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# Joint European Commission and Council of Europe TSI Project: "Enhancing the capabilities for risk-based AML supervision

**Project Public Brief**

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| Project title | Enhancing the capabilities for risk-based AML supervision and financial intelligence in Bulgaria (23BG03) |
| Project area | Bulgaria |
| Budget | 583,333 EUR |
| Funding | European Commission SG REFORM (90%) and Council of Europe (10%) |
| Implementation | Economic Crime and Cooperation Division |
| Duration | 27 months (1 September 2023 – 30 November 2025) |

## 1. Background and context

The Technical Support Initiative for Bulgaria was launched with the aim of strengthening the supervisory and financial intelligence capacities of the Financial Intelligence Directorate under the State Agency for National Security (FID-SANS). The initiative was developed in response to the findings of the 2022 MONEYVAL Fifth Round Mutual Evaluation Report on Bulgaria[1].

Recognising the importance of addressing these findings, Bulgaria has been working closely with international partners, including the Financial Action Task Force (FATF), to implement a comprehensive Action Plan designed to address identified deficiencies and reinforce the country's overall anti-money laundering and countering financing of terrorism (AML/CFT) effectiveness. The project rapidly adapted to support Bulgaria in fulfilling its commitments under the FATF Action Plan, providing targeted technical assistance and capacity-building activities to assist with these ongoing reform efforts.

## 2. The beneficiary authority

The primary beneficiary and requesting authority for this technical support project was the Financial Intelligence Directorate of the State Agency for National Security.

FID-SANS serves as Bulgaria's Financial Intelligence Unit (FIU) and plays a pivotal and proactive role in the country's AML/CFT regime. As an administrative-type FIU, FID-SANS is responsible for receiving, storing, analysing, and disseminating financial information in accordance with the Law on Measures against Money Laundering (LMML), the Law on the Measures against the Financing of Terrorism and the Proliferation of Weapons for Mass Destruction (LMFTPWMD , and the Law on the State Agency for National Security (LSANS). In addition to its core intelligence functions, FID-SANS is actively engaged in the development of Bulgaria's AML/CFT policy, participating in working groups and projects that shape

[1] MONEYVAL (2022), Fifth Round Mutual Evaluation Report of Bulgaria, May 2022, available at www.coe.int, accessed on 27 March 2026.

national legislation and periodic risk assessments. Furthermore, FID-SANS acts as the primary AML/CFT supervisor for obliged entities under the LMML, overseeing the effective implementation of relevant laws, regulations, and supervisory standards to ensure compliance and safeguard the integrity of the Bulgarian financial system.

## 3. Identified needs and strategic priorities

The 2022 MONEYVAL evaluation of Bulgaria identified several areas where further improvements could enhance the effectiveness of Bulgaria's AML/CFT framework. Foremost, it highlighted the need to strengthen supervision of emerging and non-financial sectors, including virtual asset service providers (VASPs), postal money order (PMO) providers, and designated non-financial businesses and professions (DNFBPs). The report also called for increasing both the technical and human resources available to FID-SANS, and improving the quality of suspicious transaction reports, particularly those related to terrorist financing. It emphasised that enhancing the effectiveness of financial intelligence is closely linked to raising awareness among obliged entities and fostering greater supervisory engagement.

Furthermore, MONEYVAL encouraged Bulgarian authorities to establish and implement a monitoring mechanism to prevent misuse of NPOs for terrorist financing, and stressed the importance of strengthening capacities for parallel financial investigations in all terrorism-related cases.

To address these gaps, the strategic priorities for the beneficiary institutions focused on several key areas:

- Enhancing risk-based supervision, particularly of DNFBPs, VASPs, and other high-risk sectors, through improved methodologies and capacity-building.
- Building analytical and operational capacity within FID-SANS, including training on operational and strategic financial analysis, data mining and open-source intelligence (OSINT).
- Strengthening the quality and frequency of suspicious transaction reporting (STR) by raising awareness and providing tailored guidance to obliged entities on ML/TF risks and red flags.
- Improving the understanding and implementation of targeted financial sanctions (TFS), with an emphasis on terrorist and proliferation financing controls.
- Establishing a framework for risk-based monitoring of the NPO sector to avoid its misuse for terrorist financing purposes.

These priorities collectively aimed to help Bulgaria's AML/CFT framework keep pace with evolving threats, comply with international standards, and safeguard the integrity of the country's financial system.

## 4. Key activities and outputs

The project updated and enhanced the methodology for **AML/CFT risk-based supervision** across several high-risk and emerging sectors – including DNFBPs, VASPs, electronic wallet providers, and NPOs. This work encompassed the development of tailored questionnaires, risk assessment matrices, and practical recommendations for risk profiling and data collection. Through workshops and technical papers, the project highlighted the importance of using risk assessment results to shape supervisory strategies, in line with revised FATF standards, particularly for the NPO sector.

Comprehensive training programmes were provided to FID-SANS and other supervisory staff, addressing all aspects of risk-based AML/CFT supervision and TFS implementation. To ensure sustainability, train-the-trainer materials were developed, and Bulgarian representatives participated in regional and international conferences, further expanding their knowledge of supervisory challenges, EU regulations, and innovative solutions for risk assessment.

The project also delivered targeted training and developed guidance documents to strengthen both **operational and strategic analysis capabilities** within FID-SANS. Operational analysis activities included scenario-based exercises on STR handling and prioritisation, as well as modern techniques for detecting terrorist financing, including illicit virtual asset activities. Strategic analysis was reinforced through workshops, technical manuals, and access to international best practices and tools, such as OSINT. Internal procedures, practical templates, and case studies were provided, supporting the effective integration of these methods into daily FIU work.

To address gaps in suspicious transaction reporting and **private sector compliance** – particularly among DNFBPs and VASPs – the project conducted extensive outreach and produced technical guidance. Papers and seminars addressed detection of red flags, know your customer (KYC) procedures, and targeted financial sanctions compliance. Over 700 participants benefitted from sector-specific seminars and workshops, which clarified regulatory obligations under Bulgaria's evolving AML/CFT framework and the latest FATF standards.

In addition, the project supported **legislative and regulatory reforms** by providing expert peer review and practical recommendations, particularly to align Bulgaria's practices with FATF applicable standards on proliferation financing and targeted financial sanctions. This work involved legal analysis and multi-stakeholder consultations to ensure clear compliance responsibilities and robust sanction implementation procedures.

A special focus was placed on the prevention of terrorist financing within the NPO sector. Through technical papers, risk assessment tools, and inclusive awareness-raising workshops, the project promoted **NPOs' risk-based monitoring** and the adoption of international best practices.

## 5. Stakeholder engagement

The project's success was underpinned by active engagement with a wide range of stakeholders. Besides the active engagement and cooperation with the main project beneficiary – FID-SANS – the project also closely involved other supervisory authorities responsible for DNFBPs and VASPs supervision, including the Financial Supervision Commission, the National Revenue Agency, and the Communications Regulation Commission. Regarding the investigation and prosecution of terrorist financing, cooperation was extended to additional SANS directorates – such as the Financial Security Directorate and the Counter-Terrorism Directorate – as well as the Ministry of Interior and the General Prosecutor's Office. The Ministry of Justice was supported with the review and refinement of the legal framework covering measures against the financing of terrorism and proliferation.

Furthermore, the project actively engaged with the private sector, involving the Bulgarian Centre for Non-Profit Law, representatives of non-profit organisations (NPOs), and obliged entities including auditors, accountants, tax advisors, lawyers, notaries, trust and company service providers, casinos and online gambling operators, real estate agents, currency exchange providers, postal money transfer operators, and VASPs.

This broad and inclusive collaboration not only ensured that project outputs were both practical and sustainable but also fostered a shared commitment across public institutions and the private sector to strengthening Bulgaria's AML/CFT system.

## 6. Key findings and lessons learnt

A key lesson learnt from the project was the significant benefit of employing a comprehensive, multi-pronged approach that simultaneously addressed multiple facets of the AML/CFT ecosystem. By targeting not only the capacities of supervisory and financial intelligence authorities but also strengthening legal frameworks and directly engaging the private sector, the project created synergies that amplified overall impact.

Improvements in one area, such as enhanced skills and methodologies for risk-based supervision, were ensured by the development of practical legislative guidance and by raising awareness and compliance among obliged entities. This holistic strategy ensured that reforms were consistent, mutually reinforcing, and sustainable – demonstrating that successful enhancement of the AML/CFT system requires parallel progress in institutional capacity, regulatory alignment, private sector engagement, and ongoing adaptation to emerging risks.

## 7. Results and impact

The project achieved significant impact in reinforcing Bulgaria's AML/CFT framework in direct response to priority items in the FATF Action Plan. Notably, the comprehensive guidance, updated methodologies, and targeted capacity-building initiatives empowered supervisory authorities to enhance oversight and implement risk-based supervisory strategies across high-risk obliged entities. The project also improved technical compliance with targeted financial sanctions and proliferation financing obligations (FATF Recommendations 6 and 7), through expert legislative reviews and alignment of national law with international standards.

Furthermore, the project substantially built the operational and strategic capacity of FID-SANS and partner agencies. Authorities gained new skills to conduct parallel financial investigations in terrorism cases and enhanced their ability to identify and monitor NPOs at risk of terrorist financing abuse. Tailored guidance, innovative risk assessment tools, and risk-based outreach successfully facilitated the initial implementation of proportionate monitoring over vulnerable NPOs.

Collectively, these efforts led to tangible progress in Bulgaria's fulfilment of key FATF Action Plan items, contributed to greater protection of the financial, non-financial and non-profit sectors, and positioned the country to better meet its international AML/CFT commitments.

## 8. Contacts

The project was funded by the European Union via the Technical Support Instrument (90%) and the Council of Europe (10%) and has been implemented by the Council of Europe Economic Crime and Cooperation Division (ECCD) within the Economic Crime and Corruption Department, Directorate General I Human Rights and Rule of Law of the Council

of Europe in cooperation with the Reform and Investment Task Force of the Secretariat-General (SG REFORM) of the European Commission. The national coordination for the beneficiary country was conducted by FID-SANS.

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| **Economic Crime and Cooperation Division**<br>**EU Member States and Neighbourhood Unit**<br><br>**Council of Europe**<br>**F-67075 Strasbourg, Cedex FRANCE** | Edmond DUNGA<br>Head of Unit<br>Council of Europe<br>Tel: +33 3 90 21 59 49, e-mail: edmond.dunga@coe.int<br><br>Sabina SINJEREAN<br>Programme Manager<br>Council of Europe<br>Tel: +33 3 88 41 24 93, e-mail: sabina.sinjerean@coe.int |