

January 2019

AML IN BULGARIA: NEW DEADLINES

On 8th of January 2019 the Rules for Implementation of the Anti-Money Laundering Act (in Bulgarian: *Правилник за прилагане на Закона за мерките срещу изпирането на пари*) have been published. This is the key piece of legislation that was missing from the framework introduced into the Bulgarian law with the transposition of 4th EU AML Directive back in March 2018. It was holding off the implementation by both the business in general and the specific regulated persons, whose activity is exposed to higher AML risks. Now all affected parties shall update their execution plans as per the deadlines outlined below.

31 MAY 2019: DEADLINE FOR UBO DISCLOSURE

The key milestone for all entities, which are registered locally is the announcement of their ultimate beneficial owners (UBOs) either in the Bulgarian Commercial Registry if these are companies and branches of foreign companies or in the other relevant registers where records for their formation are kept (such as the NPOs and the BULSTAT registries). The deadline for the publication has been recently extended from 1 February 2019 to 31 May 2019.

In brief, the companies and branches registered locally shall disclose the following:

- legal entities which exercise direct control over them (indicatively those holding **at least 25%** of the capital or voting rights);
- legal entities which exercise indirect control over them (indicatively when **at least 25%** are held by another entity which in its turn is controlled by the same natural person);
- natural persons who are the UBOs as in exceptional cases, the senior managing officials can be considered as UBOs.

Provided that the Bulgarian entity has no registered directors, who reside permanently in Bulgaria, then it shall also appoint a local contact person for AML purposes in Bulgaria.

PREPARATION STEPS

The analyses of the legal tests for UBO and "control" and the completion of relevant formalities might have timing implications, therefore we recommend to be proceeded with the following sooner rather than later:

1. Preparing internally a chart of the shareholding structure of the Bulgarian company up to the individuals who are beneficial owners (incl. percentages of the shareholdings);
2. Determining which legal entities should be disclosed as holding direct or indirect "control" over the Bulgarian company and who are the natural persons to be disclosed as UBOs;
3. Consider benefiting from the exemption for having a holding company which is listed on regulated markets;
4. Obtaining up-to-date excerpts (with Apostille if required) from the relevant company registers for all legal entities which exercise direct or indirect "control";
5. Determining who will be appointed as a local contact person for AML purposes in Bulgaria and obtaining a notarized consent for his/her appointment;
6. Obtaining an affidavit with notary verification of the signatures from the legal representatives of the company as per a statutory prescribed form with regard to the UBO disclosure.

The filings in the Commercial Registry can be made electronically with e-signatures by the legal representatives of the Bulgarian Company or by a lawyer authorized with a simple power of attorney. The sanctions for breaching the implementation requirements are typically the major driver for getting compliant and in the current case they are in the range from BGN 100 to BGN 2000 (approx. EUR 50 to EUR 1000).

31 JANUARY OR 30 April 2019: DEADLINE FOR FILING OF THE AML RULES

The second deadline concerns narrower group but with significant impact over the entire market. These are persons exposed to higher AML risks, such as banks, payment services providers, investment intermediaries, insurance companies, notaries, law firms, etc. which shall prepare and file their AML RULES with the Financial Intelligence Directorate of the National Security Agency by 30 April.

The preparation steps for this group are more complex, considering also that the requirements towards them were further detailed with the latest legislative act. Those that they are forming part of larger corporate structures can benefit from the rules of the groups, therefore for them the deadline for filing is shorter – by 31 January 2019.

The synchronization with the new AML regime would not be finished by completion of the milestones above. Some of its fundamentals such as the National Risk Assessment Rules for the country need to be further build on. This shall happen simultaneously with the next round of legislative efforts as the AMLD V is due for transposing by 10 January 2020.

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