

PREVENTION AND CONTROL OF MONEY LAUNDERING IN BULGARIA

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 **RiskMonitor**



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WHAT DO WE KNOW ABOUT MONEY LAUNDERING?

Money laundering is:

- **One of the most serious risks for national and international security;**
- **Crime that typically follows upon a predicate crime,** from which the criminal funds are acquired;
- **The process** in which the illicit funds, gained from crime, appear as licit and generated from legal sources;
- **Enterprise which solidifies** the financial power of criminals and facilitates their integration into the legal economic system and social structures;
- **Phenomenon involving** diverse forms, techniques, schemes, tricks for implementation.

Traditionally, the process of money laundering involves the following three phases: *placement*, *layering* and *integration*.

- In the *placement* phase the illicit funds are introduced into the legal financial system and financial institutions (through smuggling, cash deposits, etc).
- In the phase of *layering*, the launderer engages in a series of conversions and transactions of the funds to distance them from their source.
- In the *integration* phase, the funds appear as licit and can re-enter the legal economy (for instance, through real estate investments).

In many countries, including in Bulgaria, each crime from which illicit funds are acquired, can be linked to money laundering.

According to the United Nations Office on Drugs and Crime, the money laundered represents 2.7% of the world GDP. The growing scale of money laundering offences makes it the crime of the decade in the 1990s.

Money laundering is a high-risk process and prevention and risk assessment are crucial for its deterrence. The anti-money laundering legislation lists over 30 types of reporting entities, both financial and non-financial institutions and businesses, involved in the prevention process. Money laundering investigations are important as means to limit the financial capacity of criminals and criminal groups. On the other hand, these investigations allow in-depth penetration into the criminal organizations; following the money trail we can get to the highest levels of the criminal enterprise.

In Bulgaria, the institutions involved in anti-money laundering include the State Agency for National Security (SANS), Ministry of Interior, Prosecutor General's Office, National Investigation Service, Customs Agency, National Revenue Agency, Bulgarian National Bank, the Asset Recovery Commission, the Financial Supervision Commission.

Legislation and regulations concerning the anti-money laundering measures in Bulgaria:

- The Law on Measures Against Money Laundering

(LMML);

- Guidance on the Implementation of LMML;
- Criminal Code of the Republic of Bulgaria (art. 253 ff.);
- Law of Divestment in Favour of the State of Property Acquired from Criminal Activity.

THE PROJECT

Improving the Institutional and Policy Response for the Prevention and Control of Money Laundering in Bulgaria and Southeast Europe

It focuses on developing the technical skills and operational capacity of Bulgarian Financial Intelligence Units (FIU), Law Enforcement Authorities and regulatory personnel responsible for anti-money laundering measures, particularly, by providing training on how to raise the standard of inspections carried out at reporting entities (REs) and promoting dialogue between regulators and REs in order to improve the quality of financial intelligence.

Project objectives:

- To improve the professional competencies, skills and operational capacity of the staff of FIU and AML institutions.
- To build up the analytical, coordinating and monitoring capacity of the FIU, law enforcement and prosecution responsible for the control of money laundering in Bulgaria.
- To develop a unified methodology for the collection and analysis of data related to money laundering.

- To raise awareness of the efforts against money laundering and increase the public support to prevent and control economic crime in Bulgaria.

Project target groups:

- The staff of SANS
- Law enforcement
- Prosecutors
- Other institutions engaged in anti-money laundering.

Project activities include the preparation of methodology for an annual report on money laundering in Bulgaria; organizing training sessions (including online training modules) for law enforcement authorities and financial intelligence units, with national and foreign speakers. Planned is also a publication with resources for the prevention and investigation of money laundering.

Specific Program for the Prevention of and Fight Against Organized Crime, DG Home Affairs

The project is funded by DG Home Affairs, Specific Program for the Prevention of and Fight Against Organized Crime, within the financial period 2007-2013. The total budget for the Program is 600 million euro. DG Home works to build a safer Europe by fighting terrorism and organised crime, by promoting police cooperation and by preparing to swiftly respond to emerging crises. The actions in these areas include stricter rules against illicit trafficking of firearms and on trafficking in human beings, as well as revision of legislation on combating child sexual abuse, sexual exploitation and child por-

nography. The Program is managed by DG Home Affairs of the European Commission.

RiskMonitor Foundation

- RiskMonitor is a non-profit non-governmental public policy institute.
- RiskMonitor works for the reduction, control and prevention of organized crime and high-level political and institutional corruption.
- RiskMonitor develops independent civic expertise in support of policies countering organized crime and institutional corruption.

Our program areas include:

- Studies of criminal markets
- Institutional capacity assessment
- Research on transnational organized crime.

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The website of DG Home Affairs:
www.ec.europa.eu/dgs/home-affairs/

The website of the Financial Action Task Force (FATF) of the Organization for Economic Cooperation and Development:
www.fatf-gafi.org

The website of the State Agency for National Security:
www.dans.bg/en/msip-091209-menu-en.html

The website of MONEYVAL:
www.coe.int/t/dghl/monitoring/moneyval/default_en.asp