

COUNCIL OF EUROPE'S COMMITTEE OF EXPERTS ON THE  
EVALUATION OF ANTI-MONEY LAUNDERING MEASURES  
AND THE FINANCING OF TERRORISM (MONEYVAL)

COUNCIL OF EUROPE



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# Anti-money laundering and counter-terrorist financing measures

# Bulgaria

## 2nd Enhanced Follow-up Report & Technical Compliance Re-Rating

June 2025

Follow-up report



The Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

The 2nd Enhanced Follow-up Report and Technical Compliance Re-Rating on Bulgaria was adopted by the MONEYVAL Committee through written procedure (12 May 2025).

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## *Bulgaria: 2nd Enhanced Follow-up Report*

### **I. INTRODUCTION**

1. The 5th round mutual evaluation report (MER)<sup>1</sup> of Bulgaria was adopted in May 2022. Given the results of the MER, Bulgaria was placed in enhanced follow-up<sup>2</sup> and its 1st Enhanced Follow-up Report (FUR)<sup>3</sup> was adopted in May 2024. This report analyses the progress of Bulgaria in addressing the technical compliance (TC) deficiencies identified in its MER and/or subsequent FUR, where requested to do so by the country. Re-ratings are given where sufficient progress has been made. Overall, the expectation is that countries will have addressed most, if not all, TC deficiencies by the end of the third year from the adoption of their MER.

2. The assessment of the request of Bulgaria for technical compliance re-ratings and the preparation of this report were undertaken by the following Rapporteur team (together with the MONEYVAL Secretariat):

- Slovak Republic
- Slovenia.

3. Section III of this report summarises the progress made by Bulgaria in improving technical compliance. Section IV sets out the conclusion and a table showing which Recommendations have been re-rated.

4. In line with MONEYVAL's Rules of Procedure, the follow-up process is desk-based – using information provided by the authorities, including revised legislation. It does not address what progress a country has made to improve the effectiveness of changes introduced by the country.

### **II. BACKGROUND, RISK AND CONTEXT**

5. A number of significant changes have been made since adoption of the MER or subsequent FUR that are relevant for considering Recommendations that have been reassessed.

6. A number of legislative amendments have been made in the main anti-money laundering and combating the financing of terrorism (AML/CFT) laws and sectorial legislation, supplemented by the development of significant number of guidance materials and outreach activities to obliged entities (OEs) since adoption of the MER and 1st Enhanced FUR that are relevant for Recommendations under current follow-up process.

7. This report includes also changes as per adopted Financial Action Task Force (FATF) EU supranationality common text (Recommendation (R.)6).

### **III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE**

8. This section summarises the progress made by Bulgaria to improve its technical compliance by addressing the technical compliance deficiencies identified in the MER and applicable subsequent FUR for which the authorities have requested a re-rating (R. 6, R. 10, R. 24, R. 28 and R. 34).

9. For the rest of the Recommendations rated as partially compliant (PC) (R. 4, R. 5, R. 7, R. 8, R. 13, R. 15, R. 35 and R. 38) the authorities did not request a re-rating.

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1. Mutual Evaluation Report, available at <https://rm.coe.int/moneyval-2022-1-mer-bulgaria/1680a70913>.

2. Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up involves a more intensive process of follow-up.

3. First enhanced Follow-up Report available at <https://rm.coe.int/moneyval-2024-1-bg-5thround-1stehfur/1680afca6a>.

10. This report takes into consideration only relevant laws, regulations or other anti-money laundering and combating financing of terrorism (AML/CFT measures) that are in force and effect at the time that Bulgaria submitted its country reporting template – at least six months before the follow-up report (FUR) is due to be considered by MONEYVAL.<sup>4</sup>

11. It must be also noted that following deficiency identified in MER under c.24.6 has been deleted: *“Minor shortcomings identified at c.10.10 apply here: the LMML does not explicitly state that an OE must identify and take reasonable measure to verify the identity of a natural person who exercises control through other means than ownership in the circumstances included within c.10.1, where (a) there is doubt that a person with the controlling ownership interest is a beneficial owner or (b) no natural person is found who exercises control through ownership interest. However, this shortcoming is partly mitigated by the requirements of the Art. 59(1)(2)”*. Since the requirements under c.10.10 are directed to FIs while c.24.6(a) include requirements for companies and company registers, this deficiency should not cascade to c.24.6(a).

#### **IV. PROGRESS TO ADDRESS TECHNICAL COMPLIANCE DEFICIENCIES IDENTIFIED IN THE MER AND SUBSEQUENT FUR**

12. Bulgaria has made progress to address the technical compliance deficiencies identified in the MER and applicable subsequent FURs. As a result of this progress, Bulgaria has been re-rated on R. 6, R. 10, R. 24, R. 28 and R. 34.

13. Annex A provides a description of the country’s compliance with each Recommendation that is reassessed, set out by criterion, with all criteria covered. Annex B provides the consolidated list of remaining deficiencies of the re-assessed Recommendations.

#### **V. CONCLUSION**

14. Overall, in light of the progress made by Bulgaria since its MER and 1st Enhanced FUR was adopted, its technical compliance with the Financial Action Task Force (FATF) Recommendations has been re-rated as follows.

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4. This rule may be relaxed in the exceptional case where legislation is not yet in force at the six-month deadline, but the text will not change and will be in force by the time of the plenary. In other words, the legislation has been enacted, but it is awaiting the expiry of an implementation or transitional period before it is enforceable. In all other cases the procedural deadlines should be strictly followed to ensure that experts have sufficient time to do their analysis.

**Table 1. Technical compliance with re-ratings, May 2025**

R.1 LC	R.2 LC (FUR1 2024) PG	R.3 LC	R.4 PC	R.5 PC
<b>R.6 C (FUR2 2025) PG</b>	R.7 PC	R.8 PC	R.9 LC	<b>R.10 LC (FUR2 2025) PG</b>
R.11 LC	R.12 LC (FUR1 2024) PG	R.13 PC (FUR1 2024) PG	R.14 C (FUR1 2024) PG	R.15 PC (FUR1 2024) PG
R.16 LC	R.17 C	R.18 LC (FUR1 2024) PG	R.19 LC	R.20 LC
R.21 LC	R.22 LC (FUR1 2024) PG	R.23 LC	<b>R.24 C (FUR2 2025) PG</b>	R.25 LC (FUR1 2024) PG
R.26 LC (FUR1 2024) PG	R.27 LC (FUR1 2024) PG	<b>R.28 LC (FUR2 2025) PG</b>	R.29 LC	R.30 LC
R.31 C	R.32 C (FUR1 2024) PG	R.33 C (FUR1 2024) PG	<b>R.34 C (FUR2 2025) PG</b>	R.35 PC
R.36 LC	R.37 LC	R.38 PC	R.39 LC	R.40 LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

15. Bulgaria will remain in enhanced follow-up and will continue to report back to MONEYVAL on progress to strengthen its implementation of AML/CFT measures. Bulgaria is expected to report back within one year's time.

## Annex A: Reassessed Recommendations

### Recommendation 6 – Targeted financial sanctions related to terrorism and terrorist financing

	Year	Rating and subsequent re-rating
<b>MER</b>	2022	PC
<b>FUR1</b>	2024	PC (no upgrade requested)
<b>FUR2</b>	2025	↑ C (upgrade requested)

1. In its 2022 MER, Bulgaria was rated PC with R.6. Following deficiencies were identified: (i) designation criteria set out in the relevant UNSCRs, was not described under the mechanism of identifying targets for designation; (ii) there was no dedicated procedures in place, to address requirements of Criterion 6.1 c)-e); (iii) the listing criteria as envisaged by the Art. 5(2) of Law on the Measures Against the Financing of Terrorism (LMFT) did not fully correspond to the specific criteria, as set forth in UNSCR 1373; (iv) there was no set timeline and no mechanism to consider that the request is supported by reasonable grounds, or a reasonable basis to suspect or believe that the proposed designee meets the criteria for designation in UNSCR 1373; (v) there was no formalised procedure under which Bulgaria could ask another country to give effect to freezing measures; (vi) there was no procedure in place with regard to submitting de-listing requests, as well as to facilitate review by the 1988 Committee, and informing persons and entities of the availability of the UN office of Ombudsmen; (vii) there was no guidance for financial institutions (FIs), other persons or entities, on their obligations with respect to delisting or unfreezing actions.

2. Bulgaria implements terrorist financing (TF) targeted financial sanctions (TFS) through EU decisions and regulations, complemented by domestic legislation.<sup>5</sup>

#### 3. Criterion 6.1 –

(a) The Ministry of Foreign Affairs (MFA) is the competent authority for proposing person or entities to the 1267/1989 and 1988 Committees for designation (Rules on Organisation of MFA, Art. 37).

(b) Bulgaria has a mechanism for identifying targets for designation, based on the designation criteria set out in the relevant United Nations Security Council Resolutions (UNSCRs). Based on the information from the exchange with other relevant authorities (Ministry of Interior (MoI), Ministry of Finance, Commission for Anti-Corruption and for Illegal Assets Forfeiture and the Prosecutor’s Office of the Republic of Bulgaria) and/or the information acquired during the performance of other statutory functions of the State Agency for National Security (SANS), the SANS identifies natural persons, legal persons, groups and organisations carrying out activities related to terrorism or its financing, which meet the designation criteria for listing under United Nations Security Council Resolutions 1267 (1999), 1988 (2011), 1989 (2011) and 2253 (2015) and their successor resolutions (LMFT, Art. 4, 4(2) and 4a(1)).

(c) Bulgaria applies an evidentiary standard of proof of “reasonable grounds”. When it can be assumed based on reasonable grounds that natural persons, legal persons, groups and organisations meet the designation criteria for listing under United Nations Security Council Resolutions 1267 (1999), 1988 (2011), 1989 (2011) and 2253 (2015) and their successor resolutions, the Chairperson of the SANS in co-ordination with the Minister of the Interior shall prepare a motivated opinion to the Council of Ministers for making a proposal to the relevant United Nations Sanctions Committees for the designation of these natural persons, legal persons,

5. At the EU level UNSCR 1267/1989 (on Al Qaida) are implemented through Council Decision 2016/1693/CFSP and EU Regulation 881/2002; UNSCR 1988 (on Taliban) – through Council Decision 2011/486/CFSP and EU Regulation 753/2011; and the UNSCR 1373 - through Council Common Position (CP) 2001/931/CFSP and EU Regulation 2580/2001

groups and organisations for listing under Resolutions 1267 (1999), 1988 (2011), 1989 (2011) and 2253 (2015) and their successor resolutions (LMFT, Art.4(a)(2)). Furthermore, the proposal for designation is made regardless of a criminal proceeding (LMFT, Art. 4(a)(6)).

- (d) Proposals for designations must be prepared in conformity with the guidelines, procedures and standard forms for designation, as adopted by the relevant United Nations Sanctions Committees (the 1267/1989 Committee or 1988 Committee) (Art. 4 (a)(4)).
- (e) Bulgaria provides relevant UN 1267/1989 Sanctions Committee with evidentiary information, as well as follows the appropriate procedures, forms, and requests for information. According to Art. 4(a)(4) of LMFT, in order to make the proposals under Paragraphs (2), (3) and (9), the guidelines, procedures and standard forms adopted by the relevant United Nations Sanctions Committees shall be applied.

#### 4. **Criterion 6.2 –**

- (a) At the EU level, the EU Council (through the Council's Working Party on the Application of Specific Measures to Combat Terrorism (COMET)) is responsible for designating persons or entities that meet the criteria set forth in UNSCR 1373. Designations are considered based on proposals submitted by EU member states or third states. (EU Regulation 2580/2001, Art.2(3); CP 2001/931/CFSP, Art.1(4)). Relevant designations of EU internals (i.e., natural persons who have their roots, main activities, and objectives within the EU) only trigger enhanced police and judicial co-operation (CP 2001/931/CFSP footnote 1 of Annex 1).

At the national level, the Council of Ministers, acting on a motion by the MFA, the MoI, the Chairperson of SANS or the Prosecutor General, the Council of Ministers shall adopt, supplement and amend national lists both by their own motion and in case of a request of another country (LMFT, Art. 5(1)).

- (b) At the EU level, proposals for listings are made by Member States (for proposals based on decisions taken by their own competent authorities), or by Member States or the High Representative for Foreign Affairs and Security Policy (HR) for proposals on the basis of decision(s) by third States' competent authorities. The EU (through COMET WP) applies designation criteria consistent with the designation criteria of UNSCR 1373 (CP 2001/931/CFSP, Art.1(2) & (4); CR 2580/2001, Art. 2 (3), COMET WP mandate, practical arrangements and working methods 10826/1/07 REV 1).

At the national level, the listing criteria as envisaged by the art. 5(2) of the LMFT correspond to the specific criteria as set forth in UNSCR 1373. This includes persons, owned or controlled, directly or indirectly by persons and persons, acting on behalf of, for the benefit of, or at the instruction of persons (sections 3 and 4).

- (c) At the EU level, the European External Action Service or relevant member state (acting as intermediary) when receiving a request for designation from a non-EU country, will carry out a first basic scrutiny of the proposal and gather relevant information, including requesting additional information from the requesting country, in particular with regard to and respect for fundamental rights. (CP 2001/931/CFSP, Art. 1(2) and (4), as well as COMET WP mandate, practical arrangements and working methods). If an EU country requests an EU designation, the compliance with due process is assumed when the EU reviews such requests. COMET has 15 days to review the proposal, this timeframe can be shortened in exceptional cases. (doc.14612/1/16 REV 1 on establishment of COMET WP, Annex II, Arts.8-9).

At national level, mechanism is in place to ensure prompt determination of whether the received request is satisfactory, via requesting relevant opinions from Minister of Interior and the Chairperson of the SANS, which are provided within 5 working days (LMFT, Art. 5(3)).

- (d) At the EU level, when deciding on a proposal, COMET decides on the basis of a decision (and the information/material supporting that decision) by a competent national body, irrespective of criminal proceedings (CP 2001/931/CFSP, Art.1(4)).

At the national level, the decision of the Council of Ministers on designation would be based on the existence of sufficient data while existence of criminal proceeding is not required. When considering the designation(s) the evidentiary threshold of reasonable grounds or reasonable basis is applied (LMFT, Art. 4a).

- (e) There is no EU procedure or requirements regarding the provision of identifying or supporting information with respect to requesting non-EU countries to give effect to EU designations. Information to support designation may be shared with non-EU members upon request provided EU member states agree.

At the national level, the SANS and MoI may request another country to give effect to actions initiated under freezing mechanisms, including provide supporting identification data and information for designation (LMFT, Art. 5(5)).

#### 5. **Criterion 6.3 –**

- (a) At the EU level, all member states are required to provide each other with all available relevant information to identify persons meeting the criteria for designation (CP 2001/931/CFSP, art.4; EU Regulation 2580/2001, Art.8; EU Regulation 881/2002, Art.8).

At the national level, the SANS collects or solicits the information to identify persons and entities that, based on reasonable grounds, suspect or believe, meet the criteria for designation (LMFT, Art. 4 and 4a(2)).

- (b) At the EU level, designations take place without prior notice (EU Regulation 1286/2009, preamble para.5).

At national level, no provision of the LMFT or other law requires that notice should be given to a party prior to a designation and authorities confirm this practice.

6. **Criterion 6.4 –** At the EU level, implementation of TFS, pursuant to UNSCRs 1267/1989 and 1988, does not occur “without delay.”<sup>6</sup> For TFS under the UNSCR 1373 mechanism, these measures are implemented without delay, except in respect of EU internals. New designations are published on the day they are adopted, and enter into force the same day. Once the decision to freeze has been taken, EU Regulation 2580/2001 is immediately applicable within all EU member states.

7. At national level, the implementation of TFS pursuant to UNSCRs 1267/1989 and 1988, is ensured “without delay” through mechanism where relevant decision is adopted by Council of Minister which shall be promulgated in the State Gazette immediately after its adoption and shall be published on the web sites of the Council of Ministers, the Ministry of Interior and the State Agency for National Security (LMFT, Articles 3(1), 4b, 5(1) and (4)). Ministry of Foreign Affairs (MFA) is obliged to immediately publish on its website references to the adopted UNSCRs and successive designations (LMFT, Art. 5a). Upon publication, the obligation to freeze all funds or other assets immediately enters into force (LMFT, Art. 4b(2)), thus fully addressing the TFS transposition delays

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6. This is due to the time taken to consult between European Commission departments and the translation of Commission or Council Implementing Regulations containing the designation into all official EU languages. Though expedited procedures allow for implementation within 72 hours where possible, this does not meet the requirement of “without delay”.



at the national level for UNSCR 1373. These extend to EU internals as there is no limitation on national level (see c.6.5 (a)).

8. **Criterion 6.5** – The SANS and MoI are the competent authorities under the LMFT responsible for the implementation and enforcement of the TFS under the EU and national framework. Following requirements apply:

- (a) At the EU level, for 1373 designations, there is no requirement to freeze assets of listed individuals that are EU internals. Listed EU internals are only subject to increased police and judicial co-operation among members (CP 2001/931/CFSP footnote 1 of Annex 1).

Under UNSCRs 1267/1989, 1989, 1373 all natural and legal persons within or associated with the EU are required to freeze without prior notice and delay the funds or other assets of designated persons and entities (EU Regulation 753/2011, Arts.3, 14; EU Regulation 881/2002, Arts.2(1), 11; EU Regulation 2580/2001, Arts.2(1)(a), and 10).

At the national level, the Council of Ministers adopts, supplements and amends national lists based on the criteria set out in the Art. 5 (2) of the LMFT, which does not exclude EU internals (listed domestically or by EU) (LMFT, Art. 5(1)). No provision of the LMFT or other law require notifying the party prior to a freezing. The term funds or other assets is broadly defined under the Supplementary provisions § 1 (2) of LMFT, including also virtual assets, and it is line with the FATF definition.

- (b) At the EU level, freezing actions for UNSCRs 1267/1989 and 1988 extend to all funds and economic resources belonging to, owned, held or controlled, either directly or indirectly, by a designated person or entity, or by a third party acting on their behalf or at their direction. This extends to interest, dividends or other income or value accruing from or generated by assets (EU Regulation 881/2002, arts.1(1), 2; EU Regulation 753/2011, arts.1(a), 3). This does not explicitly cover jointly owned assets, although this interpretation is taken in non-binding EU Best Practices on sanctions implementation (EC document 8519/18, para.34-35).

Under the EU mechanism on UNSCR 1373, the freezing obligation applies to all funds, other financial assets and economic resources belonging to, or owned or held by the designated person or entity (EU Regulation 2580/2001, Articles 1(1), 2(1)). There is no explicit reference to funds or assets controlled by, indirectly owned by, derived from assets owned by, or owned by a person acting at the direction of a designated person or entity. However, this gap is largely addressed by the EC's ability to designate any legal person or entity controlled by, or any natural or legal person acting on behalf of, a designated person or entity (EU Regulation 2580/2001, Art.2(3) (iii) and (iv)). As above, the notion of joint ownership is not explicitly covered, although this interpretation is taken in non-binding EU Best Practices (EC document 8518/18, para.35). This gap is addressed in the Article 6 (1) and (4) of LMFT, which ensures also that freezing obligations apply to all funds and other financial assets or economic resources.

- (c) At the EU level, natural and legal persons are prohibited from making funds, other assets or economic resources available unless authorised by a national competent authority (EC Regulation 881/2002, Art.2(2), (3); EU Regulation 753/2011, Art.3(2); EU Regulation 2580/2001, Art.2(1)(b)). The EU UNSCR 1373 mechanism explicitly extends to the provision of financial services (EU Regulation 2580/2001, Art.2(2)). While there is no similar explicit prohibition in the EU UNSCR 1267/1989 and 1988 mechanism, this is covered by the broad definition of funds and other assets (*economic resources*) and the prohibition to make available assets that can be used to obtain such services (EU Regulation 881/2002, Art.1(2); EU Regulation 753/2011, Art.1(c)). However, deficiencies in respect of freezing obligations noted under c.6.5(a) for EU internals applies to this criterion.

At the national level, natural and legal persons or other legal entities are prohibited from providing directly or indirectly funds and other financial assets or economic resources, as well as financial services, to any sanctioned persons, including persons acting on their behalf and for their account or on their instruction, except by an authorisation (LMFT, Art. 7). This requirement covers also EU internals.

- (d) At the EU level, information on EU designations is published in the Official Journal of the EU, and included in the EU's Financial Sanctions Database the next working day (which includes a newsletter service to which FIs and designated non-financial businesses and professions (DNFBPs) can subscribe), though there may be delays to updates via the newsletter service notably in case of designations on Fridays or over the weekend. Guidance in relation to EU sanctions is published on the website of the European Commission.

At national level, the decision of the Council of Ministers concerning national lists is promulgated in the State Gazette immediately after adoption, as well as are published on the web sites of the Council of Ministers, the MoI and the SANS. UNSCRs are published on the website of MFA immediately upon adoption. According to the Art. 5b of LMFT, the SANS, together with MOI, issues instructions for the implementation of TFS. The website of MFA also contain links to the EU Best Practices for the effective implementation of restrictive measures and Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy. The guidance has also dedicated section on the domestic list. In addition, the Bulgarian National Bank (BNB) sends circulars to banks on updates of UNSCRs and the Financial Intelligence Directorate of State Agency for National Security (FID-SANS) conducts training focused on TFS implementation for all reporting entities.

- (e) At the EU level, all natural and legal persons (incl. FIs and DNFBPs) are required to report any information which would facilitate compliance with TFS obligations to their respective national competent authorities. This requirement does not explicitly extend to reporting attempted transactions, although this is covered by the requirement to report "any information which would facilitate compliance" with the relevant Regulations. The scope gap in obligations in respect of 1373 designations (EU internals) also applies to this criterion (EU Regulation 753/2011, Art.8; EU Regulation 881/2002, Art.5(1); EU Regulation 2580/2001, Art.4).

Natural and legal persons (incl. FIs and DNFBPs) are required to provide immediately to the designated national authority (SANS) any information about accounts and amounts frozen under EU legislation as per Art. 5.1 of EU Regulation 881/2002, Art. 4 of EU Regulation 2580/2001, and Art. 8 of EU Regulation 753/2011.

At National level, Art. 9 (1) of the LMFT requires that any person who knows that certain operations or transactions are aimed at TF shall immediately notify the Minister of Interior and the Chairman of the State Agency for National Security (this includes reporting of any asset frozen, or attempted transaction related to a designated person). In addition, according to Art. 9 (3) of the LMFT, FIs and DNFBPs under Art. 4 of the Law on the Measures Against Money Laundering (LMML) (OEs under the AML/CFT legislation) shall also notify the Financial Intelligence Unit (FIU).

- (f) At the EU level, for 1267/1989, 1988 and 1373 designations, third parties acting in good faith are protected (EU Regulation 753/2011, amended by EU Regulation 1286/2009, and 2016/1686 art. 12 and 13, art.6 and 7; EU Regulation 881/2002, art.6; EU Regulation 2580/2001, art.6).

The rights of *bona fide* third parties are protected also at national level (LMFT, Art. 8 (5)).

9. **Criterion 6.6** – Bulgaria applies the following publicly known procedures for de-listing and unfreezing of funds or assets, including virtual assets of persons and entities no longer meeting the designation criteria:

(a) At the EU level, for designations under the 1267/1989 and 1988 mechanisms, there are procedures to submit de-listing requests to the relevant UN Sanctions Committee in line with Committee procedures (EU Regulation 881/2002, Art.7c; EU Regulation 753/2011, Art.11(4)). EU measures imposing targeted financial sanctions pursuant to 1267/1989 and 1988 may be challenged by instituting proceedings before the EU Court of Justice (Art.263, par.4 and Art.275, par.2 of the Treaty on the Functioning of the European Union for challenging EU regulations or CFSP Decisions.).

At national level, such requests are channelled to UN Committees through MFA and there are procedures in place to submit de-listing request to the relevant UN sanctions Committee.

(b) At the EU level, de-listing procedures are available for designations under the 1373 mechanism under EU Regulation 2580/2001.

At national level, the MFA, the MoI, the Chairperson of the SANS or the Prosecutor General, acting on their own initiative or at the request of the parties concerned, shall submit a proposal to the Council of Ministers to remove a person from the list within 14 days after becoming aware of grounds of removal (LMFT, Art. 5 (7)). The decision is promulgated in the State Gazette and published on the web sites of Council of Ministers, the Ministry of Interior, and the State Agency of National Security. Except for the legal provisions in LMFT, there are no publicly known procedures to request delisting on a national level. However, Articles 5 (5) and (6) of LMFT allows the affected persons to appeal before the Supreme Administrative Court under the procedure of the Administrative Procedure Code.

(c) At the EU level, a person or entities designated under the 1373 mechanism can write to the EU Council to have the designation reviewed by COMET WP (CP 2001/931/CFSP) or may institute a proceeding before the EU Court of Justice (Treaty on the Functioning of the European Union, Arts.263(4), 275(2)).

At the national level, the freezing decision can be appealed before the Supreme Administrative Court (LMFT, Art. 5 (5)). Article 4a (7-9) and Art. 5 of the LMFT include procedures needed for delisting which are publicly known. Bulgaria has also published at the SANS website document - Guidance on the application of measures for counteraction and prevention of financing of terrorism (“Guidance”) which include also obligations to respect a de-listing and unfreezing action (Guidance, part 2.5 “*Delisting from the sanctions list of UN Resolutions. UN Ombudsperson*”).

(d) and (e) At the EU level, persons designated under UNSCR 1267 etc. and 1988 are informed of applicable de-listing procedures, which include the availability of the focal point (for designations under UNSCR 1989) and the UN Office of the ombudsperson (for UNSCR 1267/1989 designations). (EU Regulation 881/2002, Art.7(a); EU Regulation 753/2011, Art.11(4)).

At national level, natural persons, legal persons, groups and organisations listed under the sanctions regimes of resolutions 1267 (1999), 1989 (2011) and 2253 (2015) and their subsequent resolutions may directly or through a representative submit a request to the Office of the Ombudsperson for the relevant United Nations resolution for de-listing (Art. 4(a)(7) of the LMFT). The contact details and the mandate of the Office of the Ombudsperson for the relevant United Nations resolution are published on the website of the Ministry of Foreign Affairs.

(f) At the EU level, procedures for unfreezing funds due to cases of mistaken identity are in place (EC document 8519/18, paras.8-17, 37).

At the national level, there is no explicit provision and procedures for unfreezing in the case of false positive. However, the relevant procedures are in publicly known “Guidance on the application of measures for counteraction and prevention of financing of terrorism (“Guidance”) Section 4.3 (*Freezing and prohibition as measures against FT and their termination*) and Section 4.1 (*Customer Due Diligence. Additional measures for identification and verification. Sanctions lists*). The guidance was updated in 2023 and includes sections on false positive and mistaken identity.

- (g) At the EU level, de-listings are communicated via publication of updated lists in the EU official journal and notifications within the EU sanctions database for subscribers. Guidance mentioned under c.6.5.d) also contains information on the obligations to respect a de-listing action.

At national level, information on sanctions in force is to be published on the web sites of the Council of Ministers, the MoI, the SANS and the MFA according to Art. 5a and 12 of LMFT. As envisaged by Art. 5b of LMFT the SANS in co-ordination with the MOI issues instructions for the implementation of TFS. Article 5(b) of the LMFT stipulates that competent authorities shall issue instructions - guidance for implementation of freezing measures as well as the conditions for their suspension. Guidance is provided to FIs and other persons through document – *Guidance on the application of measures for counteraction and prevention of financing of terrorism* (“Guidance”). Updated Guidance was published at the SANS website which includes also obligations to respect a de-listing and unfreezing action (part 2.5 “*Delisting from the sanctions list of UN Resolutions. UN Ombudsperson*”).

10. **Criterion 6.7** – At the EU level, the regulations imposing TFS obligations contain measures for national competent authorities to authorise access to frozen funds, where necessary for basic expenses or the payment of certain expenses in line with UNSCR 1452 (EU Regulation 881/2002, Art.2a; EU Regulation 753/2011, Art.5; EU Regulation 2580/2001, Arts.5, 6).

11. At national level, the decision is determined on a case-by-case basis by the MoI and conditions are described in LMFT, Art. 6 (5) – (7)).

### **Weighting and Conclusion**

12. Bulgaria complies with all criteria under R.6. Therefore, **R.6 is re-rated C.**

## Recommendation 10 – Customer due diligence

	Year	Rating and subsequent re-rating
<b>MER</b>	2022	PC
<b>FUR1</b>	2024	PC (no upgrade requested)
<b>FUR2</b>	2025	↑ LC (upgrade requested)

1. In the 2022 MER, Bulgaria was rated PC with R.10. The following minor shortcomings were identified: there were no explicit requirements (i) to apply Customer due diligence (CDD) where there is suspicion of TF (c.10.2); (ii) to carry out CDD other than identification and verification of identity where doubt arises regarding identity data (c.10.2); (iii) to verify the identity of a person acting on behalf of a customer and no legal provisions regarding cases where third parties are permitted to act without authorisation (c.10.4); (iv) to keep CDD “*relevant*” and to ensure that transactions are consistent with the obliged entities (OEs) knowledge of the customer and its business(10.7); (v) to do checks on source of funds apply except in relation to politically exposed persons (PEPs) and high risk third countries (c.10.7); (vi) understand the nature of the customer’s business (c.10.8); (vii) to identify and take reasonable measure to verify the identity of a natural person who exercises control through other means than ownership in some circumstances (c.10.10); (viii) there were no explicit requirements to include the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced CDD measures are applicable for reasons other than being identified as a PEP (c.10.13); (ix) to adopt risk management procedures concerning conditions under which a customer may utilise the business relationship prior to verification (c.10.15); (x) to take into account materiality and varying risks levels (except for higher risk customers and relationship) (c.10.16); (xi) to conduct due diligence at appropriate times, taking whether and when CDD measures have been previously undertaken and the adequacy of data obtained (c.10.16); (xii) to consider making a disclosure regarding TF (c.10.19).

2. In addition, the following shortcomings were considered moderately severe in light of the context of Bulgaria, namely use of legal persons and strawmen in money laundering (ML) schemes as well as issues relating to nominees and bearer shares: (i) the legislation allowed for an operation or transaction to be carried out on behalf of and/or for the account of a third party without authorisation (c.10.4); (ii) the legislation allowed for an alternative method to identify and verify the legal persons and arrangements, i.e., it was permitted not to request certified identity documents from the legal persons provided that legal personality information can be obtained from the EU registers (c.10.9); (iii) there were no requirements to verify the names of the relevant persons having senior management positions in the legal person or legal arrangement (c.10.9).

3. Furthermore, the following severe shortcoming were identified: there were no legal provisions to permit an OE not to complete CDD in cases where there is a ML/TF suspicion and reasonable belief that performing the CDD process will tip-off the customer (c.10.20).

4. Deficiencies relating to the financial services exempted from the regulatory environment were also relevant here.

5. **Criterion 10.1** – The preventative measures of the LMML apply to OEs, which are defined at Art. 4 of the LMML and include both FIs and DNFBPs. Art. 18 of the LMML prohibits OEs from opening anonymous accounts or accounts in obviously fictitious names.

6. **Criterion 10.2** – Art. 11 of the LMML requires OEs to apply CDD in the following circumstances:

(a) when establishing a business relationship;

- (b) – (c) when carrying out an occasional transaction (i.e., a single or several linked transactions) amounting to 5 000 euros (EUR) or above when effected in cash, EUR 1 000 or above when the transaction constitutes a transfer of funds as defined under Regulation (EU) 2015/847 or EUR 15 000 or above in other circumstances. Since 2012, the Limitation of Cash Payments Act has prohibited the use of cash for transactions equal to or exceeding 10 000 Bulgarian lev (BGN) except in limited scenarios. The CDD requirements regarding cash also apply in cases where the OE could not have known at the time that the transaction would have exceeded the threshold permitted;
- (d) where there is a suspicion of ML/TF regardless of any exemptions or thresholds for CDD;
- (e) when any case of suspicion regarding the veracity, up-to-datedness or adequacy of the identification data.

7. **Criterion 10.3** – Art. 10 of the LMML states that CDD, as applied to business relationships and occasional transactions under Art. 11, shall include identifying the customer and verification of the identity using documents, data or information obtained from reliable and independent sources.

8. The term “*customer*” is defined in §1 of the LMML as a “*natural or legal person or other legal entity*”. The term “*other legal entity*” is also defined and includes legal arrangements.

9. Section V of Chapter Two of the LMML mandates the requirements regarding the identification and verification of customers. Art. 53(7) of the LMML includes that, where identification takes place without the presence of the natural person, verification of the identification data (which includes photographic identification) shall be verified according to the procedure established by Art. 55(2) of the LMML. Furthermore, Art. 53(8) of the LMML states that verification may be carried out by means of electronic identification. Art. 55(2) of the LMML requires two or more of methods to be utilised for remote verification. Methods include “*technical means to authenticate the veracity of the presented documents*” and “*another method*” which gives the OE “*reason to consider that the customer has been duly identified*”. This seemingly allows for a wide variety of practical verification measures, including video calls which are subject to further requirements stated in Art. 41 of the Rules on Implementation of the Law on the Measures Against Money Laundering (RILMML).

10. **Criterion 10.4** – OEs are required to identify and verify any person purporting to act on behalf of the customer, which includes obtaining proof of the powers of representation and evidence of representative power as well as identification and verification of the identity of that person (LMML, Articles 53(9), 54(7), 65(1) and (2); RILMML, Art. 40 (1)).

11. **Criterion 10.5** – Art. 10 of the LMML states that CDD shall include identifying and taking reasonable measures to verify the identity of the beneficial owner of a customer. Articles 59-62 of the LMML prescribe methods for establishing beneficial ownership which constitute independent, reliable sources. Art. 59 (1) item 2 of the LMML requires OE to remove any doubt as to who the beneficial owner is. The term “*beneficial owner*” is defined in § 2(1) of the Supplementary Provisions of the LMML as any natural person or persons who ultimately owns or controls a legal person or other legal entity, and/or any natural person or persons on whose behalf and/or for whose account an operation, transaction or activity is being conducted.

12. **Criterion 10.6** – Art. 53(3) of the LMML requires OEs, when entering into a business relationship with a natural person, to collect data relating to the person’s professional activities and the purpose and nature of the involvement of the person in the business relationship. Such data must be collected from documents, data or information from reliable and independent sources. Art. 54(4) of the LMML requires to collect data on the client, who is a legal person or arrangement, the scope of activity and the purpose and nature of the business relationship or of the occasional operation or transaction, enabling the understanding of the nature of their activity.

13. **Criterion 10.7** – OEs are required to conduct ongoing due diligence on the business relationship, including:

- (a) to scrutinise transactions and operations undertaken throughout the course of a business relationships, in order to be established to what extent the said transactions and operations are consistent with the risk profile of the customer, the OE's knowledge of their business activity in all cases listed in Art. 11 and with information collected for CDD purposes and establish source of funds and source of wealth for all politically exposed persons (PEPs) and customers from higher-risk countries (LMML, Articles 4, 10(4) and (5), 39 and 46; RILMML, Art. 21)).
- (b) to maintain and keep up-to-date the relevant documents, data and information, by undertaking reviews of existing records, particularly for higher risk categories of customers (LMML, Articles 10(5) and 16(1-2)).

14. **Criterion 10.8** – Art. 10(2) of the LMML requires OEs to take appropriate measures to understand the ownership and control structure of the customer. Art. 54(3) of the LMML requires OEs, when identifying legal persons and legal arrangements, to identify the structure of the ownership, management and control of the customer and, under Art. 54(4)(6), to collect data on the scope of the activity and nature of the business relationship or occasional transaction, enabling the understanding of the nature of customer's business.

15. **Criterion 10.9** – OEs are obliged to identify customers that are legal persons or other legal entities and verify this information through the presentation of original or notarised copies of extracts of relevant registers and of the memorandum of association, constituent instrument or other documents necessary to establish the required data (LMML, Art. 54). This includes:

- (a) - (c) the name and legal form of the entity, location of head office, registered address, correspondence address and principal place of business, and information on management and control bodies, including the names of relevant persons in management and control bodies (LMML, Art. 54(4) item 8 and 9).

16. Art. 54(2) of the LMML provides for an alternative method to obtain original or notified documents relating to customers that are legal persons and are established in EU Member States. In this case, certain OEs are allowed to identify legal persons by means of reference to the record of the legal person in the commercial register or in the relevant public register, requiring and keeping a copy of the articles of association, deed or other documents, certified by a legal representative or an authorised person of the identified person, necessary to verify the data under Art. 54 (4), as well as documenting the identification actions taken.

17. However, Art. 54 (11) of the LMML includes exemption by the obligation to require documents under para 2 does not apply when identifying persons entered in the commercial register and register of non-profit legal entities for verification of the circumstances under items 1 – 4 and items 7-9 of para 4. This approach is not in line with the FATF standard that requires to both identify and verify the identity (i.e., a two-step process) of the customer. Moreover, it might have negative implications on practical implementation in the circumstances where information contained in the public registers is not up to date. Furthermore, the rules for implementation of the revised Art. 54 of the LMML are yet to be amended.

18. Art. 54 (8) of the LMML requires the identification of the legal representatives of a customer that is a legal person or other legal entity, the proxies and the other natural persons who are subject to identification in connection with the identification of a customer which is a legal person or other legal entity.

19. **Criterion 10.10** – Art. 10 of the LMML requires OEs to identify and take reasonable measures to verify the identity of the beneficial owners (BOs) of customers.

20. Paragraph 2(1) of the Supplementary Provisions of the LMML defines “beneficial owner” as any natural person(s) who ultimately owns or controls a legal person or other legal entity or on whose behalf activity is conducted, subject to conditions regarding ownership and voting rights and separate stipulations regarding trusts and foundations.

(a) The beneficial owner (BO) definition states that, in the case of corporate legal persons and other legal entities, this shall be the person with direct or indirect ownership of a 25 or more percentage of the shares, ownership interest or voting rights or control via other means. Persons holding 25 per cent or more ownership interest, are considered BOs.

(b) The BO definition includes that BO is also a person who exercise control via other means. Control is defined within the meaning given by paragraph 1c of the Supplementary Provisions of the Commerce Act, as well as any opportunity which, without being an indication of direct or indirect ownership, confers the possibility of exercising decisive influence on a legal person or other legal entity in the decision-making process for determining the *composition* of the bodies responsible for the management and supervision, the transformation of the legal person, *“the cessation of the activity thereof and other matters essential for the activity thereof. In addition, exercising ultimate effective control over a legal person or other legal entity by means of exercising rights through third parties conferred, inter alia, by virtue of authorisation, contract or another type of transaction, as well as through other legal forms conferring the possibility of exercising decisive influence through third parties, shall be an indication of “indirect control”*”.

The LMML does not explicitly state that an OE must identify and take reasonable measure to verify the identity of a natural person who exercises control through other means than ownership in the circumstances included within c.10.10 (b), where there is doubt that a person with the controlling ownership interest in a legal person is a beneficial owner or (ii) no natural person is found who exercises control through ownership interest. However, this shortcoming is mitigated by the requirements of the Art. 59 (1) (2) of the LMML that requires OE to remove any doubt as to who the beneficial owner is.

(c) The BO definition includes that, where no BO (BO in the meaning of a person who either beneficially owns by holding certain percentage of shares or exercising control via other means) is identified, the natural person who holds the position of senior managing official shall be regarded as the BO.

21. **Criterion 10.11** – The BO definition at § 2 of the LMML includes that, in the case of trusts, escrow funds, foundations and other similar foreign legal arrangements, the BO shall be the settlor, trustee, protector (if any), beneficiaries or class of beneficiaries, person in whose main interest the arrangement is established and any other person exercising ultimate effective control. Art. 10 of the LMML requires OEs to identify and take reasonable measures to verify the identity of the BOs of customers. In addition, Art. 54 sets out legal measures for the identification and verification for legal persons, please see c.10.9 for more information.

22. **Criterion 10.12** – Art. 19(1) of the LMML requires insurers and insurance intermediaries to identify beneficiaries that are specifically named persons (meaning either natural or legal persons) or other legal entities that are named at the time of entering into contract; verification of beneficiaries shall take place at the time of or before the pay-out or at the time of or before the beneficiary intends to exercise its rights to payments conferred under the insurance contract. The same is applicable to beneficiaries that are designated by characteristics, by class or by other means. In both cases, verification must occur prior to payment.



23. **Criterion 10.13** – Art. 49a (1) of the LMML requires to take into consideration the beneficiary of a life insurance policy as a relevant risk factor in determining. Art. 49a (2) of the LMML explicitly requires taking enhanced CDD in the cases under Art. 49a (1) when a higher risk of ML/TF is identified. Art. 22 of the RILMML requires OEs to comply with European Banking Authority (EBA) Guidelines of ML/TF Risk Factors which includes, at Chapter 7 (Sectoral guidelines for life insurance undertakings) factors that may constitute higher risk and where enhanced CDD *may* be appropriate.
24. **Criterion 10.14** – Art. 15(1) of the LMML requires OEs to identify and verify the identity of the customer and BO(s) before the establishment of a business relationship, the opening of an account or carrying out of an occasional transaction, where applicable.
25. Art. 21 of the LMML allows for the verification of identity to be completed during the establishment of a business relationship (but not after it) provided that certain conditions are met: (1) the completion of the verification before the establishment of a business relationship, in view of the nature of the said relationship, objectively leads to an interruption of the normal conduct of the activity concerned; (2) there is low risk of ML/TF and measures have been taken to effectively manage the risks; (3) the verification must be completed as soon as possible after initial contact with the customer.
26. Art. 22 of the LMML allows for a credit institution and certain investment businesses to open an account prior to the verification of identity on condition that no operations or transactions may occur prior to verification.
27. In addition, Art. 25(2) of the LMML allows for verification of customer identity to be completed after establishing a business relationship as part of simplified CDD measures if risk-mitigating conditions are present.
28. **Criterion 10.15** – Art. 22 (2) of the LMML explicitly requires OEs to adopt risk management procedures concerning the conditions under which a customer may utilise the business relationship prior to verification.
29. **Criterion 10.16** – Art. 16 (1) of the LMML requires CDD information to be periodically reviewed and, where necessary, updated. Art. 16 (2) of the LMML requires that the databases and customer dossiers of customers and business relations shall be regularly updated and the update periods determined according to the established risks and specified in the internal rules for control and prevention of ML/TF adopted under Chapter Eight, Section 1. More frequent reviews are required for higher risk customers. Art. 15(2) of the LMML requires OEs to carry out CDD measures where there are doubts about the veracity, correctness or adequacy of identification data and in the event of a change in that data. As well as the general requirement to review CDD information, as described above, there exists an overarching requirement at Art. 98(9) to apply all LMML measures on the basis of conducted risk assessments. However, no explicit requirement exists to consider whether and when CDD measures have been previously undertaken although it would generally be a factor in risk analysis. According to Art 11 (7) of the LMML the factor regarding adequacy of data obtained is taken into account.
30. **Criterion 10.17** – Art. 35 of the LMML requires OEs to carry out enhanced CDD measures in high-risk scenarios as listed, which include conducting activity with PEPs, persons in high-risk third countries, products with high levels of anonymity, new and high-risk products, business practices and delivery mechanisms or technologies, unusual activity, correspondent relationships with a third-country credit or financial institution and all other cases identified as high risk (under Chapter Seven of the LMML) by the OEs through business wide ML/TF risk assessments, national or sectorial risk assessments.
31. **Criterion 10.18** – Section III of the LMML deals with simplified CDD. Art. 25 of the LMML states that simplified CDD measures may be carried out depending on the assessment of the potential risk

subject to various conditions that are stipulated in Art. 26. Simplified measures include identifying customers without the need to take copies of identification documents, verifying the customer's identity after establishing a business relationship, adjusting the frequency of CDD and ongoing monitoring and making assumptions regarding the purpose and nature of the business relationship and of the source of funds.

32. Art. 26 of the LMML lists conditions for use of simplified CDD measures including that the measures must be approved by the senior management of the OE and that prior notification of the use of simplified measures is provided to FID-SANS.

33. Art. 28 of the LMML allows for simplified CDD measures to be carried out where the customer is a central or local authority in Bulgaria provided that the general conditions of Art. 26 are met which includes that the activity is not identified as medium or high risk in the national risk assessment (NRA) and is identified as low risk by the OE.

34. **Criterion 10.19** – In cases where the OE is unable to comply with the CDD requirements, Art. 17 of the LMML requires that a transaction or establishment of a business relationship is not carried out, and, in the case of an existing business relationship, that the relationship be terminated. The exception to this is private enforcement agents (which do not constitute an FI or DNFBP under FATF Standards) as their function includes the execution of court decisions. Art. 17(5) further requires the OE to consider making a disclosure to FID-SANS regarding knowledge or suspicion of ML and refer to Art. 9(2) of the LMFT which requires consideration of making a disclosure regarding TF.

35. **Criterion 10.20** – FIs may not complete the CDD in cases of ML/TF suspicion when there are reasonable grounds that the completion of CDD process might tip-off the customer (LMML, Art. 22a).

### **Weighting and Conclusion**

36. Bulgaria has solid customer due diligence legal framework in place with some overall minor shortcomings: (i) it is permitted not to request certified identity documents from legal persons and arrangements provided that legal personality information can be obtained from the EU registers (c.10.9); and (ii) absence of the explicit requirements to identify and take reasonable measures to verify a natural person who exercises control through other means than ownership in the circumstances included within c.10.1 (c.10.10.). For these reasons, **R.10 is re-rated LC.**

## Recommendation 24 – Transparency and beneficial ownership of legal persons

	Year	Rating and subsequent re-rating
<b>MER</b>	2022	PC
<b>FUR1</b>	2024	PC (no upgrade requested)
<b>FUR2</b>	2025	↑ C (upgrade requested)

1. **Criterion 24.1** – Bulgaria describes the types, forms and basic features of legal persons in a variety of different pieces of legislation. The vast majority of legal forms in Bulgaria are Companies (Commerce Act (CA)), Non-Profit Legal Entities (Non-Profit Legal Entities Act (NPLEA)), Cooperatives (Cooperatives Act (CoopA)). Other legal forms include: (1) legal persons established under the National Community Centers Act or specialised national administrations and agencies established by a special normative deed (e.g. The National Agency for the State reserve and war time supplies established under the State Reserve and War time Supplies Act); (2) Certain other legal entities (which are established as joint stock companies or limited liability companies) which carry out a national function or are owned (in majority or in full) by the State are established by special legal acts (such as the Medical Establishments Act, the Public Enterprises Act, etc.) and these acts provide additional requirements as to their establishment, existence, directors, etc.

2. The types of companies referred to under Art. 64(1) of the CA are the following: 1. general partnership; 2. limited partnership; 3. limited liability company; 4. joint stock company; 5. limited stock partnership; 6. company with variable capital.

3. The process for the incorporation of each type of legal person/entity is described in the respective legal act. Additionally, the necessary documentation for their entering in the Commercial Register and the Non-Profit Legal Entities Register (CRNPLER) are listed in detail in Ordinance No 1 from 14.02.2007 for Keeping, Storage and Access to the Commercial Register and to the Register of Non-Profit Legal Entities.

4. Although the processes of incorporation vary depending on the different types of legal persons/entities, there are similarities. For example, the establishers of all of the legal persons obliged by the law to enter in the CRNPLER (except for the sole entrepreneurs) are required to convene and hold a constituent assembly the purpose of which is to establish the name, location, activity, managing body/managing bodies, type of management, capital etc. The resolutions adopted in the constituent assembly are incorporated within a Memorandum/Constitutive deed/By-Laws/Articles of Association depending on the type of legal person and it is submitted in the electronic lot of the legal person and is freely available for review and download.

5. Upon registration within the CRNPLER each legal person/entity receives randomly generated nine-digit unified identification code as well as an electronic lot.

6. The CRNPLER holds the electronic lots of the legal persons/entities. Each electronic contains information on a variety of areas:

- **General Information** - It contains information regarding but not limited to the name, the type of legal person/entity, detailed information regarding the headquarters and address of management, the activity of the company, the representatives and the method of representation /if applicable/, the term of existence /if applicable/, the special conditions /if applicable/, the amount of the capital /if applicable/ in Bulgarian Levs as well as detailed description of the non-monetary contribution /if applicable/, its monetary value, and the grounds of the contributor's rights, names of the persons as well as name and identification number for legal person/entity, partners, respectively sole owners /if applicable/ etc.

- **Liquidation** /which includes the names of the liquidator as well as the term of liquidation etc.
- **Bankruptcy and Resolutions from court proceedings regarding Bankruptcy** /containing information regarding the bankruptcy procedures such as date of insolvency, bankruptcy administrator, all of the resolutions of the court regarding the bankruptcy proceedings for the respective legal person/entity etc.
- **Preservation orders on the company shares** /information regarding the debtor, the amount of the obligation, information regarding the public enforcer managing the case etc.
- **Pledges** /over all or part of the shares or over the legal person entity/entity as a whole containing information regarding the pledge contract, its parties, the pledge creditor etc.
- **Beneficial owners** - containing information of the beneficial owners of the company.

7. Information in the different sections is publicly available. Archived information is available to registered individuals.

8. The provision for recording basic information for the legal entities provided for in the CA and for their entry in the Commercial Register is found in Art. 78; Art. 79(2); Art. 102, Art. 103; Art. 113, Art. 115; Art. 119; Art. 129; Art. 140; Art. 163; Art. 174; Art. 192a; Art. 253, Art. 260c; Art. 260d of the CA.

9. The provision for recording basic information for non-profit legal entities as well as for their entry in the Register of non-profit legal entities and for changes in circumstances is found in Art. 17–20; Art. 33–36; Art. 39; Art. 44a–44b of the NPLEA.

10. The provision for recording basic information in respect of Cooperatives is contained in the CoopA – Art. 1-2.

11. There is also more detailed information available in Bulgarian on the website concerning the registration process on each individual application, which includes specific information on document submission and information on processing applications. This information includes requirements, procedures, instructions, application samples, relevant legislation and payment methods.

12. **Criterion 24.2** – Bulgaria has assessed the ML and TF risks associated with all types of legal persons created in the Bulgaria within its updated national risk assessment of ML/TF risks (NRA), which was published in March 2023.

13. **Criterion 24.3** – All companies (all legal entities, branches of foreign legal entities, non-profit organisations (NPOs) and branches of foreign NPOs) shall be entered in the CRNPLER held by the Registry Agency (Commercial Register and Register of Non-profit legal entities Act (ACRNPLER), Articles 2(1) and Art. 4, and CA Art. 1(2) item 1). The basic information which shall be entered in the registers depends on the type of the legal entity or arrangement and is described in the respective laws and in the Ordinance No 1 from 14.02.2007 for Keeping, Storage and Access to the Commercial Register and to the Register of Non-Profit Legal Entities (OKSACRRNPLE). Basic information commonly includes company name, legal form, the address of the registered office, a list of directors or managers, capital, memorandum of association, incorporation, the statutes, etc (ACRNPLER, Articles 3a and 6(4)). This information is publicly available (ACRNPLER, Art 2a (1)).

14. **Criterion 24.4** – Companies are required to maintain (at the address of management entered in the CRNPLER) the information set out in criterion 24.3 (ACRNPLER, Art 6 (2), (4) and (5); CA, Art.1(2) item 1), and also maintain a register of their shareholders or members, containing the number of shares held by each shareholder and categories of shares (including the nature of the associate voting rights) (CA, Articles 179 and 260g). This information is maintained at location notified to the company register.

15. **Criterion 24.5** – There are mechanisms in place in Bulgaria to ensure the accuracy of basic information (CRRNPLE Act, Art. 21). The process includes a completeness check, a legality check and a check for the authenticity of the provided documents. In case of any change in the basic information in the registers, an application for entering of the changes is to be submitted within 7 days, pursuant to the general provision of Art. 6(2) of the ACRNPLER. Articles 179 and 260g of the CA also contain requirements that shareholder information is updated within 7 days of submission to the person or persons representing the company.

16. **Criterion 24.6** –

- (a) Art. 61(1) of the LMML covers the obligation of all legal persons and other legal entities incorporated within the territory of the Republic of Bulgaria and the natural contact persons to obtain, hold and provide adequate, accurate and current information on the natural persons who are the BOs thereof, including the details of the beneficial interests held by the said natural persons.

Beneficial Owner is defined in § 2 of the Supplementary Provisions to the LMML and covers any natural person or persons who ultimately owns or controls a legal person or other legal entity, and/or any natural person or natural persons on whose behalf and/or for whose account an operation, transaction or activity is being conducted. In the case of corporate legal persons and other legal entities, the beneficial owner shall be the person who directly or indirectly owns 25 percentage or more of the shares, ownership interest or voting rights in that legal person or other legal entity, including through bearer shareholdings, or through control via other means. A shareholding or an ownership interest in a legal person or other legal entity held by a legal person or other legal entity which is under the control of one and the same natural person or natural persons or by multiple legal persons and/or legal entities which are ultimately under the control of one and the same natural person/persons, shall be an indication of indirect ownership.

Art. 63(1)-(3) of the LMML and Art. 38 and Appendix 3 to the RILMML requires the entering in the CRNPLER and in the Central commercial and BO register (BULSTAT) data and information of the beneficial ownership of the legal persons and other legal entities incorporated within the territory of the Republic of Bulgaria.

Art. 63(4) of the LMML requires the data and information that shall be entered in the Registries under Art. 63(1) of the LMML.

The described data not only allow identification of the BO but also allow identification of the legal persons or other entities where direct or indirect control is exercised over the legal persons or other legal entities (Art. 63(4)(2) of the LMML), as well as allow identification of the natural contact person permanently resident within the territory of the Republic of Bulgaria, where no data on a natural person - legal representative permanently resident within the territory of the Republic of Bulgaria is entered on the record of the legal persons or other legal entities (Art. 63(4)(3) of the LMML).

Further, it is required that any change in the circumstances shall be also entered in the register (Art. 63(4)(4) of the LMML).

Also, the requirements of Articles 61 and 62 of the LMML require legal persons, other legal entities, trusts and other legal arrangements to obtain and hold adequate, accurate and current information on the natural persons who are their BOs thereof, and to provide that information to the OEs under Art. 4 LMML (for the purpose of CDD measures applied by the OEs), as well as to the financial intelligence unit and the other competent authorities (upon request).

(b) Art. 61(1) of the LMML covers the obligation of all legal persons and other legal entities incorporated within the territory of the Republic of Bulgaria and the natural contact persons to obtain, hold and provide adequate, accurate and current information on the natural persons who are the BOs thereof, including the details of the beneficial interests held by the said natural persons. This equally includes an obligation regarding the obligation of the BO of the legal persons and other legal entities established in the territory of the Republic of Bulgaria to provide to these persons and other legal entities or to the natural contact persons all the information necessary for the fulfilment of the obligations of the legal persons and other legal entities and of the natural contact persons under their reporting obligations.

(c) There are a variety of routes that Bulgaria may also obtain beneficial ownership information. In respect of information obtained by financial institutions and/or DNFBPs in carrying out CDD, Art. 61(2) of the LMML provides an obligation for all legal persons and other legal entities incorporated within the territory of the Republic of Bulgaria and the natural contact persons to provide such information to OEs under Art. 4 of the LMML (which include both FIs and DNFBPs).

FIs/DNFBPs are required under the LMML to identify the BO and to verify his/her identification (see c.10.5).

In respect of information held by other competent authorities - Art. 74(4) and 74(11), Art. 75(1) and (2), Art. 87, 88 of the LMML and Art. 9(3) and (6), Art. 9a, 9b (1) and (2) of the LMFT allows for the exchange of information between FID-SANS, supervisory authorities, law enforcement authorities, Prosecution and other competent authorities in the cases specified in these laws.

In respect of information held by the company, Art. 61 (3) of the LMML provides an obligation for all legal persons and other legal entities incorporated within the territory of the Republic of Bulgaria and the natural contact persons to provide information on their BO upon request of FID-SANS and other competent authorities and shall provide further assistance when necessary.

In respect of available information on companies listed on a stock exchange, Art. 59(4) of the LMML provides an obligation to collect ownership information on any customers which are legal persons listed on a regulated market that are subject to disclosure requirements consistent with European Union law or subject to equivalent international standards, and § 27 of the Transitional and Final Provisions of the Financial Supervision Commission Act – regarding the obligation of regulated markets to submit to the Financial Supervision Commission (FSC) a list of the individuals, including the beneficial owner.

17. **Criterion 24.7** – Art. 61(1) of the LMML provides for the obligation of all legal persons and other legal entities incorporated within the territory of the Republic of Bulgaria and the natural contact persons to obtain, hold and provide adequate, accurate and current information on their BOs. Art. 63(1)-(3) of the LMML and Art. 38 and Appendix 3 to the RILMML requires the entering in the Commercial Register, the Register of Non-Profit Legal Persons Act and in the BULSTAT Register data and information of the BO of the legal persons and other legal entities incorporated within the territory of the Republic of Bulgaria.

18. Art. 63(4)(5) of the LMML requires any changes in the data and information about the BO to be entered too, thus providing for the information and data to be up-to-date (current). Art. 63 (5) of the LMML requires to submit the documents to the declaration under para (4) from which it can be established that the natural persons specified as BO fall within the scope of the relevant definition under the Art. 2 of the supplementary provisions of the LMML.

19. Legal persons and other legal entities are obliged to submit the respective adequate, accurate and current information on their BO for entering in the Commercial Register, the Register of Non-

Profit Legal Persons Act and in the BULSTAT Register within 7-days term from their registration in the respective register (CRRNPLEA, Art. 6(2); BULSTAT Register Act (BRA), Art. 12(1)).

20. Pursuant to Art. 6(2) of the ACRNPLER and Art. 12(4) of the BRA, the deadline for submission of application for entering any changes in these registers (which includes cases referred to Art. 63(4)(5) of the LMML) is 7 days after the change.

21. When the obligation for entering of BO information in the registers was introduced, all legal entities and other legal arrangement were obliged to submit an application for initial entering of the BO information in the registers no later than 31.05.2019. All legal entities registered after 31.05.2019 (the exceptions under Art. 63(5-6) of the LMML apply) are obliged to submit the respective information within 7-days from their registration in the respective register. In any case of change in the entered information an application for entering of the changes is to be submitted within 7 days, pursuant to the general provision of Art. 6(2) of the ACRNPLER and Art. 12(1) and 12(4) of the BRA. Art. 63a of the LMML lays down the requirements and mechanism in the cases when any discrepancies in BO information were found. When the persons referred to in Art. 4 and the authorities and administrations under Art. 63 (11) of the LMML find any discrepancies between the collected BO information and BO information entered in the relevant registers about the same person, they shall notify the Registry Agency. The Registry Agency shall enter the presence of a discrepancy report on the lot of the legal person/legal entity in the CRNPLER or in the BULSTAT register and send a written notice to the respective legal person or other legal entity with the information of the need to enter for registration a change in their BO information or to present documents verifying the existence of the registered circumstances in the relevant registers. The respective legal person or other legal entity should submit an application to change the recorded circumstances regarding its BO or an application to remove the notification for reported discrepancy with the requested documents according to the Art. 63 (4) and (5) of the LMML within 7-days from the receipt or delivery of the Registry Agency notification.

22. The BO information is entered in the registers upon a notarised declaration signed by the legal person or other legal entity. The template of the declaration is provided in Appendix 3 of the RILMML. According to Art. 118 of the LMML, the sanctions for failing to report/update the BO information to the BO registers are monetary fines, see c.24.13.

23. Art. 13 (4) of the ACRNPLER requires submission of a declaration for truthfulness of the stated circumstances and this is equally contained in Art. 9 (4) of the Law on BULSTAT Register.

24. In respect of information held by FIs/DNFBPs, Art. 61(2) of the LMML requires all legal persons and other legal entities incorporated within the territory of Bulgaria and the natural contact persons to provide such information to FIs/DNFBPs. Art. 3(1), Art. 10(2) and Art. 59, 61, 64 and 65 of the LMML and Art. 37-40 and Appendix 2 to the RILMML of the RILMML requires FIs/DNFBPs to identify the BO and to verify his/her identification (see c.10.5). Art. 16 of the LMML requires FIs/DNFBPs to keep this information current and the databases and customer dossiers shall be regularly updated.

25. **Criterion 24.8** – Art. 63(4)(3) of the LMML requires the legal entity to record in the relevant register data on a natural contact person permanently resident within the territory of the Republic of Bulgaria and correspondent address within the territory of the Bulgaria if no data on a natural person – legal representative is entered on the record (notarised consent to this recording is required). That person is required by Art.61(3) of the LMML to provide the FID-SANS and competent authorities with beneficial ownership information as outlined in Art.61(1) of the LMML and further assistance when necessary.

26. **Criterion 24.9** – Art. 3(3) of the LMML and Art. 67(1) of the LMML requires FIs/DNFBPs to keep all documents, data and information collected and prepared for a period of five years. This is calculated

from the termination of the business relationship (in case of established business relationships) and from the completion of the transaction (in case of occasional transactions). The documents must be to be retained so as to be available to FID-SANS, to the relevant supervisory authorities and to auditors. Art. 67 (8) and (9) of the LMML require to retain the data and information under Art. 61 (1) and (2) for a period 5 years after the termination of the legal persons, other legal entity, trust, escrow fund or other similar foreign legal arrangement as well as all persons who perform activities in connection with the termination of the above-mentioned entities.

27. Art. 11 (5) of the ACRNPLER and Art. 25 (2) of the BRA require that information about BOs under Art. 63 (1) and (4) of the LMML and information about the closed/deleted person, stored in ACRNPLER (namely in the commercial register and non-profit legal entities register) and in BULSTAT Register, remains accessible for a period 10 years after their closure or deletion.

28. **Criterion 24.10** – Art. 63(8)(1) of the LMML grants direct access to the FID-SANS and other competent authorities to basic and beneficial ownership information in the respective registrars. That information is then transferable between competent authorities; Art. 61(3) of the LMML provides for the access of the FID-SANS and other competent authorities to beneficial ownership information held by the legal persons established in Bulgaria upon request.

29. The BULSTAT Register and the Commercial register and Register of Non-Profit Legal Persons (which contain both basic and BO information) are public and the access is unrestricted. All public authorities, including the FIU, and third parties are able to check the information entered therein. There is no requirement for the requestor to demonstrate legitimate interest in order to access the information and there are no mechanisms or obligation provided for the Registry agency to report or inform the entity concerned that such check is done. As far as the registers are electronic, the available information is adequate and current up to the time of the check made. Upon request, the Registry Agency may provide for certified paper copies of the information entered and the documents attached to the legal entities' files.

30. There are a series of other powers under the LMML for the FID-SANS to request information from state bodies and municipal authorities (Art. 74(4) and (11) of the LMML and Art. 9(3), (6) and (10) of the LMFT); FID-SANS to request all types of information by OEs, incl. BO information (Art. 74(1) - (3) and (11) of the LMML and Art. 9(3), (6) and (10) of the LMFT), for FID-SANS to request information for the performance of its supervisory functions (Art. 108(3), 109(1)( 2-3) and 4 and Art. 111 of the LMML and Art. 14a of the LMFT) and obligations for obligation for entities under Art. 4 to provide requested information in respect of requests.

31. Art. 159 of the CCP and Ordinance RD-04-91/07.03.2019 of the Prosecutor General adds that in addition to having access to all public registers, for the needs of the investigation of criminal cases Prosecutors Office (PO) may request any documents (Art. 159 CCP) from the Registry Agency regarding the basic and beneficial ownership information. Prosecutors also have the opportunity to receive information and documents that are in the electronic files of commercial entities, outside the publicly accessible part of the Commercial Register, through specially designated in the PO employees with qualified electronic signatures, Ordinance RD-04-91/07.03.2019 of the Prosecutor General.

32. **Criterion 24.11** –

- (a) Legislation provides for elimination of the possibility for the joint stock companies and for the partnership limited by shares to continue to issue bearer shares or substitute interim certificates; Art. 178 of the Commercial Law and §11-14 of the Law on Amendment to the Commercial Law (SG № 88 from 2018, effective from 23.10.2018). In accordance with the Art. 167(1) of the Commerce Act, interim certificates, that can be issued by a Joint-stock company to



its shareholders before the issuance of the shares, entitles the shareholders to receive their stocks upon presentation of interim certificates.

- (b) Bearer shares issued prior to the entry into force of the law shall be replaced by registered shares. Within nine months of the entry into force of the law, companies that issued bearer shares or substitute interim certificates shall amend their Articles of Association, replace the bearer shares or substitute interim certificates with registered shares, start keeping Books of shareholders, declare the changes and submit the amended Articles of Association in the Commercial Register for announcing. If a shareholder does not submit the bearer shares owned or substitute interim certificates for replacement, the company invalidates the shares. The companies that do not comply with the abovementioned requirements or have been subject to refusal for recording of the declared changes shall be terminated pursuant to Art. 252(1)(4) of the Commercial Law with decision by the Court upon a request filed by the prosecutor. The already incorporated companies were required to convert bearer shares with registered ones by 23.07.2019.

The Registry Agency monitors the companies that have failed to transform its shares into registered shares; §13 of the Act for amendments in the Commercial Act. Bulgaria has introduced a mechanism to oblige companies that have issued bearer shares to replace them to registered shares within a specific period. The Registry Agency sent 7 lists of the companies, which have failed to fulfil their obligation under Art 11 of the TCP of the LA of CA and had not pending proceedings initiated by an application for entry of changes in the commercial register, to the Prosecutor's office for filling claims in accordance with Art. 252 (1)) of the CA in the period 2021 – 2024. There were no companies with bearer shares that have not replaced their shares with registered shares or have not been terminated by the court to October 2024.

(c) Not applicable (N/A).

(d) (N/A).

33. **Criterion 24.12** – The register was established which is mandatory for Trust and Company Service Providers (TCSPs), whose activities under ART. 4 item 16 of the LMML include nominee shares and nominee directors pursuant to Art. 9b of the LMML. Pursuant to Art. Art 9b of the LMML the person that carry out activities under Art. 4 item 16 of the LMML should be entered in a public electronic register with the Minister of Justice within the scope of required data and information (Art. 9b (3) of the LMML). The registered persons shall notify about occurrence of changes within 14-days of their occurrence. The sanction for any person, who or which perform by occupation any of the activities under item 16 of Art. 4 of the LMML, without being entered in the register under Article 9b included are listed in the Art. 116a of the LMML. The fines referred to Art. 116a (1 item para 1) (item of para 2) (item 1 para 3 and para 4) of the LMML shall be also imposed on any person who manages and represents a person referred to in Art.4 of the LMML, as well as on any person who is responsible for the exercises the internal control over compliance with the obligation of a person referred to in Art. 4 of the LMML, where the said persons have committed or have allowed the commission or have participated in the commission of a violation Art. 116a of the LMML according the Art. 116 (5) of the LMML.

34. **Criterion 24.13** – Bulgaria has a series of administrative sanctions under Chapter 10 of the LMML that can be imposed on OEs and on any person who manages and represents a FI/DNFBP; for more information on sanctions for non-compliance with the preventive measures by the OEs see analysis under R.35.

35. Sanctions for non-compliance with the requirements at Art. 61-63a of the LMML on provision of beneficial ownership information are stipulated under Art. 118 of the LMML. These include under Art.

118(1) - fines ranging from BGN 1000 to 10 000 (approx. EUR 500 to 5 000) for legal persons and sole traders; fines ranging from BGN 500 to 5 000 (approx. EUR 250 to 2 500) for natural persons. Fines can be increased for repeated and systemic violations: (i) for natural persons – ranging from BGN 1 000 to BGN 10 000 (approx. EUR 500 to 5 000) for repeated violations and BGN 2 000 to 20 000 (approx. EUR 1 000 to 10 000) for systemic violations; (ii) for legal persons and sole traders - ranging from BGN 2000 to 20 000 (approx. EUR 1 000 to 10 000) for repeated violations and BGN 5 000 to 50 000 (approx. EUR 2 500 to 25 000) for systemic violations; (Art. 118(2), Art. 118(3) of the LMML). In addition, to convince the perpetrator to fulfil his/her obligation for submission of application for entering of BO information. Pursuant the Art. 118 (4) of the LMML any natural and legal persons and other legal entities, who or which, does not fulfil its obligations to request entry of the data under Art. 63(4) or Art. 63a(4) within the term, shall be punished with a fine, if he/she is natural person, or with a pecuniary penalty, if it is a legal person, in the amount of BGN 5000. According to the Art. 118(5) of the LMML shall be imposed a new fine or pecuniary under para 4 every month until the entry is requested, on any legal or natural person who or which, after being sanctioned under para 4, fails to request entry until the expiry of one month from the imposition of the fine or pecuniary penalty. This is applied in cases in which, after being sanctioned by a fine or by a pecuniary penalty under Art. 118(4) of the LMML for failing to fulfil an obligation to declare a recording under Art. 63(4) of the LMML, the person fails further (or continuously) to declare the said data for recording within the set time limit.

36. Further, there are also specific sanctions under Art. 118(4) of the LMML for any person Art.118(6) of the LMML for contact persons (BGN 100 (approx. EUR 50) or exceeding this amount but not exceeding BGN 1 000 (approx. EUR 500) and in the case of repeated violation, to a fine of BGN 200 (approx. EUR 100) or exceeding this amount but not exceeding BGN 2 000 (approx. EUR 1 000). Penalties under Art. 40 of the ACRNPLER and Chapter VI of the BRA can be imposed for non-executing the obligation for entering basic information and further changes in it in the registers (Art. 40 (1) and (5) of the Commercial register and register of non-profit legal entities (CRRNPLEA) – fine from BGN 1000 to BGN 5000 and for violation of an Art. 23 para 6 of the CRRNPLEA fine from BGN 500 to BGN 1000; Art. 45(1) and (2) of the BRA – from BGN 1000 to BGN 5000 and at repeated commitment of the breach the penalty shall be extent from BGN 5000 to BGN 10 000). The sanctions are proportionate and dissuasive.

**37. Criterion 24.14 –**

- (a) The BULSTAT register and the Commercial register and Register of Non-Profit Legal Persons are public and access is unrestricted. These registers contain both basic and BO information. All domestic and foreign authorities are able to check the information entered therein. There is no requirement for the requestor to demonstrate legitimate interest in order to access the information and there are no mechanisms or obligations provided for the Registry agency to report or inform the entity concerned that such check is done. As far as the registers are electronic, the available information is adequate and current up to the time of the check made.

The Registry agency is currently developing the new system in collaboration with the other EU member states and with the European e-Justice Portal, called BORIS – Business Ownership Registers Interconnection System. The users will access BO Registers in other Member States via the European e-Justice Portal (BORIS) with their own national electronic identification schemes (eIDs). BORIS will allow users to acquire products that are provided by the MS BO registers.

The FID-SANS has the same information gathering powers for the purpose of providing assistance to its foreign counterparts as it has for the performance of its functions for analysis domestically. All documents, data and information available and/or gathered by FID-SANS (from other authorities, OEs under Art. 4 of the LMML, legal persons or other legal entities themselves

under Art. 61(3) of the LMML, as well as information accessible in the CRRNPLE and the BULSTAT Register) can be and is regularly shared with foreign counterparts.

The BNB information exchange concerns predominantly the fit and proper issues of shareholders/acquisitions in credit institution/other financial institution, observations from AML/CFT inspections or notifications linked with establishing a branch in other EU MS or conducting AML/CFT inspection.

The FSC also exchanges information with wide range of countries. Pursuant to Art. 25(6) FSCA, information constituting professional secret may be provided to a foreign authority of a third country exercising financial supervision. According to the Art. 13(1)(25) of the FSCA, the FSC cooperates with the European Commission, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority, the European Banking Authority and the European Systemic Risk Board and provides them the information necessary for the performance of their duties, including the prevention of the use of the financial system for the purpose of money laundering and terrorism financing.

- (b) Art. 90(1) and (7) of the LMML and Art. 14 of the LMFT allows international exchange of information performed by the FID-SANS. Art. 74 of the LMML and Art. 9(3) and (6) of the LMFT provides the power for FID-SANS to access information held by OEs and state bodies and municipal authorities and the equal powers for FID-SANS, regardless of if the information is needed for the domestic analysis of suspicious transaction report (STR) or information on ML/TF or associated predicate offence received from a state body, or for the purpose of answering requests from foreign counterparts.

As outlined in c.24.13, the FID-SANS, BNB and FSC all regularly provide and seek international co-operation which includes information on shareholders.

Please refer also to information provided in c. 29.3 and c. 40.11.

- (c) Art. 74 of the LMML and Art. 9(3) and (6) of the LMFT permits the FID-SANS to access information held by OEs and state bodies and municipal authorities and the equal powers for FID-SANS, regardless if the information is needed for the domestic analysis of STR or information on ML/TF or associated predicate offence received from a state body, or for the purpose of answering requests from foreign counterparts (please refer also to information provided under c.29.3 and c.40.11).

In response to a European Investigation Order or a request for legal assistance, the competent authorities of the PO may obtain any information by the means referred in c.24.10 on legal and non-profit entities, including beneficial ownership for the provision of foreign states.

The FSC have powers under Art. 13(1)(23-26) and Art. 25(4)-(6) of the FSCA in respect of international co-operation. Art. 257 and 262(2)(1) of the MFIA allows the provision by the FSC of information to competent authorities of EU member states. Art. 258 of the CISOU CIA allows the provision by the FSC of information to competent authorities of EU member states. Art.100z(1) and (3) of the POSA allows for the provision of information by the FSC to competent authorities of EU member states; see also c.37.8 and c.40.8).

38. **Criterion 24.15** – Although there are no explicit legal provisions for monitoring the quality of assistance in respect of international exchange for basic and beneficial ownership information or requests for assistance in locating BOs residing abroad, in practice this is ensured.

39. Bulgaria advised that the Registry Agency, which keeps and maintains the commercial register and the register of non-profit legal entities, as well as the BULSTAT register, both containing basic information and BO information, have never been contacted with a request from any other country

for international exchange to provide basic or BO information concerning a legal entity/legal formation that is entered in the registers. All the necessary information is available to other parties/countries through the fact that the aforementioned registers are public and the information in them is accessible 24/7 from Bulgaria and abroad free of charge. Applicants that file applications for entry in the registers basic or BO information are required under the law to present documents which needs to contain basic or BO information of foreign legal entities. In cases where further information as compared to the data that is registered/available for public access is needed, the legal basis for exchanging this information with other parties exists.

40. Relevant agencies involved in basic and beneficial ownership exchange (e.g. the Registry Agency, FID-SANS and MoI) have established contact points in order to monitor the exchange of information (e.g. designated contact people, emails and phone numbers). In the case of FID-SANS, this is required by law (LMML, Art. 94(5)).

### **Weighting and Conclusion**

41. All criteria under R.24 are met. Therefore, **R.24 is re-rated C.**

## Recommendation 28 – Regulation and supervision of DNFBPs

	Year	Rating and subsequent re-rating
<b>MER</b>	2022	PC
<b>FUR1</b>	2024	PC (no upgrade requested)
<b>FUR2</b>	2025	↑ LC (upgrade requested)

1. In the 2022 MER, Bulgaria was rated PC with R.28. Following shortcomings were identified: (i) beneficial ownership threshold regarding entry controls for casinos and gambling operators was higher than permitted by the standard and entry controls checks did not cover criminal associations (c. 28.1b); (ii) there were no market entry controls with a view to prevent criminals from entering the market exist for real estate agents and TCSPs, and there were very limited controls for accountants/auditors (c. 28.4); (iii) the entry controls did not include criminal association or impose conditions regarding the ownership, control or management in DNFBPs other than casinos/gambling operators (c. 28.4); (iv) regulatory processes regarding risk-based supervision of DNFBPs by FID-SANS were under development, thus compliance with c.28.5 could not be demonstrated.

2. **Criterion 28.1** – The preventative measures of LMML apply to OEs, which are defined at Art. 4 of the LMML and include both FIs and DNFBPs. Listed at item 21 are the organisers of gambling games, licenced to organise gambling games within the territory of the Republic of Bulgaria pursuant to the Gambling Act.

### (a) *Licensing of casinos and gambling entities*

“Gambling” is defined at Art. 2 of the Gambling Law as “*a game of chance whereupon a wager is made and there may be either a winning or a loss of the wager*”. Matters regulated under the Act include the issuing, extending, revocation and termination of licences regarding the organisation of gambling games and of gambling equipment. Art. 3 of the Gambling Law prohibits persons from conducting gambling activities without the licence issued by the Director or Deputy Director of the National Revenue Agency (NaRA). Sanctions may be imposed for organising gambling games or carrying out such activities without a license (Gambling Law, Art.96(1)), which range from BGN 5 000 (approx. EUR 2 500) until BGN 2 000 000 (approx. EUR 1 022 614).

### (b) *Gambling licence entry controls*

Licence shall not be granted where an owner, partner or shareholder with qualified interest, manager, member of a management or controlling body of a company or non-profit legal entity have been found guilty of a crime, except where officially rehabilitated (Gambling Law, Art. 8). “*Partner or shareholder with qualified participation*” is a person, who possesses more than 25% of the company shares, or stocks and (§ 1. Item 18 of the Supplementary Provisions of the Gambling Act). The requirements extend to both, criminals and their associates (Gambling Act, Art. 8).

### (c) *Gambling AML/CFT supervision*

The organisers of gambling games, licensed to organise gambling games within the territory of the Republic of Bulgaria pursuant to the Gambling Act are supervised by the FID-SANS and NaRA either individually or jointly with respect to compliance with AML/CFT measures including TFS related to TF (LMML, Art. 4, item 21 and Art. 108; LMFT, Art 14a).

3. **Criterion 28.2** – Art. 108(1-2) of the LMML designates FID-SANS as the control authority responsible for ensuring that OEs comply with the AML/CFT requirements. As described in c.22.1, “Obligated entities” as listed in Art. 4 are broadly equivalent to the FATF definition of DNFBP (see c.22.1 for details).

4. **Criterion 28.3** – All categories of DNFBPs are subject to systems for monitoring compliance with AML/CFT requirements set out under the LMML, Rules on Implementation of the Law on State Agency for National Security (RILSANS) and LMFT.

5. Pursuant to the amendments of Art. 16 of the LMFT (SG No. 84/2023) the supervisory authorities (FID SANS, BNB, FSC, NaRA, and CRC) have the powers to verify compliance with the requirements of LMFT by the OEs, and to sanction the established violations. Measures under LMFT include (Art. 3, 4b) compliance with UNSC resolutions regarding TFS related to TF.

6. **Criterion 28.4** –

(a) FID-SANS supervisory powers under the LMML and LMFT described under R.26 and R.27 are equally applicable to all categories of DNFBPs.

(b) DNFBPs are subject to entry controls that prevent criminals or their associates from being professionally accredited or holding (or being the BO of) a significant or controlling interest or holding a management function in a DNFBP (LMML, Art.9d). These include relevant fit and proper checks for legal professionals, trust and company service providers (TCSPs), real estate agents, virtual asset service providers (VASPs) and providers of safekeeping. Dealers in precious metals and stones are not OEs (see c.22.1(c) for details).

(c) Art. 253b of the Criminal Code provides sanctions of imprisonment up to three years and fine of 1000 - 3000 leva (approx. EUR 500 – 1500) for officials who violates the provisions of the LMML or the LMFT, if the offence committed does not constitute a more serious offence. Administrative penalties are available for the breach of AML/CFT obligations in range of 1000 – 10 000 leva for the natural person and up to 10 000 000 leva for the legal person depending on the violation and the gravity of the breach (LMML, Chapter X; LMFT, Art.15). However, some deficiencies remain: (i) increasing sanctions on senior managers and directors and (b) increasing sanctions for maximum amount of fine for TF TFS.

7. **Criterion 28.5** – Supervisors are required to carry out supervision using a risk-based approach (LMML, Art. 108(6), which shall consist of:

(a) determining the frequency and intensity of AML/CFT supervision of DNFBPs on the basis of the FID-SANS understanding of the ML/TF risks, taking into consideration the characteristics of the DNFBPs, in particular their diversity and number (LMML, Art. 114 (1)(1) and (3)).

(b) taking into account the ML/TF risk profile of those DNFBPs, as the degree of discretion allowed to them under risk-based approach, when assessing the adequacy of the AML/CFT internal controls, policies and procedures of the DNFBPs (LMML, Art.114 (2) and (3)).

8. Regarding gambling, a Joint Instruction on the Terms and Procedure for Conducting Joint On-the-Spot Checks exists between FID-SANS and the NaRA. The Instruction (Instruction on the procedure for carrying out joint inspections on-site under Art, 108, para. 4 on the Law on measures against money laundering by the financial intelligence directorate of State agency for national security and the NaRa) defines a co-ordinated approach to AML/CFT supervision for gambling service providers, as well as that compliance with LMFT requirements is also covered by the instruction.

### **Weighting and Conclusion**

9. Some deficiencies remain under c.28.4(c): (i) increasing sanctions on senior managers and directors and (b) increasing sanctions for maximum amount of fine for TF TFS. **R.28 is re-rated LC.**

### Recommendation 34 – Guidance and feedback

	Year	Rating and subsequent re-rating
<b>MER</b>	2022	PC
<b>FUR1</b>	2024	PC (no upgrade requested)
<b>FUR2</b>	2025	↑ C (upgrade requested)

1. In the 2022 MER, Bulgaria was rated PC with R. 34. Following deficiencies were identified: (i) the FID-SANS published guidance was generic and not tailored to specific FI/DNFBP types; (ii) very limited consolidated feedback was being provided by the FID-SANS to the OEs to assist them in detecting and reporting suspicious transactions; (iii) guidance on specific red flags had been provided only to banks, other sectors have not been covered; (iii) there were no guidance other than links to European Guidance published by the BNB, FSC, NaRA or CRC; (iv) No outreach was carried out by the NaRA or CRC either independently or jointly with the FID-SANS.

#### 2. **Criterion 34.1 –**

##### *Legal basis*

3. In respect of Guidelines and feedback in applying national AML/CFT measures, Art. 32(e)(7)(21) of the RILSANS provides for general outreach activities of the FID-SANS to OEs; Art. 32e(7)(22) of the RILSANS provides for methodological assistance of the FID-SANS to OEs; Art. 32e(7)(29) provides for the publishing of the annual report of the FID-SANS in its capacity of FIU, which contains both kind of summarised feedback and general guidance on AML/CFT issues.

4. Furthermore, in accordance with Art. 72(4) of the LMML, FID-SANS provides information to OEs regarding the reports they have submitted. On this ground Methodological Guidelines for Preliminary and In-Depth Analysis of Notifications Received under Art. 72 and 88 of the LMML and Art 9(3)(6) of the LMFT have been adopted by FID-SANS.

5. The BNB also has a legal basis for issuing guidance regarding corporate governance of banks under Art. 73(4) of the Law on Credit Institutions (LCI) which includes systems for ML prevention; as well as guidance stemming from the guidelines, recommendations and other measures of the EBA which also might include AML/CFT matters.

##### *Guidance issued*

6. FID-SANS published various guidance documents on its website, including the application of AML/CFT measures (covering ML and to a lesser extent TF and TFS), changes to AML/CFT laws, identifying and reporting suspicious transactions, and treatment of NPOs.

7. With the introduction of the specialized software goAML, the FID-SANS developed guidance material for OEs in relation to their reporting obligations, including a list of approximately 410 indicators (red flags), either relevant for all types of OEs or for specific sectors. These indicators relate to systematic focus areas, e.g. types of transactions, natural and legal persons, etc., and also cover horizontal indicators (e.g. red flags related to TF, PEPs, misuse of legal entities) as well as sector specific indicators (e.g. red flags included in Guidelines for Currency Exchange Bureaus).

8. In 2016 and 2017, the FID-SANS issued very specific guidance on red flags regarding TF financing activities and distributed it to banks. In 2021, the FID-SANS issued three guidance documents regarding risk indicators for corruption (incl. PEPs), trade-based money laundering and complex corporate structures.

9. In 2023 and 2024, several sector specific guidelines have been adopted (e.g. real estate, currency exchange, Virtual Asset Service Providers (VASPs)). Besides the FID-SANS, also other competent

authorities developed guidelines for the OEs under their competence, namely the BNB (e.g. guidelines on indicators, beneficial ownership, business wide and customer risk assessment, remote onboarding, de-risking), NaRA (on customer identification, beneficial ownership, origin of funds, PEPs) and the CRC (guidelines on information that is required by CRC, on their questionnaire for OEs and on the prevention of ML/TF and guidelines for entities applying for the issuance of individual licenses for the provision of postal money orders). NaRA and CRC also developed a dedicated AML/CFT section on their respective websites.

10. A large number of European Supervisory Authority (ESAs) guidance papers have been published that are applicable to larger or smaller extent to FIs in Bulgaria. On the basis of provisions of the LMML some provisions of the ESAs guidance are legally binding. Banks are legally required under Art. 74a LCI to comply with EBA guidelines and are subject to sanctions for non-compliance under Art. 103(1).

#### *Outreach activities*

11. Throughout the reporting period, the FID-SANS has conducted or participated in a number of trainings for OEs and representative groups covering a large proportion of FIs and DNFBPs.

12. The BNB conducts regular meetings either independently or jointly with FID-SANS and the AML/CFT units of supervised entities. Experts also participate in workshops and seminars and the Bulgarian National Bank Specific Supervisory Directorate of the Banking Supervision Department holds annual meetings with the Association of Banks in Bulgaria (which continued remotely during the Covid-19 pandemic) and issues circulars to supervised entities regarding particular issues and topics including circulars to banks regarding bitcoins, binary options and fraud schemes (2014-16), Luanda leaks, UNSC resolutions, OFAC designations of Bulgarian persons (2021) and new EBA Risk Guidelines (2021). The BNB also provides guidance to OEs on an ad hoc basis when requested.

13. The FSC has provided AML/CFT trainings including joint training sessions with FID-SANS in 2016 and has established a platform whereby information and educational materials are uploaded and made available to OEs. The FSC also provides consultations to OEs on an ad hoc basis when requested and provides guidance and recommendations through its inspection process.

14. Despite not being AML/CFT supervisors, both the Supreme Bar Council and the Notaries Chamber provide training and outreach for members. Lawyers are required to participate in annual trainings by the Supreme Bar Council which includes trainings on LMML requirements. The Notaries Chamber has provided a total of 15 training seminars with AML/CFT focus in 2018-2020.

15. Outreach activities comprised several events for a targeted audience (e.g. payment institutions and electronic money issuers, postal services for postal money orders, lawyers, auditors, accountants, real estate agents, reporting obligations for DNFBPs, meetings with the banking sector on new guidelines and specific topics, such as correspondent banking and NPOs in the role of customers). The relevant risks are a constant topic of outreach activities and guidance materials (e.g. summaries available at FID-SANS' website, TSI Project for DNFBPs, training for postal money order (operators), lawyers, Securities sector, Notaries, Lawyers, NPOs). These activities enhance the OE's understanding of risk and their role in the mitigation of these risk through the fulfilment of their obligations.

16. The supervisory authorities have prepared several documents on guidance to different types of OEs. Several outreach activities have been carried out by them, mostly jointly with the FID-SANS, in order to raise awareness and promote guidance materials. These activities horizontally aim at raising the awareness and understanding of ML and TF risk throughout all sectors. Besides that, the materials produced have been tailored both in a manner to address sector specific issues (e.g., Guidelines for real estate agents, Guidelines for Currency Exchange Bureaus, Guidelines for VASPs, specifically for the Banking sector: Remote On-Boarding, De-Risking and Financial Inclusion) and to address horizontal AML topics (e.g., Guidelines on measures against TF, Guidance for Submission of STRs,



Politically Exposed Persons, Targeted Financial Sanctions). The various trainings and seminars carried out in 2023 and 2024 reflect an engagement of the FID-SANS and the respective supervisors across all relevant sectors of OEs, and also NPOs.

#### *Feedback*

17. In respect of feedback on reporting suspicious transactions: Art. 72(4) of the LMML and Art. 9(7) of the LMFT states that the FID-SANS shall provide FIs and DNFBPs with feedback related to the filing of STRs. The FID-SANS has developed both a *Sample Template for STRs* (Art. 72(8) of the LMML and Art. 51 and 52 of the RILMML) and “*Guidelines on reporting under LMML and LMFT*” published in the section “Guidelines” of FID-SANS website.<sup>7</sup> The FID-SANS in its FIU capacity also produces an annual report on its activities.<sup>8</sup> These reports contain sections on ML trends and a few case studies (e.g., the report of 2023 contained 2 case studies; the report of 2022 – 3 case studies).

18. In 2024, the FID-SANS adopted *Methodological Guidelines for Preliminary and In-Depth Analysis of Notifications Received* under Art. 72 and 88 of the LMML and Art 9(3)(6) of the LMFT. These Guidelines foresee two types of feedback, namely (i) specific feedback in relation to a concrete STR, and (ii) general feedback related to a concrete OE, including a description of characteristics of the submitted STRs, and of correspondence with established ML/TF risks (linked to NRA, Virtual Assets and VASPs and TF in the NPO sector).

19. FID-SANS also publishes on its website list of the imposed sanctions for non-compliance including the relevant legal provisions that were breached.

#### **Weighting and Conclusion**

20. All requirements under R.34 are met. **R.34 is re-rated C.**

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7. Available at <https://www.dans.bg/en/80>. <https://www.dans.bg/en/83>.

8. Available at <https://www.dans.bg/en/85>.

## Annex B: Summary of Technical Compliance – Deficiencies underlying the ratings

Recommendations	Rating	Factor(s) underlying the rating <sup>9</sup>
6. Targeted financial sanctions related to terrorism and terrorist financing	PC (MER) <b>C (FUR2 2025)</b>	<ul style="list-style-type: none"> <li>All criteria are met.</li> </ul>
10. Customer due diligence	PC (MER) <b>LC (FUR2 2025)</b>	<ul style="list-style-type: none"> <li>It is permitted not to request certified identity documents from legal persons and arrangements provided that legal personality information can be obtained from the EU registers (c 10.9.).</li> <li>Absence of the explicit requirements to identify and take reasonable measures to verify of a natural person who exercises control through means other means than ownership in some circumstances (c.10.10.).</li> </ul>
24. Transparency and beneficial ownership of legal persons	PC (MER) <b>C (FUR2 2025)</b>	<ul style="list-style-type: none"> <li>All criteria are met.</li> </ul>
28. Regulation and supervision of DNFBPs	PC (MER) <b>LC (FUR2 2025)</b>	<ul style="list-style-type: none"> <li>Following deficiencies remain: (i) increasing sanctions on senior managers and directors and (b) increasing sanctions for maximum amount of fine for TF TFS.</li> </ul>
34. Guidance and feedback	PC (MER) <b>C (FUR2 2025)</b>	<ul style="list-style-type: none"> <li>All criteria are met.</li> </ul>

9. Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.

## GLOSSARY OF ACRONYMS

ACRNPLER	Commercial Register and Register of Non-profit legal entities Act ()
AML	Anti-money laundering
AML/CFT	Anti-Money laundering/Counteracting financing of terrorism
Art.	Article
BGN	Bulgarian lev
BNB	Bulgarian National Bank
BO	Beneficial owner
BULSTAT	Central commercial and BO register
BRA	BULSTAT Register Act
C	Compliant
CDD	Customer due diligence
CRNPLER	Commercial Register and the Non-Profit Legal Entities Register
CRRNPLEA	Commercial register and register of non-profit legal entities
CFSP	Common Foreign and Security Policy
CFT	Combating the financing of terrorism
DNFBP	Designated non-financial businesses and professions
EC	European Commission
EBA	European Banking Authority
ESA	European Supervision Authority
EU	European Union
EUR	Euro
FATF	Financial Action Task Force
FI	Financial institution
FID-SANS	Financial Intelligence Directorate of State Agency for National Security
FIU	Financial Intelligence Unit
FSC	Financial Supervision Commission
LC	Largely compliant
LCI	Law on Credit Institutions
LMFT	Law on the Measures Against the Financing of Terrorism
LMML	Law on the Measures Against Money Laundering
MER	Mutual Evaluation Report
MFA	Ministry of Foreign and Political affairs
ML	Money Laundering
MoI	Ministry of Interior
NC	Non-compliant
NPO	Non-profit organisation
NRA	National Risk Assessment
NaRA	National Revenue Agency
OE	Obligated entity
PC	Partially compliant
PEP	Politically exposed person
PO	Prosecutors Office
RILMML	Rules on Implementation of the Law on the Measures Against Money Laundering

R.	Recommendation
RILSANS	Rules on Implementation of the Law on State Agency for National Security
SANS	State Agency for National Security
STR	Suspicious transaction report
TC	Technical compliance
TCSP	Trust and Company Service Provider
TF	Terrorist financing
TFS	Targeted financial sanctions
UN	United Nations
UNSCR	United Nations Security Council Resolution
VASP	Virtual Assets Services Provider

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June 2025

## Anti-money laundering and counter-terrorist financing measures - **Bulgaria**

### **2nd Enhanced Follow-up Report & Technical Compliance Re-Rating**

This report analyses Bulgaria's progress in addressing the technical compliance deficiencies identified in the May 2022 assessment of their measures to combat money laundering and terrorist financing and in subsequent follow-up report.

Follow-up report