassation Prosecutors Office on the application of the general regime of confiscation?
The handbook for the investigation of money laundering, elaborated by representatives of SANS, Ministry of Interior, the National Investigation Service and the Prosecutor's Office, provides guidelines for all procedural actions which need to be implemented when dealing with such cases. The handbook is part of the internal information system of the prosecution for use by all prosecutors and investigators. In addition trainings in line with the handbook are also provided on a regular basis to prosecutors and investigators.
4. Please provide up to date information on the confiscations achieved (CEPACA) since the adoption of the first round report.
Please refer to Appendix III, Annex 4 concerning the activities of CEPACA.
5. How has the MONEYVAL recommendation been observed that a more proactive approach should be undertaken to financial investigations performed by the police with a view to uncovering ML cases and criminal proceeds?
In the Chief Directorate Combating Organized Crime a more active approach related to the establishment of assets as part of the investigations has been applied. In around 40 % of the cases the investigations are initiated based on notifications received from the international cooperation area. The preparation of the strategy for countering money laundering in Bulgaria is under way and this Strategy will serve as a basis for increasing the efficiency of dealing with money laundering as an integral part of the investigations into economic crimes.

2.5 Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)[11]

Implementation / Application of the provisions in the Third Directive and the Implementation Directive	
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	Yes, last notifications were from February 2008.

Beneficial Owner	
Please indicate whether your legal definition of beneficial owner corresponds to the	Yes, art. 3 (6) of the Directive is transposed by art 3 (5) of the RILMML.

definition of beneficial owner in the 3rd Directive[12] (please also provide the legal text with your reply)	

Risk-Based Approach	
Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	The law defines strictly the cases to which simplified CDD could be applied. However the financial institutions will apply due diligence higher than the simplified once when as a result of on going monitoring they define the customer as not qualifying for simplified CDD. The law also specifies the cases to which enhanced due diligence must be applied. In this respect the financial institutions could not use the RBA to discharge certain of their obligations.

Politically Exposed Persons	
Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive[13] are provided for in your domestic legislation (please also provide the legal text with your reply).	Yes, they are listed in the art. 8a of the RILMML**.** Art.8a. (new SG 108/2007) (1) Customers pursuant to Art.5a, Para. 1 of the LMML consist of potential customers, existing customers and beneficial owners of the client that is a legal person who are: 1. heads of State, heads of government, ministers and deputy or assistant ministers; 2. members of parliament; 3. members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances; 4. members of courts of auditors; 5. members the boards of central banks; 6. ambassadors and charges d'affaires; 7. high ranking officers in the armed forces; 8. members of the administrative, management or supervisory bodies of state-owned enterprises; (2) The categories stipulated in Para. 1, items 1-7 include where applicable the resp0ective positions in the institutions and bodies of the European Union and of the international organizations. (3) The measures stipulated for the categories of customers under Para. 1 shall also be applied in respect of mayors and deputy mayors of municipalities, the mayors and their deputies of the districts and the chairpersons of the

[11] For relevant legal texts from the EU standards see Appendix II.

[12] Please see Article 3(6) of the 3rd Directive reproduced in Appendix II.

[13] Please see Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

	municipal councils. (4) The categories stated in Para. 1, items 1-8 do not include officials at intermediate or more junior level. (5) For the purpose of Art. 5a of the LMML the related person shall include: 1. spouse or persons who live in factual partnership with them; 2. relatives of descending line to the first degree of affinity and their spouse or persons who live in factual partnership with them; 3. the relatives of ascending order of the first degree of affinity; 4. any natural person who is known or it can be supposed from publicly available information to have joint beneficial ownership of legal person, or any other close business relations, with a person referred to in Para. 1; 5. any natural person who has sole beneficial ownership of a legal person which is known or it can be supposed from publicly available information to have been set up for the benefit de facto of the person referred to in paragraph 1. (6) Without prejudice to the application of enhanced due diligence based on the assessment of risk in case the person no longer holds a position under Para. 1 for a period no shorter than 1 year, the persons under Art. 3, Paras. 2 and 3 of the LMML are not obliged to apply Art. 5a, Para.1 of the LMML and Art. 8a, Paras. 7-12 of these Rules. (7) For a person under Art. 3, Paras. 2 and 3 of the LMML to enter into business relations with persons found to fall under the categories pursuant to Para.1 or related persons under Para.5, the approval is required of an official at a managerial position, designated by the respective executive body of the person under Art. 3, Paras. 2 and 3 of the LMML. (8) In cases where after establishing commercial or professional relations it is found out that a customer or the beneficial owner of a customer that is legal person falls under the categories as per Para. 1 or is related person under Para. 5, the continuation of business relations requires prior approval of a person under the preceding paragraph. (9) The persons under Art. 3, Para. 2 and 3 of the LMML are obliged to undertake adequate actions to establish the origin of the funds, used in the commercial or professional relations with a customer or the beneficial owner of a customer that is a legal person for whom they have found out that he/she is a person under Para. 1 or a related person under Para. 5. (10) The obligation under Para. 9 also arises when performing separate operation or transaction without establishing professional or commercial relations with the customer or the beneficial owner of the customer that is a legal person, for whom it is found out that he/she is a person under Para. 1 or a related person under Para. 5, regardless of the value of the operations or decal. (11) The persons under Art. 3, Para. 2 and 3 of the LMML are obliged to carry out constant and enhanced monitoring over their commercial or professional relations with persons under Para. 1 and related persons under Para. 5. (12) In regard to the potential customer, existing customer or beneficial owner of a customer that is a legal person, who holds a position under Para. 1 or is a related person under Para. 5, the enhanced measures under Art. 8, Para. 3. shall apply. The concrete measures which shall be applied in each respective case are to be decided by the person under Art. 3, Para.2 and 3 of the LMML while taking into consideration the type of customer pursuant to Paras. 1 and 5

	and the nature of the commercial or business relation with him/her. (13) Based on the analysis of risk the persons under Art. 3, Paras. 2 and 3 of the LMML are obliged to elaborate effective internal systems, that would allow them to determine whether a potential customer, an existing customer or the beneficial owner of a customer legal person holds a position under Para.1 or is related person under Para. 5. (14) The systems under Para. 13 can be based on the following sources of information: 1. information gathered through the application of Art. 8, Para. 3; 2. written declaration required from the customer with the purpose of determining whether the person falls within the categories pointed in Paras. 1 and 5; 3. information received through the use of internal or external databases. (15) In case of failure to identify a customer as falling under Art. 5a, Para. 1 of the LMML the control bodies are obliged to discuss the reasons for the infringement and where adequate measures under Para. 13 had been taken, they should abstain from imposing a sanction.

"Tipping off"	
Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or TF investigations.	Only for STRs - art. 14(1) of the LMML and art. 9(8) of the LMTF LMML, Article 14 (1) (Amended and supplemented, SG No. 1/2001, supplemented, SG No. 31/2003, previous Article 14, SG No. 54/2006, amended, SG No. 109/2007) The persons under Article 3, paragraphs (2) and (3), persons who manage and represent them, and their personnel may not notify their client or any third party of the disclosure of the information in the cases under Articles 9, 11, 11a, 13 and 18. LMTF, Art. 9(8) (New, SG No. 92/2007) The persons under Article 3 (2) and (3) of the Law on Measures against Money Laundering, the persons who supervise and represent them, and their employees, may not notify their customer or third parties about the disclosure of information under this Law, except in the cases of Article 14 (2) - (5) of the Law on Measures against Money Laundering, subject to the restrictions under Article 14 (7) thereof.
With respect to the prohibition of "tipping off" please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	Article 14 (1) (Amended and supplemented, SG No. 1/2001, supplemented, SG No. 31/2003, previous Article 14, SG No. 54/2006, amended, SG No. 109/2007) The persons under Article 3, paragraphs (2) and (3), persons who manage and represent them, and their personnel may not notify their client or any third party of the disclosure of the information in the cases under Articles 9, 11, 11a, 13 and 18. (2) (New, SG No. 54/2006) The information disclosure ban under Paragraph 1 shall not apply to the relevant supervisory authority under Article 3a. (3) (New, SG No. 92/2007) The ban under paragraph (1) shall not prejudice information disclosure between persons belonging to one and the same group which is in a Member State or in a country named in the list under Article 4, paragraph (9). (4) (New, SG No. 92/2007) The ban under paragraph (1) shall not prejudice information disclosure between persons under Article 3, paragraph (2), subparagraphs (11), (18) and (28) from Member States or from countries named in the list under Article 4, paragraph (9) which conduct their professional activity within the framework of a single legal body or group having joint ownership, management or control in implementing this Act.

	(5) (New, SG No. 92/2007) The ban under paragraph (1) shall not prejudice information disclosure between persons under Article 3, paragraph (2), subparagraphs (1) to (3), (11), (18) and (28) in cases concerning one and the same client or one and the same transaction involving two or more parties, under the following conditions: 1. the parties are located in a Member State or in a country named in the list under Article 4 paragraph (9); 2. the parties belong to one and the same professional category; 3. the parties are subject to confidentiality obligations in respect of proprietary, bank or commercial secrets and personal data protection that correspond to Bulgarian legislation; 4. the information may be used solely to prevent money laundering and financing of terrorism. (6) (New, SG No. 92/2007) Where persons under Article 3, paragraph (2), subparagraphs (11), (18) and (28) are trying to dissuade a client from engaging in illegal activity, this shall not be considered information disclosure in the meaning of paragraph (1). (7) (New, SG No. 92/2007) Exclusions under paragraphs (3) through (5) shall not apply, and no disclosure of information shall be allowed between persons under Article 3, paragraphs (2) and (3) and persons from countries named in the list under Article 7a, paragraph (3), nor where persons under Article 3, paragraphs (2) and (3) are in non-compliance of their obligations under the Personal Data Protection Act.

"Corporate liability"	
Please indicate whether corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading position within that legal person.	Yes: Article 83a of Administrative Violations and Sanctions Act (New, SG, No. 79/2005) (1) A legal person, which has enriched itself or would enrich itself from a crime under Articles 108a, 109, 110 (preparations for terrorism), Articles 142-143a , 159-159c, 209-212a, 213a, 214 , 215, 225c, 242, 250, 252, 253, 254, 254b, 256, 257, 280, 283, 301-307 , 319a-319f, 320-321a and 354a-354c of the Criminal Code , as well as from all crimes, committed under orders of or for implementation of a decision of an organized criminal group, when they have been committed by: 1. an individual, authorized to formulate the will of the legal person; 2. an individual, representing the legal person; 3. an individual, elected to a control or supervisory body of the legal person, or 4. an employee, to whom the legal person has assigned a certain task, when the crime was committed during or in connection with the performance of this task, shall be punishable by a property sanction of up to BGN 1,000,000, but not less than the equivalent of the benefit, where the same is of a property nature; where the benefit is no of a property nature or its amount cannot be established, the sanction shall be from BGN 5,000 to 100,000
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of	Yes: According to Art 24 para 2 of the Liable for administrative violations committed in connection with or during the performance of enterprises', administrations' and organisations' business activities shall be the employees who have committed such violations as well **as the managing officers who have ordered or allowed the commission thereof.**

supervision or control by persons who occupy a leading position within that legal person.	

DNFBPs	
Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	Yes art. 24 of the list of reporting entities under the LMML: 24. (New, SG No. 1/2001, amended, SG No. 31/2003, SG No. 92/2007) Persons dealing by occupation in objects where a payment was made in cash and the value exceeded BGN 30,000 or its equivalent in a foreign currency

2.6 Statistics

Money laundering and financing of terrorism cases

a) Statistics provided in the first progress report

2006 (for comparison purposes)												
	Investigations		Prosecutions*		Convictions*** (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	Cases**	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	62	-	8	9	4 3	4 3	-	-	-	-	-	350 000
FT	0	0	0	0	0	0	0	0	0	0	0	0

* Newly started in the respective year
** Cases brought to the court
*** Cases: 4 convictions and 3 verdicts of not guilty; persons: 4 convicted and 3 discharged

2007												
	Investigations		Prosecutions		Convictions*** (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	91	-	10	11	8 2	9 4	-	-	-	-	-	415 000

FT	0	0	0	0	0	0	0	0	0	0	0	0

*** Cases: 8 convictions and 2 verdicts of not guilty; persons: 9 convicted and 4 discharged

2008												
	Investigations		**Prosecutions**		**Convictions*** (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	134	-	17	36	11 2	23 2	-	10 000 000	-	-	-	286 000
FT	0	0	0	0	0	0	0	0	0	0	0	0

*** Cases: 11 convictions and 2 verdicts of not guilty; 23 convicted and 2 discharged

Notices:

1. The amount of seized proceeds is generated tentative figure in Euros, because the seized proceeds were in Euros, USD and BGN.
2. The amount of seized proceeds in 2008 do not include the amount of 128 230 Euros, on which amount the court of last instance shall pronounce shortly.
3. According to provisions of art 253 of the Penal Code in favour of state shall be deprived the subject of crime, but the law do not provide confiscation of proceeds.

b) Statistics since the adoption of the first progress report

2009												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	563 83	817 57	26	62	16* 0**	32* 0**	-	3 000 000				5 700 000
FT	0	0	0	0	0	0	0	0	0	0	0	0

2010												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	644 131	1095 80	20	35	9* 2**	18* 4**	-	4 000 000				7 600 000
FT	0	0	0	0	0	0	0	0	0	0	0	0

03. 2011												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	NA	NA	NA	NA	2* 0**	2* 0**	-					300 000***
FT	0	0	0	0	0	0	0	0	0	0	0	0

Notes (2009-2011):
General Notes
Please note that the first number under investigations and persons denotes the initial checks (respectively persons) carried out by law enforcement (the unit in Chief Directorate Combating Organized Crime of Ministry of Interior), that is checks that have not still reached the phase of pre-trial proceedings. The second number indicates the pre-trial proceedings and the persons that are involved in those cases.
Please note that the amounts mentioned in the sections on proceeds frozen and confiscated are approximate and do not entirely account for property other than financial funds (or equal value to be paid), such as real estate, movable property etc., where the amount needs to be calculated additionally. This information is based on the property as listed in the indictment, respectively the disposition.

* The number of convictions/persons in force.
** The number of acquittals/acquitted persons (final).
*** The amount is approximate due to the calculations of the value related to different kinds of property.

STR/CTR

a) Statistics provided in the first progress report

2006 (for comparison purposes)*															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
								ML		FT		ML		FT	
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons
commercial banks	201 213	267	2												
insurance companies	-	0	0												
Notaries	33 740	1	0												
Currency exchange	-		0												
broker companies	-		0												
securities' registrars	-		0												
lawyers	-		0												
accountants/auditors	-		0												
company service providers	-		0												
others (please specify and if necessary add further rows)	-		0												
				374	2	272	2	3	3	0	0	2	2	0	0
Financial houses	300	1	0												
All others	57		-												
Tax authorities	-	21	0												
Persons dealing in precious Metals, stones ..	-	1	0												
Customs	-	49	0												
Casinos	-	8	0												
Privatization bodies	-	6	0												
Pursuant art 18(2) of LMM	-	18	0												
Central depository	-	1	0												
Not profit organization	-	1	0												
Total	**235 310**	**374**	**2**												

2007																
Statistical Information on reports received by the FIU								Judicial proceedings								
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions				
								ML		FT		ML		FT		
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons	
commercial banks	240 550	353	1	400	1	336	1	1	1	0	0	1	1	0	0	
insurance companies	-	0	0													
Notaries	60 160	2	0													
Currency exchange	-	1	0													
broker companies	-	1	0													
securities' registrars	-	0	0													
lawyers	-	0	2													
accountants/auditors	-	0	0													
company service providers	-	1	0													
others (please specify and if necessary add further rows)			0													
Financial houses	250	0	0													
Tax authorities	-	10	0													
All others	40	-	-													
Pension funds	-	1	0													
Customs	-	32	0													
Casinos	-	7	0													
Privatisation bodies	-	1	0													
Pursuant art 18(2) of LMM	-	4	0													
Supervisory bodies	-	4	0													
Car dealers		12	0													
Total	**301000**	**431**	**1**	**400**	**1**	**336**	**1**									

2008															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
								ML		FT		ML		FT	
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons
commercial banks	284 937	515	0												
insurance companies		0	0												
Notaries	58 460	1	0												
Currency exchange		1	0												
broker companies		1	0												
securities' registrars		0	0												
lawyers		0	0												
accountants/auditors		0	0												
company service providers		0	0												
others (please specify and if necessary add further rows)		-	-	565	1	400	1	2	8	0	0	1	4	0	0
Financial houses	400														
All others	1100														
Tax authorities		27	0												
Tax consultants		1	0												
Casinos		5	0												
Customs		33	0												
Financial house		1	0												
Pension funds		4	0												
State bodies		2	0												
Real estate agent		0	1												
Total	344987	591	**1**												

*When comparing statistics on notifications to law enforcement/prosecutors, made by the FIU, and statistics on indictments, one should bear in mind that statistics on indictments reflect only these which are based on direct notification by the FIU to the Prosecutors` Office and do not reflect indictments based on indirect notifications /to the police and from police to the Prosecutors` Office/. Direct notifications from the FIU to the Prosecutors Office are rare. The vast majority of them are sent to the police and SANS.

b) Statistics since the adoption of the first progress report

Explanatory Note (2009-2010):

Please note that due to the new system for prioritization of the cases implemented in the Bulgarian FIU in 2010, the section "cases opened" for 2010 includes all cases where extensive further checks and/or analysis has been undertaken based on the STRs received in the respective year. These include the operational/analytical cases, the information/analytical cases and the cases based on additional STRs related to previous financial development performed by Bulgarian FIU but identifying new leads. All STRs are subject to initial assessment of the priority and all three categories of "cases opened by FIU" are subject to additional checks/analysis performed by the FIU analysts.

Please note that the number under category "Others" in the section on cash threshold transactions includes transactions that are not mentioned under any of the specific categories listed (e.g. "Others" does not include financial houses or real estate intermediaries which are listed below).

Please note that no statistics can be provided under the section judicial proceedings (indictments and convictions) as the notifications sent by the Bulgarian FIU are subject to further checks by the respective departments of the State Agency for National Security or the Chief Directorate Combating Organized Crime in the Ministry of Interior before resulting in a prosecutorial check or pre-trial proceedings. The direct notifications from the FIU to the prosecution are still rare.

2009															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
								ML		FT		ML		FT	
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	236 970	721	0	791	0	521	0								
Insurance Companies		1	0												
Notaries	4 060	3	0												
Currency Exchange		0	0												
Broker Companies		0	0												
Securities' Registrars		0	0												
Lawyers		0	0												
Accountants/Auditors		0	0												
Company Service Providers		0	0												
Others (please specify and if necessary add further rows)	≈1 000														
Tax authorities		26	0												
Leasing companies		1	0												

Casinos		11	0												
Customs authorities		15	0												
Financial houses	200	97	0												
Privatization authorities		1	0												
Supervision authorities		1	0												
Pension funds		4	0												
Wholesale traders		1	0												
Car dealers		1	0												
Total	**241 230**	**883**	**0**												

2010															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	225 621	811	2	665	2	478	2								
Insurance Companies	4	0	0												
Notaries	5 863	4	0												
Currency Exchange	762	2	0												
Broker Companies		0	0												
Securities' Registrars		91	0												
Lawyers		1	0												
Accountants/Auditors		0	0												
Company Service Providers		0	0												
Others (please specify and if necessary add further rows)	302														
Other non-banking financial companies		7	0												
Supervision authorities		2	0												
Leasing companies		2	0												
Casinos		7	0												
Professional unions		1	0												
Financial houses	801	505	0												
State authorities concluding concession contracts		1	0												
Privatization authorities		1	0												
Customs authorities		11	0												
Real estate intermediaries	43	2	0												

Tax authorities	114	11	0												
Pension funds		1	0												
Total	**233 510**	**1460**	**2**												

AML/CFT Sanctions imposed by supervisory authorities

Please complete a table (as beneath) for administrative sanctions imposed for AML/CFT infringements in respect of each type of supervised entity in the financial sector (eg, one table for banks, one for insurance, etc). If possible, please also indicate the types of AML/CFT infringements for which sanctions were imposed in text beneath the tables in your reply.If similar information is available in respect of supervised DNFBP, could you please provide an additional table (or tables) covering administrative sanctions on DNFBP, also with information as to the types of AML/CFT infringements for which sanctions were imposed in text beneath the tables in your reply. Please adapt the tables, as necessary, also to indicate any criminal sanctions imposed on the initiative of supervisory authorities and for what types of infringement.

Administrative Sanctions

The following statistics reflects the supervision activity of the Bulgarian FIU (AML/CTF supervision of all reporting entities). The statistics cover the financial institutions and DNFBPs.
Please note that all amounts of fines are provided in BGN. The statistics for 2011 is as of 1 March 2011.

Please note that for 2004-2007 no detailed statistics were kept as to the sanctions that were appealed (taken to court). All of the sanctions (imposed as a result of the on-site inspections 2004-2007) that were taken to court have been finalized. The average time necessary for finalizing the sanction in court is between 12 and 18 months.

In addition the statistics on written warnings or recommendation reflect the final bills of infringements where no sanction was imposed.

Banks

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**4**	**10**	**2**	**3**	**3**	**0**	**13**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**2**	**-**	**1**	**3**	**1**	**0**	**0**	**0**
Fines	**2**	**10**	**1**	**0**	**0**	**3**	**0**	**5**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**30000**	**30000**	**20000**	**0**	**0**	**60000**	**0**	**25000**
Number of sanctions taken to the court (where applicable)	**NA**	**NA**	**NA**	**NA**		**3**		**1**

Number of final court orders	**NA**	**NA**	**NA**	**NA**		**2**		
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); incomplete identification of the customer (natural person) under Art. 6, Para. 1, Item 2 LMML; operation not suspended despite incomplete identification or no declaration for the origin of funds (Art. 4, Para. 4 LMML); refusal of the obliged entity to grant permission to the inspection team of FIU to enter premises or refusal of documents (Art. 17, Para. 8 LMML); failure to report suspicion on a timely basis (Art. 11 LMML); incomplete provision of documents to FIU (Art. 9 LMML).

Financial Institutions (includes all categories of obliged persons under Art. 3, Para. 2, Item 1 LMML – financial houses, exchange bureaus and money remittance; financial institutions under the other Items of Art. 3, Para. 2 LMML are not included)

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**5**	**9**	**17**	**23**	7	**5**	**3**	**8**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**20**	**4**	**4**	**0**	**1**
Fines	**5**	**9**	**17**	**34**	**10**	**7**	**7**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**17400**	**43000**	**47000**	**87000**	**29000**	**38000**	**20000**	**-**
Number of sanctions taken to the court (where applicable)	**NA**	**NA**	**NA**	**12**	**7**	**6**	**4**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**12**	**7**	**6**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: operation not suspended despite incomplete identification or no declaration for the origin of funds (Art. 4, Para. 4 LMML); failure to report suspicion on a timely basis (Art. 11 LMML); cash threshold transactions not reported (Art. 11a LMML).

Insurers and insurance intermediaries (Art. 3, Para. 2, Item 2 LMML)

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011
Number of AML/CFT violations identified by the supervisor	**2**	**0**	**0**	**6**	**5**	**7**	**18**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**1**	**0**	**0**	**2**	**0**	**1**	**0**	**0**
Fines	**1**	**0**	**0**	**6**	**1**	**3**	**17**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**3000**	**0**	**0**	**18000**	**10000**	**15000**	**77000**	**0**
Number of sanctions taken to the court (where applicable)						**3**	**7**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**NA**	**NA**	**3**	**2**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); operation not suspended despite incomplete identification or no declaration for the origin of funds (Art. 4, Para. 4 LMML); no internal rules within the legally specified timeframe; cash threshold transactions not reported.

Investment intermediaries (Art. 3, Para. 2, Item 3 LMML)

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011
Number of AML/CFT violations identified by the supervisor	**0**	**1**	**0**	**5**	**4**	**12**	**6**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**4**	**0**	**3**	**0**	**0**
Fines	**0**	**1**	**0**	**5**	**3**	**7**	**1**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**0**	**5000**	**0**	**16000**	**9000**	**29000**	**1000**	**0**
Number of sanctions taken to the court (where applicable)	**NA**	**NA**	**NA**	**2**	**3**	**4**	**1**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**2**	**3**	**2**	**1**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); operation not suspended despite incomplete identification or no declaration for the origin of funds (Art. 4, Para. 4 LMML); no internal rules within the legally specified timeframe (Art. 16, Para. 1 LMML); cash threshold transactions not reported (Art. 11a LMML).

Pension insurance and health insurance (Art. 3, Para. 2, Item 4 LMML)

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011
Number of AML/CFT violations identified by the supervisor	**0**	**1**	**3**	**0**	**0**	**2**	**6**	**0**
Type of measure/sanction*								
Written warnings	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Fines	**0**	**1**	**3**	**0**	**0**	**4**	**1**	**2**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**0**	**3000**	**8000**	**0**	**0**	**12000**	**3000**	**6000**
Number of sanctions taken to the court (where applicable)	**NA**	**NA**	**NA**	**NA**	**0**	**4**	**0**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**NA**	**0**	**4**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); operation not suspended despite incomplete identification or no declaration for the origin of funds (Art. 4, Para. 4 LMML); no cash threshold reporting within the timeframe under the RILMML.

Gambling (Art. 3, Para. 2, Item 7)

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011
Number of AML/CFT violations identified by the supervisor	**1**	**0**	**1**	**0**	**0**	**0**	**4**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**1**	**11**	**0**	**2**	**1**	**0**
Fines	**1**	**0**	**1**	**1**	**0**	**0**	**0**	**4**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**5000**	**0**	**2000**	**2000**	**0**	**0**	**0**	**12000**
Number of sanctions taken to the court (where								

applicable)								
Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**0**	**0**	**0**
Average time for finalising a court order								

The following violation of the AML/CTF legislation was found during on-site inspections: lack of identification of the client as per Art. 4, Para. 3 LMML.

Legal entities that maintain employee mutual aid funds (Art. 3, Para. 2, Item 8 LMML)

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**0**	**0**	**0**	**6**	**2**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Fines	**0**	**0**	**0**	**0**	**0**	**0**	**6**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**0**	**0**	**0**	**0**	**0**	**0**	**26000**	**0**
Number of sanctions taken to the court (where applicable)							**6**	
Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**0**	**2**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); cash threshold transactions not reported (Art. 11a LMML).

Postal services (Art. 3, Para. 2, Item 10 LMML)

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**
Fines	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines						**10000**		

Number of sanctions taken to the court (where applicable)	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**
0Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**1**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML).

Persons lending cash against a pledge of chattels (pawn shops) (Art. 3, Para. 2, Item 9 LMML)

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**0**	**0**	**2**	**5**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Fines	**0**	**0**	**0**	**0**	**0**	**0**	**7**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines							**31000**	
Number of sanctions taken to the court (where applicable)								
Number of final court orders	**0**	**0**	**0**	**0**	**0**	**0**	**5**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); cash threshold transactions not reported (Art. 11a LMML).

Notaries (Art. 3, Para. 2, Item 11 LMML)

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**0**	**2**	**0**	**11**	**5**	**31**	**4**	**0**
Type of measure/sanction*								
Written warnings and/or	**0**	**0**	**0**	**7**	**7**	**0**	**0**	**0**

recommendations								
Fines	**0**	**2**	**0**	**8**	**9**	**11**	**9**	**4**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**0**	**6000**	**0**	**8500**	**13500**	**11000**	**20000**	**8000**
Number of sanctions taken to the court (where applicable)				**4**	**2**	**7**	**6**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**4**	**2**	**5**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); no reporting of suspicious operations (Art. 11 LMML).

Financial leasing (Art. 3, Para. 2, Item 13 LMML)

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**2**	**0**	**5**	**15**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**1**	**2**	**1**	**1**	**0**
Fines	**0**	**0**	**0**	**1**	**0**	**0**	**15**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Other**								
Total amount of fines	**0**	**0**	**0**	**2000**	**0**	**0**	**51000**	**0**
Number of sanctions taken to the court (where applicable)	**NA**	**NA**	**NA**	**0**	**0**	**0**	**11**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**0**	**3**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); operation not suspended despite incomplete identification or no declaration for the origin of funds (Art. 4, Para. 4 LMML); cash threshold transactions not reported (Art. 11a LMML).

Non-profit organizations (Art. 3, Para. 2, Item 17 LMML)

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011
Number of AML/CFT violations identified by the supervisor	**0**	**1**	**0**	**0**	**0**	**3**	**1**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**0**
Fines	**0**	**1**	**0**	**0**	**0**	**1**	**2**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	0	**2000**	**0**	**0**	**0**	**5000**	**8000**	**0**
Number of sanctions taken to the court (where applicable)	**NA**	**NA**	**NA**	**0**	**0**	**1**	**2**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**1**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: lack of internal rules (Art. 16 LMML); no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML).

Auditors (Art. 3, Para. 2, Item 18)

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**0**	**0**	**3**	**3**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	**3**	**1**	**0**	**0**
Fines	**0**	**0**	**0**	**0**	**0**	**1**	**3**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**0**	**0**	**0**	**0**	**0**	**5000**	**11000**	**0**
Number of sanctions taken to the court (where applicable)	**NA**	**NA**	**NA**	**0**	**0**	**0**	**2**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**0**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: lack of internal rules (Art. 16 LMML); no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML).

Persons selling commodities where the payment is in cash and the value exceeds 30 000 BGN or its equivalent in a foreign currency

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**0**	**5**	**18**	**27**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	**4**	**7**	**9**	**0**
Fines	**0**	**0**	**0**	**0**	**0**	**17**	**15**	**0**
Withdrawal of license	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total amount of fines	**0**	**0**	**0**	**0**	**0**	**91000**	**63000**	**0**
Number of sanctions taken to the court (where applicable)	**NA**	**NA**	**NA**	**0**	**0**	**10**	**1**	**0**
Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**7**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: lack of internal rules (Art. 16 LMML); no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); no cash threshold transactions reporting (Art.11a LMML).

Tax consultants (Art. 3, Para. 2, Item 26)

	2004 for comparison	2005 for comparison	2006	2007	2008	2009	2010	2011
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**0**	**0**	**7**	**0**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**
Fines	**0**	**0**	**0**	**0**	**0**	**0**	**5**	**0**
Withdrawal of license	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total amount of fines	**0**	**0**	**0**	**0**	**0**	**0**	**16000**	**0**
Number of sanctions taken to the court (where applicable)	**0**	**0**	**0**	**0**	**0**	**0**	**5**	**0**

Number of final court orders	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: lack of internal rules (Art. 16 LMML); no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML).

Persons providing legal advice (Art. 3, Para. 2, Item 28)

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**0**	**5**	**14**	**4**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**0**
Fines	**0**	**0**	**0**	**0**	**0**	**7**	**6**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**0**	**0**	**0**	**0**	**0**	**50000**	**26000**	**0**
Number of sanctions taken to the court (where applicable)						**7**	**4**	
Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**5**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); no cash threshold transactions reporting (Art. 11a LMML).

Real estate intermediaries (Art. 3, Para. 2, Item 29 LMML)

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**2**	**10**	**11**	**4**	**2**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**4**	**3**	**0**	**0**	**0**
Fines	0	**0**	**0**	**3**	**15**	**12**	**6**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**0**	**0**	**0**	**6000**	**47000**	**60000**	**15000**	**0**
Number of sanctions taken to the court (where	**NA**	**NA**	**NA**	**0**	**2**	**12**	**0**	**0**

applicable)								
Number of final court orders	**NA**	**NA**	**NA**	**0**	**0**	**7**	**0**	**0**
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); no cash threshold transactions reporting (Art. 11a LMML).

Company management and registration

	2004 for comparison	**2005 for comparison**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Number of AML/CFT violations identified by the supervisor	**0**	**0**	**0**	**0**	0	**0**	**0**	**0**
Type of measure/sanction*								
Written warnings and/or recommendations	**0**	**0**	**0**	**0**	0	**2**	**0**	**0**
Fines	**0**	**0**	**0**	**0**	0	**0**	**0**	**0**
Withdrawal of license	-	-	-	-	-	-	-	-
Total amount of fines	**0**	**0**	**0**	**0**	0	**0**	**0**	**0**
Number of sanctions taken to the court (where applicable)	**0**	**0**	**0**	**0**	0	**0**	**0**	**0**
Number of final court orders								
Average time for finalising a court order								

The following violations of the AML/CTF legislation were found during on-site inspections: no declaration for the origin of funds (Art. 4, Para. 7 LMML); lack of identification of the beneficial owner (Art. 6, Para. 2 LMML); no cash threshold transactions reporting (Art. 11a LMML).

3. Appendices

3.1 APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

AML/CFT System	Recommended Action (listed in order of priority)
1. General	**No text required**
2. Legal System and Related Institutional Measures	
2.1 Criminalization of Money Laundering (R.1 & 2)	• Ensure that all designated categories of offences are fully covered as predicates (insider trading and market manipulation; and one aspect of terrorist financing). • Difficulties of proof of intention need further addressing in guidance or legislation to address effectiveness issues. • Liability of the legal persons remains limited to administrative liability. Consideration of more general criminal liability for legal persons should be given.
2.2 Criminalization of Terrorist Financing (SR.II)	• Clarify that the terrorist financing offence includes any purpose (including legitimate activity).
2.3 Confiscation, freezing and seizing of proceeds of crime (R.3)	• Differences of view between the Bulgarian authorities on the application of third party confiscation need resolution to ensure it is happening. • Clearer guidance to be given to prosecutors on confiscation of indirect proceeds and value confiscation.
2.4 Freezing of funds used for terrorist financing (SR.III)	• Ensure that all the reporting entities which are compelled to comply with LMFT provisions are aware of the automatic system of freezing. • Provide for a provision to cover assets controlled by listed persons. • Publicly known procedures to be issued for considering unfreezing of funds or other assets of persons or entities inadvertently affected by a freezing mechanism upon verification that the person or entity is not a designated person.
2.5 The Financial Intelligence Unit and its functions (R.26)	
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	• A proactive approach to the financial investigations performed by the police to better trace the proceeds or organized and economic crimes as a matter of routine should be considered.

2.7 Cross Border Declaration & Disclosure	• Explicit power to question carriers as to origins of imported currency or bearer negotiable instruments should be ensured by a provision in law or regulation. • Power of Customs to detain pending further investigation by Border Police should be provided for in law or regulation. • Clarification of the sanctions regime is needed.
3. Preventive Measures – Financial Institutions	
3.1 Risk of money laundering or terrorist financing	
3.2 Customer due diligence, including enhanced or reduced measures (R.5 to 8)	• Clear provision to perform full CDD measures for terrorist financing should be provided in the legislation. • Measures should be taken to ensure that the definition of beneficial owner is fully understood by all financial institutions. • Guidance on applying simplified due diligence is required. • Apart from banks financial institutions need more training on risk assessment. • With the exception of banks financial institutions need to work harder to raise awareness and be effective in CDD due diligence. • Clear provision in law or regulation or other enforceable means for the determination of whether a customer is a PEP to be provided. • Provision for senior management approval to establish a relationship with a PEP to be provided. • Provision for senior management approval to continue business relationship where the customer subsequently is found to be or becomes a PEP to be provided. • A clear obligation to require financial institutions in a business relationship with a PEP to conduct enhanced ongoing monitoring on that relationship is required. • Non-bank financial institutions need more training on PEPs. • Enforceable requirement to assess the respondent institution's AML/CFT controls, and ascertain that they are adequate and effective to be provided. • Enforceable requirement for senior management approval before establishing new correspondent relationship to be provided. • Enforceable requirement to document the respective AML/CFT responsibilities of each institution to be provided. • Guidance on Criteria 7.1 to 7.5 should be given by the FIA or other authority to other financial institutions than banks

	where the Criteria might potentially apply (securities transactions or funds transfers). • Financial institutions should be directly required to have policies in place to prevent the misuse of technological developments in ML and TF. • Clarify how operations with emerging technologies such as prepaid or account-linked value cards are implementing preventive measures. • Enforceable measures to prevent the misuse of new and developing technologies should be implemented.
3.3 Third parties and introduced business (R.9)	
3.4 Financial institution secrecy or confidentiality (R.4)	
3.5 Record keeping and wire transfer rules (R.10 & SR.VII)	• Transaction records should be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity. • A clear requirement in law or regulation to keep documents longer than five years if requested by a competent authority should be provided.
3.6 Monitoring of transactions and relationships (R.11 & 21)	• The Bulgarian authorities should consider to explicitly incorporating the obligations of Recommendation 11 in law or regulation. • Financial institutions should be required to examine the background and purpose of such transactions and set their findings out in writing. • Financial institutions should keep the findings available for competent authorities and audit for at least five years. • There should be a specific requirement on financial institutions to set out in writing any findings of examinations on the background and purpose of transactions (with persons from countries which do not or insufficiently apply FATF Recommendations) which have no apparent economic or visible lawful purpose and to maintain such finding for at least five years to assist competent authorities. • Ensure mechanisms are in place to apply counter measures.
3.7 Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	• Attempted suspicious transactions (AML and TF) should be explicitly covered. • The reporting obligation should also cover insider trading and market manipulation.

	• Complete protection from all civil liability should be provided. • Consideration should be given to more specific feedback outside the banking sector. • Clear provision that STR on terrorism financing must be filed promptly should be provided. • The reporting obligations (AML and TF) should also cover funds that are suspected to be linked or related to, or to be used for terrorist acts or by terrorist organizations.
3.8 Internal controls, compliance, audit and foreign branches (R.15 & 22)	• Improve the understanding of non-bank financial institutions of the obligation to develop CFT internal procedures, policies and control programmes. Further development and refining of these programmes are recommended (effectiveness). • Enforceable requirement for non-bank financial institutions to screen all employees to be provided. • The AML/CFT audit function should be further developed and elaborated to include controls and testing. • Branches and subsidiaries should be required to apply the higher standard to the extent that local (i.e. host country) laws and regulations permit, where the minimum AML/CFT requirement of the home and host country differ.
3.9 Shell banks (R.18)	
3.10 The supervisory and oversight system - competent authorities and SROs. Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	• Considerations should be given to increase the range of permissible sanctions for corporations. • Sanctions imposed are low in comparison with the maximum permitted penalty. The adequacy of this practice should be monitored closely. • It should be considered to strengthening enforcement of AML law by granting independent sanction authority to supervisory authorities. • More resources should be dedicated by both BNB and FSC with respect to AML/CFT issues. • More training and a change in culture is required in the NRA. • More co-ordination between all four players (FIA, BNB, FSC and NRA) is required to effectively supervise and control the AML/CFT obligations of all subject persons. • Awareness raising in non-bank industries of the methodological guidelines. • The guidelines should be less generic and more tailored to

	the particular sector. • Clarify that the FSC/FIA joint inspections adequately account for risks within the various sectors.
3.11 Money value transfer services (SR.VI)	
4. Preventive Measures – Non-Financial Businesses and Professions	
4.1 Customer due diligence and record-keeping (R.12)	• Awareness raising of DNFBP knowledge of their obligations to perform CDD. • Casinos should undertake steps to improve record keeping. • The changes recommended for Recommendation 5, 6, 8 and 11 for financial institutions should be applied also to DNFBP.
4.2 Suspicious transaction reporting (R.16)	• The changes recommended for under Recommendations 13 to 15 and 21 should equally apply to DNFBP.
4.3 Regulation, supervision and monitoring (R.24-25)	• Further outreach and training of the DNFBP sector, NRA and SCG is required to ensure effective implementation. • Further cooperation between FIA and supervisory authorities is required to ensure full effectiveness. • Further training to raise awareness of STR requirements and risk indicators might improve the number and quality of reports. • SRO for casinos should consider increasing monitoring for AML/CFT compliance. • The FIA may consider strengthening enforcement of AML laws by granting authority to sanction by supervisory authorities. • Ongoing guidance on trends and typologies of AML//CFT should be considered • Further feedback for STR may be considered – especially on a case-by-case basis for STRs filed.
4.4 Other non-financial businesses and professions (R.20)	
5. Legal Persons and Arrangements & Non-Profit Organizations	
5.1 Legal Persons – Access to beneficial ownership and control information (R.33)	• It is recommended that ownership of the bearer shares should be verifiable at the Commercial Register or any other register.
5.2 Legal Arrangements – Access to	

beneficial ownership and control information (R.34)	
5.3 Non-profit organisations (SR.VIII)	• An adequate and comprehensive review of NPOs (others than NPOs for public benefit) should be undertaken. • Detailed provisions regarding financial obligations and annual reports should be extended beyond NPOs for public benefit. • Consideration should be given to widening the annual obligations of the NPOs for public benefit to the other NPOs. • Consideration should be given to introduce the provisions in control and deletion of the registration of the NPOs for public benefits to the other NPOs. • A specific review of the risks in the NPO sector should be undertaken and the Bulgarian authorities should also consider the development of a strategy of monitoring the most vulnerable parts of the NPO sector. • Regular outreach to the sector to discuss scope and methods of abuse of NPOs, emerging trends in TF and new protective measures.
6. National and International Co-operation	
6.1 National co-operation and coordination (R.31)	
6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)	• Consideration should be given to extend administrative liability for legal persons to also cover criminal liability. The differences of interpretation between the Bulgarian authorities of parts of the confiscation regime should be clarified. • A specific procedure should be established for unfreezing the funds or other assets of persons or entities inadvertently affected by a freezing mechanism upon verification that the person or entity is not a designated person
6.3 Mutual Legal Assistance (R.36-38 & SR.V)	• Consider a special assets forfeiture fund.
6.4 Extradition (R.39, 37 & SR.V)	
6.5 Other Forms of Co-operation (R.40 & SR.V)	
7. Other Issues	
7.1 Resources and statistics (R. 30 & 32)	• More resources for law enforcement is recommended to assist proactive investigation and police generated ML

	cases. • More resources are also recommended to be dedicated by both BNB and FSC with respect to AML/CFT issues. • Statistics should be consolidated in respect of prosecution and conviction; statistics should be showing speed of analysis; spontaneous referrals by the FIA to foreign countries; joint statistics should be considered; clear data on prosecution/judicial statistics regarding money laundering seizure and confiscation should be provided; statistics should be kept on the predicate offences, the nature of the request, whether it was granted or refused, and the time required to respond and statistics on underlying reason for filing STR should also be available.

3.2 APPENDIX II - Excerpts from relevant EU Directives

Excerpt from Directive 2005/60/EC of the European Parliament and of the Council, formally adopted 20 September 2005, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

Article 3 (6) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(6) "beneficial owner" means the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted. The beneficial owner shall at least include:

(a) in the case of corporate entities:

(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 % plus one share shall be deemed sufficient to meet this criterion;
(ii) the natural person(s) who otherwise exercises control over the management of a legal entity:

(b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:

(i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity;
(ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;
(iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity;

Article 3 (8) of the EU AML/CFT Directive 2005/60EC (3rd Directive):

(8) "politically exposed persons" means natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;

Excerpt from Commission directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

Article 2 of Commission Directive 2006/70/EC (Implementation Directive):

Article 2
Politically exposed persons

1. For the purposes of Article 3(8) of Directive 2005/60/EC, "natural persons who are or have been entrusted with prominent public functions" shall include the following:
(a) heads of State, heads of government, ministers and deputy or assistant ministers;

(b) members of parliaments;
(c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
(d) members of courts of auditors or of the boards of central banks;
(e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
(f) members of the administrative, management or supervisory bodies of State-owned enterprises.
None of the categories set out in points (a) to (f) of the first subparagraph shall be understood as covering middle ranking or more junior officials.
The categories set out in points (a) to (e) of the first subparagraph shall, where applicable, include positions at Community and international level.

2. For the purposes of Article 3(8) of Directive 2005/60/EC, "immediate family members" shall include the following:
(a) the spouse;
(b) any partner considered by national law as equivalent to the spouse;
(c) the children and their spouses or partners;
(d) the parents.

3. For the purposes of Article 3(8) of Directive 2005/60/EC, "persons known to be close associates" shall include the following:
(a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in paragraph 1;
(b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph 1.

4. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence measures, where a person has ceased to be entrusted with a prominent public function within the meaning of paragraph 1 of this Article for a period of at least one year, institutions and persons referred to in Article 2(1) of Directive 2005/60/EC shall not be obliged to consider such a person as politically exposed.

3.3 APPENDIX III - Primary and secondary legislation and other enforceable means

Law on Measures Against Money Laundering

Promulgated State Gazette No. 85/24.07.1998, amended and supplemented, SG No. 1/2.01.2001, amended, SG No. 102/27.11.2001, effective 1.01.2002, amended and supplemented, 31/4.04.2003, amended, SG No. 103/23.12.2005, effective 1.01.2006, SG No. 105/29.12.2005, effective 1.01.2006, No. 30/11.04.2006, effective 12.07.2006, amended and supplemented, SG No. 54/4.07.2006, amended, SG No. 59/21.07.2006, effective on the day of entry into force of the EU Treaty of Accession of the Republic of Bulgaria, SG No. 82/10.10.2006, No. 108/29.12.2006, effective 1.01.2007, SG No. 52/29.06.2007, effective 1.11.2007 amended and supplemented, SG No. 92/13.11.2007, SG No. 109/20.12.2007, effective 1.01.2008, amended, SG No. 16/15.02.2008, amended and supplemented, SG No. 36/4.04.2008, amended, SG No. 67/29.07.2008, SG No. 69/5.08.2008; amended, SG No. 22/24.03.2009; amended, SG No. 23/27.03.2009; amended, SG No. 93/24.11.2009; amended, SG No. 88/9.11.2010; amended, SG No. 101/28.12.2010; amended, SG No. 16/22.02.2011

Chapter One

GENERAL PROVISIONS
Article 1(Amended, SG No. 1/2001, No. 54/2006) This Act shall regulate preventive measures against using the financial system for money laundering purposes, as well as organisation and control over such measures.

Article 2 (Amended, SG No. 1/2001, No. 54/2006) (1) Under this Act, money laundering shall be:
1. any transformation or transfer of property acquired through or in connection with any criminal activity or participation therein in order to conceal the unlawful origin of such property, or abetting a person participating in such an activity in order to avoid the legal implications of their actions;
2. concealing the nature, origin, location, allocation, movement or rights related to property acquired through criminal activity or participation therein;
3. acquisition, possession, or use of property, with the knowledge at the time of receiving, that it has been acquired through criminal activity or participation therein;
4. participation in any activity under Items 1-3, association for the purpose of performing such activity, attempt to perform such activity, as well as abetting, inciting, facilitating performing of such activity or its concealment.
(2) Money laundering shall also be the case when the activity, through which the property under Paragraph 1 has been acquired, has been performed in a European Union member state, or another country not falling under the jurisdiction of the Republic of Bulgaria.

Article 3(1) (Amended, SG No. 54/2006) The measures for prevention against using the financial system for money laundering purposes shall be:

1. identification of clients and verifying their identification;

2. identification of the client's beneficial legal-person owner, and taking relevant measures to verify its identification in a way providing enough grounds for the person under Paragraphs 2 and 3 to accept the beneficial owner as being established;

3. collection of information from the client regarding the purpose and the nature of the relationship, which has been established or is to be established with the client;

4. ongoing monitoring of all established commercial or professional relations and verification of all transactions performed within such relations to determine the extent, to which these comply with the available information on the client, its commercial activity and risk profile, including clarification of the funds' origin in all cases under the law;
5. disclosure of information on any doubtful transactions and clients.
(2) The measures under Article 1 shall be mandatory for:
1. (Amended, SG No. 1/2001, 31/2003, No. 59/2006, No. 16/2008, Amended, SG No. 23/2009, effective 01.11.2009, Amended, SG No. 101/2010, effective 30.04.2011) The Bulgarian National Bank, credit institutions carrying on activity within the territory of the Republic of Bulgaria, financial institutions, exchange bureaus as well as other providers of payment services;
2. (Supplemented, SG No. 31/2003, amended, SG No. 103/2005, No. 54/2006) Insurers, re-insurers, and insurance agents, headquartered in the Republic of Bulgaria; insurers, re-insurers, and insurance agents from an European Union Member State or a state - party to the Agreement on Establishment of the European Economic Area, which engage in operations on the territory of the Republic of Bulgaria; insurers and re-insurers, headquartered in states, other than those indicated, licensed by the Commission for Financial Supervision, to conduct operations in the Republic of Bulgaria through a branch; insurance agents, headquartered in states, other than those indicated, listed in a Commission for Financial Supervision registry;
3. (Amended and supplemented, SG No. 1/2001, amended, SG No. 54/2006) Mutual investment schemes, investment intermediaries and management companies;
4. (New, SG No. 1/2001, amended, SG No. 54/2006, supplemented, SG no. 92/2007) Pension funds and health insurance companies;
5. (Renumbered from Item 4, amended, SG No. 1/2001) Privatisation authorities;
6. (Renumbered from Item 5, amended, SG No. 1/2001) Persons who organise the awarding of public procurement orders;
7. (Renumbered from Item 6, SG No. 1/2001) Persons who organise and conduct gambling games;
8. (Renumbered from Item 7, SG No. 1/2001) Legal persons which have employee mutual aid funds;
9. (Renumbered from Item 8, SG No. 1/2001) Persons lending cash against a pledge of chattels;
10. (Renumbered from Item 9, SG No. 1/2001) Postal offices accepting or receiving money or other valuables;
11. (Renumbered from Item 10, SG No. 1/2001) Notaries public;
12. (Renumbered from Item 11, SG No. 1/2001, amended and supplemented, SG No. 31/2003, amended, SG No. 52/2007) Market operator and/or regulated market;
13. (Renumbered from Item 12, SG No. 1/2001) Leasing entities;
14. (Renumbered from Item 13, amended, SG No. 1/2001) State and municipal authorities executing concession agreements;
15. (Renumbered from Item 14, SG No. 1/2001) Political parties;
16. (Renumbered from Item 15, SG No. 1/2001) Trade unions and professional organisations;
17. (Renumbered from Item 16, amended, SG No. 1/2001) Non-for-profit legal entities;
18. (Renumbered from Item 17, SG No. 1/2001, amended, SG No. 67/2008) Registered auditors;
19. (Renumbered from Item 18, SG No. 1/2001, amended, SG No. 105/2005) National Revenue Agency authorities;

20. (Renumbered from Item 19, Amended, SG No. 1/2001) Customs authorities;
21. (New, SG No. 1/2001; Amended, SG No. 31/2003; repealed, SG No. 16/2011);
22. (New, SG No. 1/2001) Sports organisations;
23. (New, SG No. 1/2001) The Central Depository;
24. (New, SG No. 1/2001, amended, SG No. 31/2003, SG No. 92/2007, repealed, SG No. 16/2011);
25. (New, SG No. 1/2001) Merchants dealing in arms, petrol and petrochemical products;

26. (New, SG No. 1/2001; Amended, SG No. 31/2003) Persons providing, by occupation, advice in taxation matters;
27. (New, SG No. 1/2001) Wholesale traders.
28. (New, SG No. 31/2003) Persons providing, by occupation, advice in legal matters, where they:
a) Participate in the planning or performance of a client deal or transaction concerning:
aa) Purchase or sale of a real property or transfer of a merchant's business;
bb) Management of cash, securities, or other financial assets;
cc) Opening or operating a bank account or a securities account;
dd) Raising funds to incorporate a merchant, increase the capital of a company, grant a loan or for any form of raising funds for the business operations of such merchant;
ee) (Supplemented, SG No. 54/2006) Incorporate, organise operations or management of a company or another legal person, an off-shore company, a company managed under a trust arrangement or any other such entity;
ff) (New, SG No. 54/2006) Fiduciary property management;
b) Act for the account or on behalf of their client in any financial or real property transaction;

29. (New, SG No. 31/2003) Persons providing real property intermediation by occupation;
30. (New, SG No. 54/2006) Persons, whose occupation is to provide:
a) management address, correspondence address, or office for the purpose of legal person registration;
b) legal person, off-shore company, fiduciary management company or similar entity registration services;
c) fiduciary management services for property or person under letter b).
(3) Measures under paragraph (1) shall be mandatory for the persons under paragraph (2) also when they have been declared bankrupt and in liquidation.
(4) (Supplemented, SG No. 31/2003) Measures under paragraph (1) shall apply also to branches of persons under paragraphs (2) and (3) registered abroad, and to branches registered in this country held by foreign persons falling within the scope of those described in paragraphs (2) and (3).
(5) (New, SG No. 31/2003, repealed, SG No. 54/2006) .
(6) (New, SG No. 31/2003, amended, SG No. 54/2006) Persons, referred to in Paragraph (2), Item (28), shall not be obliged to disclose under this Act any information obtained by them during or in relation to any court or preliminary proceedings, which are pending, about to be open, or are closed, as well as any information related to establishing a client's legal status.

(7) (New, SG No. 54/2006, repealed, SG No. 16/2011).

Article 3a (New, SG No. 31/2003)(1) (Amended, SG No. 109/2007) The authorities for supervision of the activities of persons referred to in Article 3, paragraphs (2) and (3) shall be under the obligation to provide information to the Financial Intelligence Directorate (FID) of the State Agency for National Security where, in the performance of their supervision activities, they should establish any performance of a transaction or deal related to a suspected money laundering or failure to meet the obligation prescribed in Article 11a.
(2) (Amended, SG No. 109/2007, effective 01.01.2008) The examinations performed by the authorities referred to in paragraph (1) shall also include a check for the compliance of examinees with the requirements of this Act. Where a violation is established, the supervision authorities shall inform the Financial Intelligence Directorate of the State Agency for National Security thereof by sending it an abstract from the relevant part of the memorandum of findings.
(3) (New, SG No. 54/2006, amended, SG No. 109/2007, effective 01.01.2008) The Financial Intelligence Directorate of the State Agency for National Security and the supervisory authorities may exchange classified information for the purpose of their legally established functions.
Article 3b (New, SG No. 54/2006)(1) Banks, registered on the territory of the Republic of Bulgaria, and foreign banks, performing activities on the territory of the country through a branch, shall not enter in any

partner (banking) relations with banks in jurisdictions, where they do not have a physical presence, and do not belong to a regulated financial group.
(2) Banks, registered on the territory of the Republic of Bulgaria, and foreign banks, performing activities on the territory of the country through a branch, shall not enter into any partner relations with banks outside the country, which allow their accounts to be used by banks in jurisdictions, where they do not have physical presence, and do not belong to a regulated financial group.
Article 3c(New, SG No. 54/2006)(1) Persons under Article 3, Paragraph 2 and 3 shall ensure application of all measures under this Act and all statutory acts related to its application by its branches and affiliates, where they have majority interest, abroad to the extent made possible by the relevant foreign legislation.
(2) (Supplemented, SG No. 92/2007, amended, SG No. 109/2007, effective 01.01.2008) If the legislation in the foreign country does not allow or if it restricts the application of any measures under Paragraph 1, persons under Article 3, Paragraphs 2 and 3 have the obligation to notify the Financial Intelligence Directorate of the State Agency for National Security and the respective supervisory authority, as well as to undertake additional measures, as appropriate for the risk, as established in the rules for implementing this Act.
(3) (Amended, SG No. 109/2007, effective 01.01.2008) Branches and affiliates, where persons under Article 3, Paragraphs 2 and 3, have majority interests abroad, shall not be obliged to notify the Financial Intelligence Directorate of the State Agency for National Security under Articles 11 and 11a.

Chapter Two

IDENTIFICATION OF CLIENTS; COLLECTION,

STORAGE AND DISCLOSURE OF INFORMATION
Section I

Identification of Clients
Article 4(Supplemented, SG No. 1/2001, amended, SG No. 31/2003)
(1) (Amended, SG No. 54/2006) The persons under Article 3, Paragraphs 2 and 3, shall be bound to identify their clients when business or professional relations are established, including when opening an account, and when executing a transaction or concluding a deal of a value exceeding BGN 30,000 or its equivalent in foreign currency, and persons referred to in Article 3, Paragraphs 2, Items 1-4, 9-11, 13 and 28, shall also be bound to do so in case of any cash transaction exceeding BGN 10,000 or its equivalent in foreign currency. Opening and maintenance of an anonymous account or an account under a dummy name shall not be allowed.
(2) Paragraph (1) shall also apply to cases of effecting more than one transaction or deal which separately does not exceed BGN 30,000 or its equivalent in a foreign currency, or BGN 10,000 or its equivalent in a foreign currency, respectively, but available data suggest that such transactions or deals are related.
(3) (Supplemented, SG No. 54/2006) The persons under Article 3, Paragraph (2), Item (7), shall be bound to identify their clients following the procedure set out in Article 72, Paragraph (2) of the Gambling Act , as well as upon executing any transaction or concluding a deal exceeding BGN 6,000 or its equivalent in foreign currency.
(4) (Amended, SG No. 54/2006, SG No. 109/2007, effective 01.01.2008) In cases, when person under Article 3, Paragraphs 2 and 3 is not able to identify the client as required by this Act and the statutory acts on its application, as well as upon failure to submit a statement under Paragraph 7, this person shall decline to execute the transaction or to enter into any commercial or professional relations, including opening an account. If the person under Article 3, Paragraphs 2 and 3 is not able to identify the client in cases of already established commercial or professional relations, this person shall terminate the said relations. In such cases, the person under Article 3, Paragraph 2 and 3 shall decide whether to notify the Financial Intelligence Directorate of the State Agency for National Security under Article 11. This

provision shall not apply to persons under Article 3, Paragraph 2, Item 28 under the terms of Article 3, Paragraph 6.
(5) (Amended, SG No. 54/2006) In establishing commercial or professional relations or effecting a transaction or deal by an electronic statement, electronic document or electronic signature, or any other form where the client is not present, the persons referred to in Article 3, paragraphs (2) and (3) shall be under the obligation to undertake appropriate measures to verify the authenticity of the client's identification data. Such measures may consist of checking the documents made available, requiring additional documents, confirmation of identification by other person referred to in Article 3, paragraphs (2) and (3) or by a person under the obligation to apply anti-money laundering measures in an EU member country, or the introduction of a requirement for the first payment involved in the transaction or deal to be made using an account set up in the client's name with a Bulgarian bank, a branch of a foreign bank that has received permission (licence) from the Bulgarian National Bank to operate in Bulgaria through a branch, or with a bank from an EU member country.

(6) The measures referred to in paragraph (5) shall be incorporated in the internal rules referred to in Article 16.
(7) Persons effecting a transaction or deal via or with a person referred to in Article 3, paragraphs (2) and (3) at a value exceeding BGN 30,000 or its equivalent in foreign currency or, respectively, exceeding BGN 10,000 or its equivalent in foreign currency where payment is made in cash, shall be bound to require the declaration prior to effecting such transaction or deal.
(8) The format for the declaration referred to in paragraph (7) and under Article 6, paragraph (5), Item (3), the terms and procedure for filing, as well as the terms and procedure for exception from the declaration requirement shall be regulated in the rules for implementing this Act.
(9) (Amended, SG No. 92/2007) Persons under Article 3, paragraphs 2 and 3 shall not perform identification under Article 3, paragraph (1) and shall not require presentation of a declaration under paragraph (7) from its client where such client is a credit institution from the Republic of Bulgaria, from another Member State or a bank from a third country named in a list as endorsed under a joint order issued by the Minister of Finance and the Governor of the Bulgarian National Bank.
(10) The list referred to in paragraph (9) shall include countries the legislation of which provides for requirements consistent with the requirements under this Act. The list shall be promulgated in the State Gazette.
(11) (Amended, SG No. 54/2006) In cases where, because of the nature of the transaction or deal, its value cannot be determined as of the time it is effected, the person referred to in Article 3, paragraphs (2) and (3) shall be bound to identify its client at such time when the value of such transaction or deal is determined if such value exceeds BGN 30,000 or its equivalent in foreign currency or, respectively, exceeds BGN 10,000 or its equivalent in foreign currency where payment is made in cash. This case does not exclude the identification obligation when establishing commercial or professional relations.
(12) (Amended, SG No. 103/2005, effective 01.01.2006) Persons referred to in Article 3, paragraph (2), Item (2) shall identify their clients when executing an insurance contract under Section I of Annex 1 of the Insurance Code, where the per annum gross amount of periodic premiums or installments under such insurance contract is BGN 2,000 or more, or the premium or installment under such insurance contract is a one-time payment and amounts to BGN 5,000 or more.
(13) Persons referred to in Article 3, paragraphs (2) and (3) shall be under the obligation to identify their clients also outside the cases referred to in paragraphs (1) through (12) where a suspicion of money laundering has arisen.
(14) (New, SG No. 54/2006) Persons under Article 3, Paragraphs 2 and 3 shall identify and verify the identifications of their clients, when a suspicion in the client's identification data arises, or when they have been notified on any change thereof.
(15) (New, SG No. 54/2006, amended, SG No. 92/2007) The verification of the clients' identification data and the beneficial owners shall be conducted before establishing commercial or professional relations,

opening an account or executing a transaction under Paragraph 1, 2, or 3. The rules for implementing this Act may provide an exception to this rule.
(16) (New, SG No. 54/2006) Persons under Article 3, Paragraph 2 and 3 may apply, depending on the potential risk assessment, simplified or extended measures under Article 3, Paragraph 1 under terms and procedure, established by the rules for implementing this Act.
(17) (New, SG No. 92/2007) No identification under Article 3, paragraph (1) shall be performed and no declaration under paragraph (7) shall be filed where the client is a government authority of the Republic of Bulgaria.

(18) (New, SG No. 92/2007) No identification under paragraph (1) shall be performed and no declaration under paragraph (7) shall be filed where the client is an institution having government authority functions in accordance with the acquis communautaire provided that:
1. the person under Article 3, paragraph (2) and (3) has gathered sufficient information which does not create any doubt as to the institution's identity;
2. the institution follows accountability procedures and its activity is transparent;
3. the institution reports to a Community authority, to an authority of a Member State, or there are verification procedures which ensure control of its activities.
(19) (New, SG No. 92/2007) Where a bank account of a person under Article 3, paragraph (2), subparagraphs (11) and (28) from the Republic of Bulgaria, from another Member State or from a country named in the list referred to in paragraph (9) is used to deposit amounts of a client of the person under Article 3, paragraph (2), subparagraphs (11) and (28), the bank shall not perform the identification under Article 3, paragraph (1) of such client and shall not require a declaration under Article 7, provided that such identification has been made and the declaration accepted by the notary public or by the person under Article 3, paragraph (2), subparagraph (28) and the information gathered in such identification is available to the bank upon request. The bank shall gather sufficient information so as to verify compliance with the conditions for applying simplified measures.
(20) (New, SG No. 92/2007) Persons under Article 3, paragraphs (2) and (3) cannot apply simplified measures under Article 3, paragraph (1) in respect of persons from countries named in the list under Article 7a, paragraph (3).
Article 5 (Amended, SG No. 1/2001)
(1) (Amended, SG No. 54/2006) Persons under Article 3, Paragraph 2 and 3 shall establish whether their client acts on its own behalf and at its own expense or on behalf and at the expense of a third party. Where a transaction or deal is effected through a representative, the persons under Article 3, paragraphs (2) and (3), shall be bound to request evidence for the representative powers and to identify the representative and the person represented.
(2) (Amended, SG No. 54/2006) Where a transaction or deal is effected on behalf and at the expense of a third party without proxy, the persons under Article 3, paragraphs (2) and (3) shall be bound to identify such third party, on whose behalf the transaction has been executed, and the person executing the transaction.
(3) (New, SG No. 31/2003) In case of a suspicion that the person effecting the transaction or deal is not acting in their own name and for their own account, persons referred to in Article 3, paragraphs (2) and (3) must make the notification referred to in Article 11 and undertake proper measures to collect information for identifying the person in whose benefit such transaction or deal is actually being effected. Such measures shall be specified in the rules for implementing this Act.
Article 5a (New, SG No. 54/2006, effective 5.10.2006)(1) Persons under Article 3, Paragraphs 2 and 3 shall apply extended measures in relation to clients who are currently holding or have previously held a high government position in the Republic of Bulgaria or a foreign country, as well as any clients, who are persons related to them.
(2) The Council of Ministers shall set forth the terms and procedure for application of Paragraph 1.

Article 5b (New, SG No. 92/2007)(1) When entering in correspondent relations with a credit institution from a third country other than those named in the list under Article 4, paragraph (9), a credit institution under Article 3, paragraph (2), subparagraph (1) shall:
1. gather sufficient information on the respondent credit institution enabling it to gain full understanding of the nature of its activity and to determine, on the basis of publicly available information, the institution's reputation and the quality of its supervision;
2. assess the internal mechanisms for control against money laundering and financing of terrorism applied by the respondent credit institution;
3. make arrangements according to which the establishment of any new correspondent banking relations is to take place only upon the prior approval of a person holding a managerial position with the credit institution;
4. allocate the responsibilities of either of the two correspondent institutions concerning the application of measures against money laundering and financing of terrorism and document this allocation accordingly.
(2) In cases under paragraph (1), where third parties which are clients of the respondent credit institution also have access to the institution's correspondent account, the credit institution under Article 3, paragraph (2), subparagraph (1) must assure itself that the respondent institution carries out identification, identification verification and on-going monitoring of third parties having direct access to its account, and that the respondent institution is able to provide the necessary identification and other data about such clients upon request.
Article 5c (New, SG No. 92/2007) Persons under Article 3, paragraphs (2) and (3) must apply extended measures in respect of products or transactions which might lead to anonymity, under terms and following procedures as determined in the rules for implementing this Act.
Article 6 (1) (Amended, SG No. 54/2006) Identification of clients and verification of identification thereof shall be done as follows:

1. (Supplemented, SG No. 1/2001) In the case of legal persons - by presentation of official statement certifying their current status issued by the respective register, and where such person is not subject to registration - by presentation of a certified copy of the document of incorporation and registration of the name, domicile, address and the representative;

2. In the case of natural persons - by presentation of identity document and registration of its type, number and issuer, as well as the name, address, unified civil registry number, and in addition, for natural persons having the qualifications of a sole trader, by presentation of the documents under Item (1).

(2) (Repealed, SG No. 105/2005, new, SG No. 54/2006) Persons under Article 3, Paragraphs 2 and 3 shall identify the natural persons, who are beneficial owners of a legal-entity client, as well as take action to verify their identification, depending on the client type and the risk level resulting from establishing the client relationships and/or executing transactions with client of such type. Upon lack of any other possibility, identification may be carried out through a statement, signed by the legal person's legal representative or proxy. The terms and procedure to identify and verify the identification, the terms and procedure for release from the identification obligation, as well as the form and the procedure to submit the statement, shall be set forth in the rules on the application of this Act.

(3) (New, SG No. 1/2001, amended, SG No. 31/2003) A photocopy shall be made of the documents referred to in Paragraph (1), Items (1) and (2), except where the date contained therein are shown precisely in other documents issued by the person referred to in Article 3, paragraphs (2) and (3) and are kept under the terms specified in Article 8.

(4) (New, SG No. 1/2001) In cases where an activity is subject to licensing, permission or registration, persons effecting deals or transactions in relation to such activity shall present a copy of the respective license, permit or certificate of registration;

(5) (Renumbered from Paragraph 3, amended, SG No. 1/2001, No. 31/2003) The persons under Article 3, paragraph (2), Items (1), (2), (3), (4), (5), (6), (7), (10), (12), (14), (18), (19) and (20) shall set up special offices, which shall:

1. Collect, process, store and disclose information about the specific transactions or deals;

2. Collect evidence of the ownership of the property subject to transfer;

3. Require information about the origin of cash funds or valuables that are the subject of the transaction or deal; the origin of such funds shall be certified by a declaration;

4. Collect information about their clients and maintain accurate and detailed documentation about their transactions involving cash funds or valuables;

5. (Amended, SG No. 31/2003, SG No. 109/2007, effective 01.01.2008) In the event of a suspicion of money laundering, present the information collected as per Items (1), (2), (3) and (4) to the Financial Intelligence Directorate of the State Agency for National Security under the procedure set in Article 11.

(6) (Renumbered from Paragraph 4, amended, SG No. 1/2001) The persons under Article 3, Paragraph (2), Items (1), (2), (3), (4), (5), (6), (7), (10), (12), (14), (18), (19) and (20) shall perform the obligations personally, where it is not possible to set up a special office.

(7) (Renumbered from Paragraph 5, amended, SG No. 1/2001, No. 31/2003) All persons under Article 3, paragraphs (2) and (3) shall perform their obligations under this Act, whether they set up a special office or not.

Article 6a (New, SG No. 92/2007) (1) The Bulgarian National Bank, credit institutions under Article 3, paragraph (2), subparagraph (1), and persons under Article 3, paragraph (2), subparagraphs (2), (3) and (4) may refer to a previous identification of the client performed by a credit institution under the following conditions:

1. the seat of the credit institution which has performed the identification is in the Republic of Bulgaria, in another Member State or in a country named in the list under Article 4 paragraph (9);

2. the information required under Article 6, paragraphs (1) through (4) is available to the person which makes a reference to a previous identification performed by the credit institution;

3. upon request, the credit institution which has performed a previous identification is able to provide immediately the person which makes a reference to such identification with certified copies of identification documents.

(2) A reference to a previous identification under paragraph (1) does not relieve the person making such reference from liability for non-compliance with the identification requirements under Article 6, paragraphs (1) through (4).

Section II

Collection of Information

Article 7 (1) Where a suspicion for money laundering arises, the persons under Article 3, paragraphs (2) and (3), shall be bound to collect information about the material components and the size of the transaction or deal, the respective documents and other identification data.

(2) (Amended, SG No. 54/2006, SG No. 109/2007) The data collected for the purposes of this Act shall be documented and stored in a way providing access to the Financial Intelligence Directorate of the State Agency for National Security, the relevant supervisory authorities, and the auditors.

Article 7a (New, SG No. 54/2006, effective 5.10.2006)

(1) Persons under Article 3, Paragraphs 2 and 3 shall place under special monitoring their commercial or professional relations, and transactions involving persons from countries, which do not apply or apply fully the international standards against money laundering.

(2) When the transaction under Paragraph 1 has no logical economic explanation or readily visible grounds, persons under Article 3, Paragraph 2 and 3 shall collect to the extent possible additional information on any circumstances related to the transaction, as well as its purpose.

(3) (Amended, SG No. 92/2007) Countries which do not apply, or do not fully apply international standards against money laundering, shall be specified in a list approved by the Minister of Finance in accordance with the decisions under Article 40, paragraph 4 of Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. Any additional measures against such countries shall be set forth in the rules for implementing this Act.

Section III

Storage of Information

Article 8 (Amended, SG No. 1/2001) In the cases under Articles 4- 7, the persons under Article 3, paragraphs (2) and (3), shall be bound to keep the documents and data about clients and about transactions or deals for a period of 5 years following their completion. For clients, the period shall commence from the beginning of the calendar year following the year of terminating the relationship, and for deals and transactions it shall commence from the beginning of the calendar year following the year of effecting the latter.

Article 9 (Amended, SG No. 1/2001, SG No. 109/2007) The data and documents under Article 8 shall be provided to the Financial Intelligence Directorate of the State Agency for National Security upon request, in the original or a transcript certified ex officio. The procedure, time and regular periods for that shall be established in the implementation rules of the Act.

Section IV

Disclosure of Information

Article 10 (Amended and supplemented, SG No. 1/2001, amended, SG No. 31/2003, supplemented, SG No. 54/2006, repealed, SG No. 109/2007)

Article 11 (1) (Amended and suplemented, SG No. 1/2001, amended, SG No. 109/2007) Where money laundering has been suspected, the persons under Article 3, paragraphs (2) and (3), shall be bound to notify the Financial Intelligence Directorate of the State Agency for National Security immediately prior to the completion of the transaction or deal while delaying its execution within the allowable time as per the regulations dealing with the respective type of activity.

(2) (Amended, SG No. 1/2001, SG No. 109/2007) In case a delay in the transaction or deal is objectively impossible, the person under Article 3, paragraphs (2) and (3) shall notify the Financial Intelligence Directorate of the State Agency for National Security immediately after its completion.

(3) (New, SG No. 1/2001, amended, SG No. 109/2007) Notification of the Directorate may be done also by personnel of the persons under Article 3, paragraphs (2) and (3) that are not responsible for enforcing anti-money laundering measures. The Directorate shall protect the anonymity of such personnel.

(4) (New, SG No. 54/2006, amended, SG No. 109/2007) The Financial Intelligence Directorate of the State Agency for National Security shall provide the person under Article 3, Paragraph 2 and 3, and under Article 3a information, related to the notification made thereby. The decision on the volume of information, which has to be returned for each particular notification case, shall be taken by the director of the Directorate.

Article 11a (New, SG No. 31/2003, effective 01.01.2004) (1) (Amended, SG No. 109/2007) Persons referred to in Article 3, paragraphs (2) and (3) shall notiy the Financial Intelligence Directorate of the State Agency for National Security of any payment in cash at a value exceeding BGN 30,000 or its equivalent in foreign currency made by or to any of their clients.

(2) (Amended, SG No. 109/2007) The Financial Intelligence Directorate of the State Agency for National Security shall keep a register of payments referred to in paragraph (1). The register may only be used for the purposes of counteracting money laundering.

(3) (Amended, SG No. 22/2009) The procedure and timeframe for the delivery, use, storing and destruction of the information referred to in paragraph (1), as well as the removal of this information from the register referred to in paragraph (2), shall be determined in the Rules for Implementation of this Act.

Article 11b (New, SG No. 31/2003) (1) (Amended, SG No. 109/2007) The Customs Agency shall provide the Financial Intelligence Directorate of the State Agency for National Security the information about trade credits involved in export and import, about financial leasing between domestic and foreign persons and about the export and import of Bulgarian Leva and foreign currency in cash, which information is being collected under the terms and procedure of the Foreign Exchange Act.

(2) (Supplemented, SG No. 109/2007) The procedure for the provision of the information referred to in paragraph (1) shall be determined ointly by the Chairperson of the State Agency for National Security and by the Minister of Finance.
Article 11c (New, SG No. 31/2003, repealed, SG No. 109/2007)
Article 12 (Amended, SG No. 1/2001)(1) (Amended, SG No. 54/2006, SG No. 109/2007) In cases under Articles 11 and 18, the Minister of Finance may, upon a proposal by the Chairperson of the State Agency for National Security, put a stay, by an order in writing, on a certain transaction or deal for a period of up to 3 business days as of the day following the issuance of the order. If no preventive measure, impoundment or injunction are imposed within that period, the person under Article 3, paragraphs (2) and (3), shall be free to execute the transaction or deal.

(2) (Amended, SG No. 109/2007) The Financial Intelligence Directorate of the State Agency for National Security shall notify the Prosecutor's Offce immediately of the stay on the transaction or deal, providing the relevant information while protecting the anonymity of the person under Article 3, paragraphs (2) and (3) that has made the notification under Article 11 or 18.

(3) The prosecutor may impose a preventive measure or file a request wih the relevant court to impose an impoundment or injunction. The court ought to adjudicate on the request within 24 hours of its submission.

(4) (Supplemented, SG No. 31/2003, amended, SG No. 54/2006, SG No. 109/2007, SG No. 36/2008) When, in the course of investigation and analysis of any information obtained under this Act, the suspicion in money laundering has not been cleared, the Financial Intelligence Directorate of the State Agency for National Security shall disclose this information to the prosecutor's office or to the relevant security or public order service, while preserving the anonymity of the person under Article 3, Paragraphs 2 and 3, and under Article 3a, and of its employees, making the notification under Articles 11 or 18.

Article 13(Amended, SG No. 1/2001)(1) (Amended and supplemented, SG No. 31/2003, amended, SG No. 108/2006, SG No. 109/2007) In case of notification under Article 11 or 18 the Financial Intelligence Directorate of the State Agency for National Security may request information about suspicious transactions, deals or clients from the persons under Article 3, paragraphs (2) and (3), with the exception of the Bulgarian National Bank and the credit institutions that operate on the territory of the Republic of Bulgaria. The information requested shall be provided within the time period set by the Directorate.

(2) (Amended and supplemented, SG No. 31/2003, amended, SG No. 54/2006, No. 108/2006, No. 109/2007, SG No. 36/2008) In case of written notification under Article 11 or 18 the Financial Intelligence Directorate of the State Agency for National Security may request information about suspicious transactions, deals or clients from the Bulgarian National Bank and the credit institutions that operate on the territory of the Republic of Bulgaria. The information requested shall be provided within the time period set by the Directorate.

(3) (Amended, SG No. 109/2007) The State Agency for National Security may request information under the terms of Paragraph (1) from state and municipal authorities, which information cannot be denied. The information requested shall be provided within the time period set by the Directorate.

(4) (Amended, SG No. 109/2007) In setting the time period under paragraphs (1) through (3), the Directorate shall take into consideration the volume and contents of the information requested.

(5) (Amended, SG No. 31/2003, SG No. 109/2007) For analysis purposes, the Financial Intelligence Directorate of the State Agency for National Security shall receive from the Bulgarian National Bank information gathered under the Foreign Exchange Act.

(6) (Repealed, SG No. 109/2007).

(7) (Amended, SG No. 109/2007) The provision of information under paragraphs (1) through (5) may nt be refused or restricted due to considerations of official, banking or commercial secrecy.

Article 14 (1) (Amended and supplemented, SG No. 1/2001, supplemented, SG No. 31/2003, previous Article 14, SG No. 54/2006, amended, SG No. 109/2007) The persons under Article 3, paragraphs (2) and (3), persons who manage and represent them, and their personnel may not notify their client or any third party of the disclosure of the information in the cases under Articles 9, 11, 11a, 13 and 18.

(2) (New, SG No. 54/2006) The information disclosure ban under Paragraph 1 shall not apply to the relevant supervisory authority under Article 3a.

(3) (New, SG No. 92/2007) The ban under paragraph (1) shall not prejudice information disclosure between persons belonging to one and the same group which is in a Member State or in a country named in the list under Article 4, paragraph (9).

(4) (New, SG No. 92/2007) The ban under paragraph (1) shall not prejudice information disclosure between persons under Article 3, paragraph (2), subparagraphs (11), (18) and (28) from Member States or from countries named in the list under Article 4, paragraph (9) which conduct their professional activity within the framework of a single legal body or group having joint ownership, management or control in implementing this Act.

(5) (New, SG No. 92/2007) The ban under paragraph (1) shall not prejudice information disclosure between persons under Article 3, paragraph (2), subparagraphs (1) to (3), (11), (18) and (28) in cases

concerning one and the same client or one and the same transaction involving two or more parties, under the following conditions:

1. the parties are located in a Member State or in a country named in the list under Article 4 paragraph (9);

2. the parties belong to one and the same professional category;

3. the parties are subject to confidentiality obligations in respect of proprietary, bank or commercial secrets and personal data protection that correspond to Bulgarian legislation;

4. the information may be used solely to prevent money laundering and financing of terrorism.

(6) (New, SG No. 92/2007) Where persons under Article 3, paragraph (2), subparagraphs (11), (18) and (28) are trying to dissuade a client from engaging in illegal activity, this shall not be considered information disclosure in the meaning of paragraph (1).

(7) (New, SG No. 92/2007) Exclusions under paragraphs (3) through (5) shall not apply, and no disclosure of information shall be allowed between persons under Article 3, paragraphs (2) and (3) and persons from countries named in the list under Article 7a, paragraph (3), nor where persons under Article 3, paragraphs (2) and (3) are in non-compliance of their obligations under the Personal Data Protection Act.

Article 15 (1) (Supplemented, SG No. 1/2001, No. 31/2003, previous Article 15, SG No. 54/2006, amended, SG No. 109/2007) Disclosure of information in the cases specified under Articles 9, 11, 11a, 13 and 18 shall not result in any liability for violation of other laws or a contract.

(2) (New, SG No. 54/2006) Under the terms of Paragraph 1, no liability shall arise also in cases, when it has been established that no crime has been committed, and the transactions have been legal.

Section V

Protection of Information
(New, SG No. 1/2001)

Article 15a (New, SG No. 1/2001) (1) (Supplemented, SG No. 31/2003, amended, SG No. 109/2007) The Financial Intelligence Directorate of the State Agency for National Security may use information constituting of official, banking or commercial secrets, and protected private information obtained under the terms and following the procedure set in Articles 9, 11, 11a, 13 and 18 solely for the purposes of this Act.

(2) (Amended and supplemented, SG No. 31/2003, amended, SG No. 109/2007) Officers of the Financial Intelligence Directorate of the State Agency for National Security, shall not disclose or use to their own benefit or to the benefit of any persons related to themselves any information or facts constituting of official, banking or commercial secrets that they have become aware of in the performance of their office.

(3) (Amended and supplemented, SG No. 31/2003, amended, SG No. 109/2007) The employees of the Directorate shall sign a declaration of confidentiality as per paragraph 2.

(4) (Amended, SG No. 31/2003, SG No. 109/2007) The provision set in paragraph (2) shall also apply to cases where the said persons are not in office.

Chapter Three
INTERNAL ORGANISATION AND CONTROL

Article 16 (1) (Amended, SG No. 1/2001, No. 31/2003, SG No. 109/2007) The persons under Article 3, paragraphs (2) and (3), shall be bound to adopt, within 4 months following their registration, internal rules for the control and prevention of money laundering, which shall be approved by the Chairperson of the State Agency for National Security.

(2) (Supplemented, SG No. 54/2006) The internal rules under paragraph (1) shall establish clear criteria for detecting suspicious transactions or deals and clients, the procedure for personnel training and the use of technical means for the prevention and detection of money laundering, as well as a system for internal control over the implementation of all measures under this Act.

(3) (New, SG No. 1/2001, amended, SG No. 109/2007) The internal rules under Paragraph (1) shall be submitted to the Chairperson of the State Agency for National Security for endorsement within 14 days of their adoption.

(4) (New, SG No. 31/2003, amended, SG No. 109/2007) Professional organisations or associations of the persons referred to in Article (3), paragraphs (2) and (3), in agreement with the State Agency for National Security, may adopt uniform internal rules for money laundering control and prevention to which rules the members of such organisations and associations may subscribe within the time period set in paragraph (1) by means of a statement of declaration. Such uniform internal rules and statements of declaration shall be sent to the State Agency for National Security within the time period set in paragraph (3).
Article 17

(1) (Supplemented, SG No. 1/2001, amended, SG No. 109/2007, previous Article 17, SG No. 36/2008) Control of the implementation of this Act shall be assigned to the Minister of Finance and the Chairperson of the State Agency for National Security.

(2) (New, SG No. 36/2008) In implementation of their functions according to this act, the Ministry of Finance and the State Agency for National Security shall collaborate per a procedure set by a joint instruction of the Minister of Finance and the Chairperson of the Agency.
(3) (New, SG No. 93/2009, effective 25.12.2009) The control bodies of the Financial Intelligence Directorate of State Agency for National Security shall perform on-site inspections of the persons under Art. 3, paras 2 and 3 in relation their compliance with the measures on prevention the misuse of financial system for the purposes of money laundering as well as when there are suspicions of money laundering.
(4) (New, SG No. 93/2009, effective 25.12.2009) The control bodies of the Financial Intelligence Directorate of State Agency for National Security shall be the officials from the directorate, entitled by the Chairperson of State Agency for National Security.
(5) (New, SG No. 93/2009, effective 25.12.2009) The on-site inspections under para 1 may be carried out together with the authorities that are entitled through a special law to supervise the persons under Art. 3, Paras. 2 and 3.
(6) (New, SG No. 93/2009, effective 25.12.2009) The on-site inspections shall be carried out based on a written order of the Chairperson of State Agency for National Security or other official appointed by him/her, whereby the order contains information on the purposes, term and place of the on-site inspection, the inspected person, as well as the names and position of the inspecting officers.
(7) (New, SG No. 93/2009, effective 25.12.2009) The persons under Art. 3, Paras. 2 and 3 of the LMML, the state and municipal government organs and their officials are obliged to provide assistance to the control bodies of the Financial Intelligence Directorate of State Agency for National Security when performing their official functions.

(8) (New, SG No. 93/2009, effective 25.12.2009) During the on-site inspections the control bodies under para 3 are entitled to unlimited access to the official premises of the persons under Art. 3, paras 2 and 3, as well as to demanding documents and collecting data related to their assigned task.

Article 17a (New, SG No. 1/2001, repealed, SG No. 109/2007)

Article 18 (1) (Amended and supplemented, SG No. 1/2001, amended, SG No. 54/2006, No. 109/2007, previous Article 18, SG No. 36/2008) The Financial Intelligence Directorate of the State Agency for National Security may receive information on suspicion for money laundering, apart from the persons under Article 3, Paragraphs 2 and 3, also from government authorities and through international exchange.

(2) (New, SG No. 36/2008) Financial Intelligence Directorate of the State Agency for National Security on its own initiative and if requested shall exchange information on cases related to suspicion for money laundering with the respective international authorities, authorities of the European Union and authorities of other states, based on international treaties and conditions of reciprocity.

Article 19 (Amended, SG No. 54/2006) (1) Should a person under Article 3, Paragraph 2 fail to fulfil its obligations under this Act, the Minister of Finance may order such a person to take specific measures as necessary to eliminate the violations or revoke the licence issued thereto, if issued by him, or order the licence to be deleted from the registry for the relevant activity, if there is a registration regime.

(2) The issuing authority for the licence of a person under Article 3, Paragraph 2 may revoke the licence issued acting at its discretion or upon proposal by the Minister of Finance made under Paragraph 1.
Article 20 (Amended, SG No. 30/2006, No. 54/2006) The acts under Article 19 may be appealed pursuant to the Administrative Procedure Code.

Chapter Four
INTERNATIONAL CO-OPERATION

Article 21 (Amended, SG No. 1/2001, repealed, SG No. 54/2006)
Article 22 (Amended, SG No. 1/2001, amended and supplemented, SG No. 31/2003, supplemented, SG No. 54/2006, repealed, SG No. 109/2007)

Chapter Five
ADMINISTRATIVE AND PENAL PROVISIONS

Article 23(1) (Amended and supplemented, SG No. 1/2001, supplemented, No. 31/2003, amended, SG No. 109/2007, supplemented, SG No. 93/2009, effective 25.12.2009) A person who commits a violation or allows commitment of violation pursuant to Articles 4, 5, 6, 7, 8, 9, 13, 15a or refuses to cooperate under Article 17, para 7, or refuses to provide unlimited access to the official premises of the persons under Article 3, paras 2 and 3, or refuses to provide the documents required under Article 17, para 8, shall be punished by fine of BGN 500 to BGN 10,000, unless such an offence constitutes a crime.

(2) (Supplemented, SG No. 31/2003, amended, SG No. 54/2006) A person who commits a violation or allows commitment of violation pursuant to Articles 11, 11a and 14, shall be punished by fine of BGN 5,000 to BGN 20,000, if the offence does not constitute a crime.

(3) (Supplemented, SG No. 1/2001) A person who commits, or allows another to commit a violation pursuant to Article 16 shall be punished by fine of BGN 200 to BGN 2,000.

(4) (Amended, SG No. 54/2006) Where a violations under paragraphs (1), (2) and (3) has been committed by a sole trader or a legal person, financial sanctions shall be imposed to the amount of BGN 2,000 to BGN 50,000.

(5) (New, SG No. 54/2006) If a person commits or allows a violation under this Act or the statutory acts on its application to be committed, outside of cases under Paragraphs 1-4, shall be imposed a fine of BGN 500 to BGN 2,000.

(6) (New, SG No. 54/2006) When the violation under Paragraph 5 has been committed by a sole trader or a legal person, financial sanction to the amount of BGN 1,000 to BGN 5,000 shall be imposed.

Article 24 (1) (Amended, SG No. 1/2001, supplemented, SG No. 54/2006, amended, SG No. 109/2007) The protocols establishing violations shall be drawn up by officers of the Ministry of Finance or of the State Agency for National Security, while the penal decrees shall be issued by the Minister of Finance or the Chairperson of the State Agency for National Security, or by officials duly authorized by them for that purpose.

(2) The preparation of statements, the issuance, appeal and execution of penal orders shall be done pursuant to the procedure specified in the Administrative Violations and Sanctions Act.

ADDITIONAL PROVISIONS
(Title amended, SG No. 92/2007)

§ 1. In the meaning of this Act,
1. (Amended, SG No. 54/2006) "Commercial or professional relation" shall be any relation, associated with the occupation of the institutions and persons bound under this Act, and assumed to have an element of continuity by the moment the relation is established.

2. (Amended, SG No. 54/2006) "Regulated financial group" shall be any financial group, which is subject to effective consolidated supervision;

3. (Repealed, SG No. 54/2006, new, SG No. 92/2007) A "group" shall be a group of companies consisting of:

a) a parent company and its subsidiaries; the group includes also companies in which the parent company or its subsidiaries participate, or

b) companies managed jointly under a contract or under an establishment charter or articles of incorporation or association, or

c) companies where more than half of the members of their management or supervisory bodies are the same persons in the respective financial year and until the date of preparing their consolidated financial statements.

4. (New, SG No. 31/2003, amended, SG No. 109/2007, amended, SG 93/2009, effective 25.12.2009) "Security services" shall denote the National Intelligence Service, the Military Information Service under the Minister of Defence and the Combating Organized Crime Chief Directorate within Ministry of Interior.

5. (New, SG No. 31/2003, amended, SG No. 82/2006, No. 109/2007, SG No. 69/2008, amended, SG No. 93/2009, effective 25.12.2009, amended, SG No. 88/2010, effective 01.01.2011) "Public Order Services"

shall denote the chief directorates “Criminal Police”, “Security Police”, “Border Police”, “Fire Safety and Protection fo Population” and regional directorates of the Ministry of Interior, and the Military Police Service under the Minister of Defence.

6. (New, SG No. 31/2003) "A supervision authority" shall be a government authority empowered by law or another piece of legislation to exercise overall control over the activity of a person referred to in Article 3, paragraphs (2) and (3).

7. (New, SG No. 92/2007) A "Member State" shall be a state which is a member of the European Union.

8. (New, SG No. 92/2007) A "third country" shall be a state which is not a member state in the meaning of item (7).
§ 1a. (New, SG No. 92/2007) This Act shall transpose the provisions of Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and Commission Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of `politically exposed persons' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis

TRANSITIONAL AND CONCLUDING PROVISIONS
§ 2. This Act shall repeal the Law on measures against money launering(SG, No. 48/1996).
§ 3. The persons under Article 3, paragraphs (2) and (3), shall be bound to submit to the Financial Intelligence Agency, within 3 months following the coming of this Act into force, any available information related to money laundering.
§ 4. The persons under Article 3, Paragraph (2), Items (1), (2), (3), (4), (5), (9), (11), (13) and (18) shall be bound to bring their organisation and activities in compliance with the requirements of this Act and to submit their internal rules under Article 16 to the Minister of Finance, within 5 months following the coming of this Act into force.
§ 5. In Article 10 of the Administrative Violations and Sanctions Act (Promulgated, SG No. 92/1969, amended, SG No. 54/1978, No. 28/1982, Nos. 28 & 101/1983, No. 89/1986, No. 24/1987, No. 97/1990, No. 105/1991, No. 59/1992, No. 102/1995, Nos. 12 & 110/1996, and Nos. 11, 15 & 59/1998), after the words "persons concealing", a comma shall be placed, and the phrase "as well as allowing" shall be added.
§ 6. The implementation of this Act shall be hereby assigned to the Council of Ministers, which shall adopt Rules for its implementation within two months of the effective date of this Act. This Act was passed by the 38th National Assembly on 9 July 1998 and the State Seal was affixed thereto.

LEV RE-DENOMINATION ACT
Promulgated, State Gazette No.20/5.03.1999, amended, SG No. 65/20.07.1999 (effective 5.07.1999).

TRANSITIONAL AND FINAL PROVISIONS
. . . . . .

§ 4. (1) (Amended, SG No. 65/1999) Upon the entry of this Act into force, all figures expressed in old lev terms as indicated in the laws which will have entered into force prior to the 5th day of July 1999 shall be replaced by figures expressed in new lev terms, reduced by a factor of 1,000. The replacement of all figures expressed in old lev terms, reduced by a factor of 1,000, shall furthermore apply to all laws passed prior to the 5th day of July 1999 which have entered or will enter into force after the 5th day of July 1999.

(2) The authorities, which have adopted or issued any acts of subordinate legislation which will have entered into force prior to the 5th day of July 1999 and which contain figures expressed in lev terms, shall amend the said acts to bring them in conformity with this Act so that the amendments apply as from the date of entry of this Act into force.

. . . . . .

§ 7. This Act shall enter into force on the 5th day of July 1999.

TRANSITIONAL AND CONCLUDING PROVISIONS
of the ACT ON THE AMENDMENT AND SUPPLEMENT
TO THE LAW ON MEASURES AGAINST MONEY LAUNDERING

Promulgated State Gazette No. 1/2001, amended, SG No.102/2001, effective 01.01.2002
§ 24. Everywhere in the Act the words “the Financial Intelligence Bureau” shall be replaced with “the Financial Intelligence Bureau Agency”.
. . . . . .

§ 28. (Repealed, SG No. 102/2001).

§ 29. (Repealed, SG No. 102/2001).

ACT ON THE AMENDMENT AND SUPPLEMENT
TO THE LAW ON MEASURES AGAINST MONEY LAUNDERING
Promulgated State Gazette No. 31/04.04.2003

ADDITIONAL PROVISION
§ 19. Everywhere in the Act the words “the Financial Intelligence Bureau Agency” shall be replaced with “the Financial Intelligence Agency”.

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 20. (1) Persons referred to in Article 3, paragraphs (2) and (3) for which the obligation to apply measures against money laundering has arisen prior to the adoption of this Act shall bring their internal rules referred to in Article 16 into compliance with the requirements of the Act and send them to the Financial Intelligence Agency within 4 months following the coming into force of this Act.

(2) Persons referred to in Article 3, paragraphs (2) and (3) for which the obligation to apply measures against money laundering has arisen pursuant to this Act shall adopt their internal rules under Article 16 and send them to the Financial Intelligence Agency within the time terms referred to in paragraph (1).
. . . . . .

§ 28. (1) All assets, liabilities, records and any other rights and obligations of the Financial Intelligence Bureau Agency shall be taken over by the Financial Intelligence Agency.

(2) Grandfathered legal relations of employment and service shall not be terminated, and Article 123 of the Labour Code shall apply accordingly.
§ 29. Paragraph 7 shall become effective from 01.01.2004.

ACT ON THE AMENDMENT AND SUPPLEMENT
TO THE LAW ON MEASURES AGAINST MONEY LAUNDERING (SG No. 54/2006)
FINAL PROVISIONS

. . . . . .

§ 29. § 8 and § 11 provisions shall become effective three months after the Act's promulgation in State Gazette.

ACT ON THE AMENDMENT AND SUPPLEMENT
TO THE LAW ON MEASURES AGAINST MONEY LAUNDERING
(Promulgated State Gazette No. 92/13.11.2007)

FINAL PROVISIONS
§ 10. The Council of Ministers shall adopt any amendments to the rules for implementing this Act ensuing from this Act by 15 December 2007.

Extract of the Rules on the Implementation of the Law on SANS

Adopted with a Decree of the Council of Ministers No. 23/11.02.2008, Promulgated State Gazette No. 17/19.02.2008, amended, SG No. 7/27.01.2009, amended, SG No. 101/18.12.2009.

Art. 32d (New, SG No. 101/2009, effective 18.12.2009) (1) Specialized Administrative Directorate "Financial Intelligence", hereafter called "the Directorate", shall receive, store, explore, analyze and disclose information gathered pursuant to the terms and order specified in the Law on Measures against Money Laundering (LMML), the Law on Measures against Terrorism Financing (LMTF) and the Law on the State Agency for National Security (LSANS) and observe the implementation of LMML.
(2) The Directorate is the Financial Intelligence Unit (FIU) of the Republic of Bulgaria pursuant to Art. 2, Paras 1 and 3 of the Decision of the EU Council from 17.10.2000 concerning arrangements for cooperation and exchange of information between financial intelligence units of the Member States (Official Gazette No. 271/24.10.2000).
(3) The Directorate has a separate registrar's office and archive as well as a round seal on which shall be written "State Agency for National Security – Financial Intelligence Directorate".
(4) In execution of its duties the Directorate shall receive notifications pursuant to Art. 11 of LMML and Art. 9, Para 3 of LMTF.
(5) The Directorate shall establish, use, control and store its own data pool.
(6) The other structural bodies of the State Agency for National Security have access to the data pool of the Specialized Administrative Directorate "Financial Intelligence" when there is needed cooperation for prevention of encroachments against national security connected with financing of international terrorism and extremism or with money laundering. This access is carried out under order defined by the Chairperson of the Agency.
(7) Specialized Administrative Directorate "Financial Intelligence" shall:
1. maintain registers of money laundering and terrorism financing data, a register of cash payments amounting over BGN 30 000 pursuant to Art.11a of LMML, and a register of information submitted by the Customs Agency pursuant to Art.11b of LMML;
2. Exchange information with the security and public order agencies under the terms and order established by LMML and LMTF;
3. Carry out financial intelligence analysis of cases under LMML, collect additional information under the terms and order of Art. 13 of LMML, and draw conclusion whether the initial suspicion of money laundering is confirmed;
4. Propose forwarding of cases to the Prosecutors' Office, to the public order and security agencies, or closure of cases pursuant to the conclusion under Item 3;
5. Carry out financial intelligence analysis of cases under the LMTF, collect additional information under the terms and order of Art. 13 of LMML and draw conclusion whether the initial suspicion of terrorism financing is confirmed;
6. Propose forwarding of cases to the Prosecutors' Office, to the public order and security agencies, or closure of cases pursuant to the conclusion under Item 5;
7. Participate in its capacity under Art. 1, Para 2, in the proceedings of the respective committees and organizations at the European Union and the Council of Europe, and other international governmental and non-governmental bodies and organizations responsible for the counteraction against money laundering and terrorism financing;
8. exchange information with the financial intelligence services and other states' bodies competent in that field on cases and suspicion of money laundering and terrorism financing under the terms and order established under Art.18 of the LMML and Art.14 of the LMTF;
9. Organize, supervise and be in charge of the protection and use of the secured EGMONT-Group website and of the international exchange of information through it;
10. Coordinate the Directorate officials' participation in workshops, seminars and other forms of training;

11. Assist the competent institutions in harmonizing the Bulgarian legal order in the money-laundering field with the European Union normative regulations;
12. Elaborate the legal basis on the interaction of the Agency with the financial intelligence units of other states in the field of money laundering counteraction;
13. coordinate the interaction of the Agency with other governmental agencies on matters related to free movement of capital, corruption, payoffs in international trade transactions and confiscation in relation to the implementation of the measures of counteraction against money laundering and terrorism financing;
14. Carry out on-site inspections on the persons under Art. 3, Paras 2 and 3 of the LMML on the implementation of the measures against money laundering and the measures against terrorism financing, as well as where suspicion of money laundering and terrorism financing exists;
15. Propose to the Chairperson of the Agency measures for improvement of the organization and activity of the specialized services of the persons under Art. 3, Paras 2 and 3 of the LMML;
16. Participate in joint inspections with the bodies supervising the persons under Art. 3, Paras 2 and 3 of the LMML;
17. On its own initiative or together with the bodies supervising the persons under Art. 3, Paras 2 and 3 of the LMML, and their professional organizations and associations, organize and carry out seminars, workshops and other forms of training in relation to the implementation of the LMML and LMTF;
18. Provide assistance to the persons under Art. 3, Paras 2 and 3 of the LMML on methodological aspects of their internal rules' elaboration under Art. 16 of the LMML;
19. Carry out current and incidental control over implementation of the duties under the LMML and the LMTF and their acts on implementation;
20. Draw up protocols of findings for LMML and LMTF infringements and prepare projects for penal decrees;
21. Present reports on committed infringements, containing infringement analysis and proposals of measures to be undertaken to obviate infringement consequences and to prevent future infringements.
(8) The notifications under Art. 11 of the LMML and under Art. 9 of the LMTF shall be divided into notifications for operative-analytical purposes and notifications for information-analytical purposes. Based on the notifications for operative-analytical purposes operative files shall be opened. The notifications for information-analytical purposes shall be entered in the database of the Directorate and be used for its own activity and for the activity of the public order and security agencies.
(9) The Director of the Specialized Administrative Directorate "Financial Intelligence", hereafter called "the Directorate", shall:
1. Coordinate the interaction of the Directorate with the persons under Art. 3, Paras 2 and 3 of the LMML, the supervising bodies under Art. 3a of the LMML, the Prosecutors' Office and the respective public order and security agencies under Art. 12 of the LMML.
2. Carry out the interaction between the Directorate and the other structural units of the Agency;
3. Represent the Directorate before the international organization of the financial intelligence units as well as the respective structures of the European Union and the Council of Europe;
4. Coordinate the interaction of the Directorate with the financial intelligence units and the exchange information under Art.18 of the LMML and Art.14 of the LMTF;
5. Open operative files on the basis of money laundering reports submitted pursuant to the terms and order specified in LMML and entrust the task to an official;
6. Open operative files on the basis of terrorism financing reports, submitted pursuant to the terms and order of the Law on Measures against Terrorism Financing (LMTF) and entrust the task to an official;
7. Constitute the commission for closure and backup of cases under Items 5 and 6;
8. Close the cases under Items 5 and 6 on a conclusion of the commission under Item 7;
9. Exercise powers ensuing from the LMML, LMTF and the respective rules on implementation;
10. Prepare the Directorate's annual report of activities and submit it to the Chairperson of the State Agency for National Security.

Draft Law Amending and Complementing
the Law on Measures Against Financing of Terrorism

(Promulgated State Gazette No. 16/18.02.2003, amended, SG No. 31/4.04.2003, amended and supplemented, SG No. 19/1.03.2005, amended, SG No. 59/21.07.2006, effective as from the date of entry into force of the Treaty of Accession of the Republic of Bulgaria to the European Union - 1.01.2007, amended and supplemented, SG No. 92/13.11.2007 and SG No. 109/20.12.2007, effective as from 1.01.2008; SG 28/14.03.08; SG 36/4.04.02008)

§ 1. A new Art. 4a shall be included with the following text:

"Art. 4a. The organization of the information exchange, necessary for the fulfillment of the purposes of this Law, shall be regulated by a joint instruction issued by the Minister of Interior, the Minister of Finance, the Chairperson of the State Agency for National Security and the Chief Prosecutor of the Republic of Bulgaria."

§ 2. In Art. 9 the following amendments and complements shall be included:
1. Para. 3 shall be amended as follows:
(3) The persons under Art. 3, Paras. 2 and 3 of the Law on Measures against Money Laundering are obliged, whenever a suspicion for terrorist financing emerges, to carry out identification of clients and verification of their identity related to the suspicious operation or transaction, under the terms of Art. 6 of the Law on Measures against Money Laundering, to gather information concerning the deal or operation pursuant to Art. 7 of the Law on Measures against Money Laundering and to immediately notify the Financial Intelligence Directorate of the State Agency for National Security as well, before the operation or transaction is performed, while delaying its implementation within the admissible period laid down by the legislative regulations on the relevant type of activity. In such cases, the Agency shall exercise the powers vested therein under Articles 13 and 18 of the Law on Measures against Money Laundering.

2. A new Para. 4 is created:
(4) The obligation for notification under Paras. 1 and 3 also applies to the attempt to carry out an operation or transaction aimed at financing of terrorism, as well as to the means which are suspected to be related or used for terrorist acts or used by terrorist organizations and individual terrorists.

3. The current provisions of Paras. 4, 5, 6, 7, and 8 become respectively Paras. 5, 6, 7, 8 and 9.

§ 3. In the Additional Provision the following amendments and complements shall be included:
1. The phrase Additional Provisions shall be replaced by the words "Additional Provisions".
2. A new § 1 with the following text shall be created:
"§ 1. Under this Law financing of terrorism shall be the direct or indirect, illegal and intentional provision and/or collection of financial funds, financial assets or any other property and/or provision of financial services with the intention that they will be used or with the knowledge that that they will be used, completely or partially, for committing terrorism within the meaning of the Penal Code."

The current § 1 becomes § 2 and the rest of the sections shall be numbered accordingly.

Transitional and Final Provisions

§ 4 The following amendments and complements to the Law on Measures against Money Laundering shall be included:

1. In Art. 3, Para. 2:
- Item 10 is amended as follows: “persons licensed to carry out postal money transfers pursuant to the Law on Postal Services”;
- Item 26 is amended as follows: “persons who provide accounting services by profession and persons who provide consulting in tax matters by profession”;
- Item 31 is created “private enforcement agents”.

2. In Art. 11 a new Para. 5 is created with the following text:
“(5) The obligation under Para. 1 also arises in the cases when the operation or transaction have not been completed”.

Information related to the CEPACA activities

Initiated legal proceedings for establishing of criminal assets, the injunction orders imposed on identified assets, as well as the initiated cases for criminal assets forfeiture during the period 01.01.2010 – 31.12.2010

I. From 01.01.2010 to 31.12.2010, the Commission for establishing of property acquired from criminal activity has initiated 177 legal proceedings for establishing of criminal assets.
For the previous 2009, the Commission has initiated 155 proceedings.
There is an increase by 22 in the number of proceedings which represents a growth of 14.2 % for 2010 in comparison with 2009.
II. In 2010 the Commission for establishing of property acquired from criminal activity has delivered 159 decisions for submission to the courts of reasoned motions for injunction orders on identified assets with a total value of claims – 268 613 810 BGN. Of these the judges have imposed injunction orders on property of estimate value of 267 763 810 BGN.
For the previous 2009, the Commission has delivered 155 decisions for submission to the courts of reasoned motions for imposing injunction orders on identified assets with a total value of claims 254 920 297 BGN. Of these the judges have imposed injunction orders on property of estimate value of 253 992 806 BGN.
There is an increase by 4 in the number of decisions which represents a growth of 2.6 % for 2010 in comparison with 2009.
III. From 01.01.2010 to 31.12.2010 the Commission for establishing of property acquired from criminal activity has initiated 82 lawsuits for criminal assets forfeiture with a total value of claims of 120 928 041 BGN.
For the previous 2009, the Commission has initiated 79 lawsuits for criminal assets forfeiture with a total value of claims of 68 876 264 BGN.
There is an increase by 3 in the number of applications for criminal assets forfeiture which represents a growth of 3.8 % for 2010 in comparison with 2009.
IV. From 01.01.2010 to 31.12.2010, courts have ruled decisions on Commission's claims for criminal assets forfeiture, as follows:

- First instance decisions (District Court) – 50 decisions, of which 33 in favour of CEPACA.
- For the same period, 41 decisions have been ruled by Appeal Courts (Second Instance), 21 of which in favour of CEPACA.

For the period from 01.01.2010 to 31.01.2011, there are 12 court decisions for forfeiture entered into force, concerning property and assets at estimateted total value of 7 795 958 BGN /according the value of the motion/. The worth of the property is evaluated at 6 915 140 BGN according to the fee due to the courts for their rulings /which under Bulgarian legislation is 4 % of the amount of the motion/.
In 2009, 4 court decisions for forfeiture entered into force, concerning property and assets at estimateted total value of 953 976 BGN according the value of the motion. The worth of the seized property is evaluated at 677 198 BGN according to the fee due to the courts for their rulings.
The total number of court decisions for forfeiture for the period 01.01.2006 – 31.01.2011 are 16 at total estimated value – 8 749 934 BGN //according the value of the motion/ or 7 592 339 BGN /according to the fee due to the courts for their rulings/.
There is an increase by 8 in the number of applications for criminal assets forfeiture which represents a growth of 200 % for 2010 in comparison with 2009.
The value of the property subject to forfeiture under a defintif court order has increased 8 times in comparison with 2009.

Observations on the provisional amendments to the Law regulating the activities of the Commission for establishment of property acquired from criminal activity

The first major change introduced in the new draft concerns the nature of the asset which could be subject to recovery. The Commission should be entitled to persecute assets acquired from illegal, and not only from criminal activities. This increases significantly the application field of the law including in it some offenses of administrative and not only criminal (i.e. punished under the Criminal Code) nature. The administrative offenses which could be referred to the Commission are inter alia those under the Law for prevention and disclosure of the conflict of interests and the Law on transparency of the property of senior civil servants.

In any of those cases the Commission will be able to begin its proper patrimonial investigation of the indicted person. In the case of infringement of the Law for prevention and disclosure of the conflict of interests, the Commission shall monitor the court orders which ascertains a conflict of interests and is obliged to check if the culprit has benefit from it. Concerning the Law on transparency of the property of senior civil servants, the application of which is under the control of the Bulgarian National Audit Office, the Commission will investigate if there is discrepancy between the declarations of revenue of the concerned persons and the findings of the Audit Office.

The draft foresees that the proceedings for forfeiture in favor of the State are governed by the Civil procedure code, following the principles the so-called "civil confiscation". The Commission will be entitled to begin such a procedure immediately after a person has been indicted for crime from which it may be presumed that he has benefited. Thus it will be no longer necessary for the Commission to wait the end of the three - instance procedure engaged before the Criminal Courts. The new law will also allow the Commission to present the results of its patrimonial and financial investigations to the prosecutors and thus to provoke an indictment and, in the same time, to duly begin its proper proceeding for forfeiture.

The Commission will be entitled to act also against third persons but only if they knew or it was impossible not to know that the property which they have acquired has an illegal origin. It is foreseen that property that has been transferred to relatives or third persons can also be subject of forfeiture. Those persons shall have the possibility to prove at court that they didn't know about the illicit origin of the acquired property.

With decision of the first instance court, the Commission may proceed to house searches if there are charges for a crime, which generate illegal profits, against the owner.

In deed, the draft law establishes an entirely new legal framework for the Commission's work. The current legislation allows the Commission's claim only after a final conviction has entered in force. The draft forecast that the Commission can proceeds from the moment of indictment and even without criminal prosecution in the case of conflict of interests or discrepancy between tax declaration and real income. The Commission shall be able to act upon a private signal and on its own initiative.

The burden of the proof of the licit origin of his property lies on the defendant's shoulders (reversal of the burden of proof).

The Commission is entitled to investigate the property acquired in a period of 20 years before the beginning of the investigation.

Under certain conditions the Commission can act even if there is no criminal proceedings engaged against the defendant or if the criminal prosecution in a pre-trial phase or the legal prescription for criminal prosecution has expired.

According to the draft law the Commission will benefit for its own expertise in evaluating the market value of the litigious property. She may also examine suspicious deal and, if necessary, ask the Court to impose injunction orders. This powers are needed because of the vicious, but very popular, practice existing in Bulgaria which consist for the buyer to declare at the notary desk a price much lesser than the

real value of the property in order to safe taxes. Deals for real estate at unreal, underestimated value, are also concluded at the bank auctions or auctions organized by private or state bailiffs.
Under the draft law subject of forfeiture shall be the property for which a reasonable assumption for its illegal origin can be made. The property which should be forfeit is the possessions which correspond to the discrepancy between the legal assets acquired by the defendant and its real wealth, including the wealth of its family. If this property is unavailable or impossible to forfeit the defendant should be deprive of the cash equivalent of this property.
Significant discrepancy under the draft is established as the difference of over 60 000 BGN (30 000 EUR) between the net income and the declared revenues of the defendants.
The draft project was coordinated with the Venice Commission. The Venice Commission's opinion on the draft is available on its internet site. Currently the draft is still at the point of discussions between the concerned ministries.

Law for Limiting Payments in Cash

Promulgated State Gazzete Issue 16 since 22 February 2011.
Chapter one
SUBJECT AND EXCEPTIONS TO THE APPLIED FIELD
Art. 1. This Law stipulates the limitation on cash payments on the territory of the country.

Art. 2. This law does not apply to:
1. Money drawing and deposit in cash from/to personal payment accounts;
2. Money drawing and deposit in cash from/to accounts of incapable and handicapped persons, of spouses and first line relatives;
3. Operations with foreign currency in cash by profession;
4. Operations with bank-notes and coins, where one of the parties is the Bulgarian National Bank;
5. Substitution of damaged Bulgarian bank-notes and coins by the banks;
6. Payment of labor remunerations under the Labor code.

Chapter two
LIMITATION ON CASH PAYMENTS
Art. 3. (1) Payments on the territory of the country shall be carried out only by transfer or deposit to payment account when those are:
1. for sums equal to or exceeding 15 000 BGN ;
2. for sums under 15 000 BGN, when those are part of money claim under contract, which value is equal to or exceeding 15 000 BGN.
(2) Paragraph 1 shall be applied in case of payments in foreign currency when their BGN equivalence is equal to or exceeding 15 000 BGN. The equivalence in BGN is determined under the exchange rate of the Bulgarian National Bank on the day of the payment.
Art. 4. (1) The services provided by the banks in the country in regard to the operations of the budget organizations which collect the earnings and other revenue through card payments shall be done on the basis of contracts between the Ministry of Finance and the banks. The contracts shall contain the same provisions and prices, applicable to all banks.
(2) The program and resource provision of the card payments under item 1 and the connected to them services and settlement shall be carried out by the licensed by the Bulgarian National Bank operators of payment system with definite settlement for servicing of payments with cards on the territory of the country on the basis of contract with the Ministry of Finance.
(3) The order for transition of the budget organizations to collect the earnings and other incomings through card payments and maintenance under item 1 and 2 shall be determined with instructions from the minister of finance and the director of the Bulgarian National Bank.
(4) The minister of finance define the terms for smooth transition of the budget organizations to collect the earnings and other incomings through card payments and maintenance under item 1 and 2.
(5) The due sums by the Ministry of Finance under the contracts under item 1 and 2 are on the account of the central budget.
(6) Natural and legal persons shall not pay bank commissions and fees in cases when the card payment is to budget organization.
Chapter three
ADMINISTRATIVE PUNITIVE PROVISIONS
Art. 5. (1) Who commits or admits to be committed a breach of art 3 shall be punished with a fine of 25 % of the total payment – if it is natural person, or property sanction of 50% of the total amount of the payment shall be imposed – if it is legal subject.
(2) When there is a second breach of art. 1 the fine shall be 50% of the total amount of the payment, and the property sanction – 100% of the payment.

Art. 6. (1) The acts for establishing the breaches shall be compiled by the officials of the National Revenue Agency and the punitive decisions shall be issued by the executive director of the National Revenue Agency or officials authorized by him.
(2) The compiling of the acts, the issuing, appealing against and the implementation of the punitive decisions shall be implemented by the order of the Law for the administrative breaches and penalties.
Additional Provisions
§ 1. "Second" is a breach committed one year after the punitive decision enter in force, which was imposed to the person committed the same breach.

Transitional and concluding provisions

§ 2. This law shall apply for payments under art. 3 not completed till the day when the law shall become effective.
§ 3. The Ministry of Finance has the right to negotiate the provisions and prices under art. 4, item 1 under the contracts mentioned in § 22, item 6 from the transitional and concluding provisions of the State Budget Law of Republic of Bulgaria.
§ 4. In the Currency Law (issued SG 83 since 1999; amend SG 45 since 2002, SG 60 since 2003, SG 36 since 2004, SG 105 since 2005, SG 43 since 2006, SG 54 since 2006, SG 59 since 2006 and SG 24 since 2009) in art.2, item 1 the words “in this law” are changed with “by law”.

§ 5. In the Law for the Measures against Money Laundering (issued SG 85 since 1998; amend SG 1 and SG 102 01 since 2001, SG 31 since 2003, SG 103 and SG 105 since 2005, SG 30, SG 54, SG 59, SG 82 and SG 108 since 2006, SG 52, SG 92 and SG 109 since 2007, SG 16, SG 36, SG 67 and 69 since 2008, SG 22, SG23 and SG93 since 2009, and SG 88 and SG 101 since 2010) in Art. 3 the following amendments shall be made:
1. In paragraph 2, items 21 and 24 are revoked.
2. Paragraph 7 is revoked.

The Law is passed by the 41st Parliament on the 9th February 2011 and is sealed with the official stamp of the Parliament.

3.4 APPENDIV IV – Acronyms

BNB	Bulgarian National Bank
CC	Criminal Code
CDD	Customer Due Diligence
CEPACA	Commission for Establishing Proceeds of Crime
CETS	Council of Europe Treaty Series
CFT	Combating the Financing of Terrorism
CTR	Cash Transaction Reports
DNFBP	Designated Non-Financial Businesses and Professions
ETS	European Treaty Series [since 1.1.2004: CETS = Council of Europe Treaty Series]
EUR	Euro
FATF	Financial Action Task Force
FSC	Financial Supervision Commission
FIU	Financial Intelligence Unit
FID-SANS	Bulgarian FIU
IN	Interpretative Note
IT	Information Technology
LEA	Law Enforcement Agency
LMML	Anti-Money Laundering Law
LMTF	Anti-Money Laundering and terrorism Financing Law
MLA	Mutual Legal Assistance
MOU	Memorandum of Understanding
NCCT	Non-cooperative countries and territories
PEP	Politically Exposed Person
RIMML	Rules on the Implementation of AML Law
SANS	State Agency for National Security
SAR	Suspicious Activity Report
STR	Suspicious transaction report
SWIFT	Society for Worldwide Interbank Financial Telecommunication