

An excerpt from the **2009 International Narcotics Control Strategy Report**

➤ **Volume I: Drug and Chemical Control**

**Bulgaria**

**I. Summary**

Bulgaria is a transit country for heroin and cocaine, as well as a producer of illicit narcotics. Astride Balkan transit routes, Bulgaria is vulnerable to illegal flows of drugs, people, contraband, and money. Heroin distributed in Europe moves through Bulgaria from Southwest Asia and via the Northern Balkan route, while chemicals used for making heroin move through Bulgaria to Turkey and the Middle East. Marijuana and cocaine are also transported through Bulgaria. During the year, the Government of Bulgaria (GOB) initiated significant reform of its law enforcement authorities while maintaining drug seizures. The Bulgarian government has proven cooperative, working with many U.S. agencies, and has reached out to neighboring states to cooperate in interdicting the illegal flow of drugs and persons. The new Interior Minister and the drug police have committed to make progress, but their task is formidable. Corruption and effective implementation of legal and structural reforms remain major challenges. Bulgarian law enforcement agencies, investigators, prosecutors and judges suffer from public mistrust, and require widespread reforms, much more reliable political and public support, and strong leadership to develop the capacity to investigate, prosecute, and adjudicate illicit narcotics trafficking cases and other serious crimes effectively. Bulgaria is a party to the 1988 UN Drug Convention.

**II. Status of Country**

In the past year, Bulgaria continued to be primarily a drug transit country for heroin and cocaine. To a lesser extent, it is a producer of synthetic narcotics, which remains a serious problem. Cannabis was the most used drug in Bulgaria followed by synthetics. According to NGOs and international observers, Bulgaria continues to be a source of synthetic drug production, and there were allegations that some illegal drugs were produced by pharmaceutical companies. From 2000 to 2006, heroin use declined steadily, largely due to increased societal understanding of risks associated with its intravenous use (e.g., HIV/AIDS). In 2007, heroin use increased and remained constant in 2008. Consumption of cocaine, which is expensive in Bulgaria, increased. Amphetamines are produced in Bulgaria for the domestic market as well as for export to Turkey and the Middle East. The GOB has emphasized its commitment to fight drug trafficking, but continues to face many challenges in its enforcement efforts. A notorious underworld boss and eleven members of his importing and drug trafficking organization operating in the southeast Black sea coastal area plea bargained and received sentences well below the minimum for this type of crime. The Bulgarian government participated in efforts with international drug enforcement authorities and continued to reach out to neighboring states to cooperate in interdicting the illegal flow of drugs and persons. The disarray in the Ministry of Interior following the April forced resignation of the Interior Minister amidst speculations of contacts with alleged drug lords had a particularly negative effect on Bulgaria's efforts against crime. In addition, lack of financing and inadequate equipment to facilitate narcotics searches; widespread corruption, including especially in the Customs offices, and among the judiciary; and excessively formalistic judicial procedures continue to hamper counternarcotics efforts.

## **II. Country Actions Against Drugs in 2008**

**Policy Initiatives.** The Bulgarian government has continued to implement the five-year National Strategy for Drug Control adopted by the Council of Ministers in 2003. The Criminal Code established punishments for drug possession, depending on the risk level of the substances. National programs for drug treatment and prevention have been consistently under-funded.

**Law Enforcement Efforts.** The Customs Agency under the Ministry of Finance, the State Agency for National Security (DANS) and several specialized police services under the Ministry of Interior, including the Directorate for Combating Organized and Serious Crime (which has been re-organized as part of the Ministry of Interior reform) and Border Police are engaged in counternarcotics efforts. The authorities maintained seizure rates for most substances, but dramatically increased seizures for cannabis. From January to September 2008, police seized 198 kg of heroin, 1 kg of cocaine, 330 kg of amphetamines, 2 liters of fluid precursor chemicals, 9,753 kg of dry and 13,306 kg of green cannabis and 51,236 tablets of psychotropic substances. During the year, the Customs Agency seized 1,085 kg of heroin, 8 kg of cocaine, 101 kg of amphetamines, 55 kg of ecstasy, 9 kg of opium and 1,260 tablets of psychotropic substances. Bulgarian authorities shared information and developed joint operations with international law enforcement agencies. DANS closed one illegal amphetamine producing facility. Police and prosecutors also worked with foreign counterparts to obtain evidence on the use of offshore corporations and bank accounts by Bulgarian money launderers to hide drug proceeds. Bulgaria's Commission for asset forfeiture (an independent agency) filed charges under Bulgarian law against a U.S. cocaine trafficker convicted in federal court in Miami, using that U.S. conviction to proceed against his properties in Bulgaria.

**Corruption.** Corruption in various forms in the government remains a serious problem. During the year, MOI's reputation suffered after a series of high-profile scandals culminating with the forced resignation of the Interior Minister. In the wake of the scandal, the government initiated major legal and structural reforms of the Interior Ministry. However, the turbulence in the ministry damaged the morale of the ministry's officials. Some officials, including some from the drug unit, resigned to accept better paid positions with DANS. Despite some reforms in the Prosecution Service, the judiciary as a whole (which includes prosecutors, investigators, and judges) consistently receives poor scores in the area of public confidence in opinion polls. The Customs Agency has a decidedly mixed record, with some senior officials having ties to notorious public figures with known criminal connections.

**Agreements and Treaties.** Bulgaria is a party to the 1988 UN Drug Convention, the 1961 Single Convention as amended by its 1972 Protocol, the 1971 Convention on Psychotropic Substances and the 1990 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime. Bulgaria is a party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime and its three Protocols. The 1924 U.S.-Bulgarian Extradition Treaty and a 1934 supplementary treaty are in force.

**Cultivation and Production.** The only illicit drug crop known to be cultivated in Bulgaria is cannabis, primarily for domestic consumption. The full extent of this illicit drug cultivation is not precisely determined, but is a major source of supplementary income for retirees in some areas in the southwestern part of the country. Experts ascribe opportunistic cultivation of cannabis to the ready availability of uncultivated land and Bulgaria's amenable climate, particularly along the Greek border. Cannabis is not trafficked significantly beyond Bulgaria's own borders. Recent evidence suggests that there has been a decrease in the indigenous manufacture of synthetic stimulant

products. Some illegal laboratories have relocated to Eastern Turkey, Syria, Lebanon, and Armenia in order to be closer to consumers and to reduce risks associated with border crossings.

**Drug Flow/Transit.** Synthetic drugs, heroin, and cocaine are the main drugs transported through Bulgaria. Heroin from the Golden Crescent in Southwest Asia has traditionally been trafficked to Western Europe on the Balkan route from Turkey. The trend of heroin traffic moving by the more circuitous routes through the Caucasus and Russia to the north and through the Mediterranean to the south is strengthening. Other trafficking routes crossing Bulgaria pass through Serbia, Montenegro, Kosovo and Macedonia. In addition to heroin and synthetic drugs, smaller amounts of marijuana and cocaine also transit through Bulgaria. Sporadic cocaine shipments from South America are transported via boat to the Black Sea and Greece, then on to Western Europe. Precursor chemicals for the production of heroin pass from the Western Balkans through Bulgaria to Turkey and on to Afghanistan. Synthetic drugs produced in Bulgaria are also trafficked through Turkey to markets in Southwest Asia. Principal methods of transport for heroin and synthetics include buses, vans, TIR trucks, and cars, with smaller amounts sent by air. Cocaine is primarily trafficked into Bulgaria by air in small quantities, and in motor vehicles, and by maritime vessel in larger quantities.

**Domestic Programs/Demand Reduction.** The Government includes methadone maintenance as a heroin treatment option in the national healthcare system. There are three state-run methadone programs, which provide treatment free of charge, and four private methadone clinics. There are 35 outpatient units and thirteen inpatient drug treatment facilities nationwide. None of these facilities has a separate unit for juvenile patients. The Bulgarian National Center for Addictions (NCA), which serves as a focal point and is co-funded by the EU Monitoring Center for Drug Addictions, conducts prevention campaigns and operates prevention and education centers in 18 out of Bulgaria's 28 administrative districts. The centers, financially supported by the municipalities, have been consistently under-funded which adversely affects staff retention. According to the NCA for 2007, 33.2 percent of students in grades 9-12 reported using drugs at least once. In 2007, 52 people overdosed using heroin and died, the highest number ever reported.

#### **IV. U.S. Policy Initiatives and Programs**

**Bilateral Cooperation.** DEA operations for Bulgaria are managed from the U.S. Consulate General in Istanbul. DEA's current emphasis in Bulgaria is on conducting and coordinating joint international investigations with MOI counterparts, providing DEA technical and legal expertise and assistance. DEA also strives to arrange for counter-narcotics training for Bulgarian law enforcement personnel. The United States also supports various programs through the State Department. Programs implemented by the Department of Justice (DOJ) support counternarcotics efforts of the Bulgarian legal system. These initiatives address a lack of adequate equipment, the need for improved administration of justice at all levels and insufficient cooperation among Bulgarian enforcement agencies. A DOJ resident legal advisor, funded by State Department INL assistance works with the Bulgarian government on law enforcement issues, including trafficking in drugs and persons, intellectual property, cyber-crime and other issues and a DOJ prosecutor advises the Bulgarian government on organized crime cases. DOJ has also provided technical advisors to assist the Interior Ministry in their reform efforts. The FBI has offered public corruption training for Bulgarian law enforcement officials.

**The Road Ahead.** As the U.S. and Bulgaria continue to cooperate to improve Bulgaria's capacity, the U.S. encourages the Bulgarian government to sustain and, if possible, increase rates of narcotics seizures, and reduce domestic drug production. The U.S. also encourages Bulgaria to demonstrate the political will necessary to break major organized crime rings by going after the profits derived

from drug trafficking and prosecuting cases of high-level corruption and organized crime. It also encourages the Bulgarian government to strengthen interagency cooperation and increase its investment in law enforcement entities. Increased international assistance and engagement on law enforcement matters would boost Bulgaria's internal capacity and reinforce internal reforms.

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➤ Volume II: Money Laundering and Financial Crimes

### **Bulgaria**

The Government of Bulgaria (GOB) needs to seriously strengthen its anti-money laundering regime. While Bulgaria is not considered an important regional financial center or an offshore financial center, it is significant in terms of its geographical position, its well-developed financial sector relative to other Balkan countries, its relatively lax regulatory control, and its government tolerance of corruption and failure to strictly enforce anti-money laundering (AML) laws. Moreover, Bulgaria is a major transit point for the trafficking of drugs and persons into Western Europe, generating criminal proceeds that are subsequently laundered in Bulgaria. Bulgaria is primarily a cash economy, thereby making it more difficult to trace illicit money flows. ATM and credit card fraud remain serious problems. Tax fraud is prevalent. Smuggling remains a problem, reportedly sustained by corrupt Bulgarian businessmen and politicians. Organized crime groups are moving into legitimate business operations, making it difficult to determine the origins of their wealth. While tourism and construction formed the basis for the country's economic revival in recent years, they have also become favorite money laundering routes for organized crime groups with suspected ties to politicians.

Since its admission to the European Union (EU) in 2007, Bulgaria has faced constant criticism and pressure from the European Commission (EC) regarding its failure to effectively combat corruption. Public officials, watchdog institutions, and journalists who challenge organized crime operations often face intimidation. Corruption, fraud, and organized crime are such pervasive problems in Bulgaria that the EU stripped the country of 220 million Euros (approximately \$285,200,000) of funds in November 2008 and said Bulgaria might lose another 340 million Euros (approximately \$440,700,000) if it failed to curb corrupt practices and political interference in funding processes by the end of 2009. Although Bulgaria has launched several investigations into government officials and businessmen suspected of funds fraud, it has failed to convict a single senior official of graft and has jailed only one organized crime leader.

Despite the prevalence of corruption and weak enforcement of AML laws, Bulgaria has managed to make some progress in 2008. Facing sharp EU, U.S. and civil society criticism, the Bulgarian government finally closed all duty free shops and petrol stations at Bulgaria's land borders in July 2008. These establishments had been suspected to be major centers for contraband, tax evasion, and money laundering. In October 2008, after repeated requests by the U.S. and EU, and after protracted delays, the government decided to mandate that the actual amount of a cash transaction be listed on reporting forms. This closed an important loophole in AML legislation that had previously served to facilitate money laundering. Despite these improvements, the GOB's AML efforts still need substantial intensification.

Article 253 of the Bulgarian Penal Code criminalizes money laundering related to all crimes. As such, drug-trafficking is but one of many recognized predicate offenses. Amendments made to the Penal Code in 2006 increase penalties (including in cases of conspiracy and abuse of office), clarify that predicate crimes committed outside Bulgaria can support a money laundering charge brought in Bulgaria, and allow prosecution on money laundering charges without first obtaining a conviction for the predicate crime.

The Law on Measures against Money Laundering (LMML) is the legislative backbone of Bulgaria's AML regime. Adopted in 1998, the LMML has since been amended several times, most recently in 2008. The many revisions to the law, though often in the right direction, have rendered the law less comprehensible and hence less effective. Bulgaria has strict and wide-ranging banking, tax, and commercial secrecy laws that limit the dissemination of financial information absent the issuance of a court order. The 2006 amendments to the Law on Credit Institutions facilitate the investigation and prosecution of financial crimes by giving the Prosecutor General the right to request financial information from banks without a court order in cases involving money laundering and organized crime.

In response to pressure from the EU, in 2006, Bulgaria's Parliament tightened the LMML with further amendments. These amendments expand the definition of money laundering and the list of reporting entities; outlaw anonymous bank accounts; expand the definition of "currency"; and require the disclosure of the source of currency exported from the country. Under the LMML, 30 categories of entities, including lawyers, real estate agents, auctioneers, tax consultants, and security exchange operators are required to file suspicious transaction reports (STRs). The banking sector, with some key exceptions, has substantially complied with the law's filing requirement. Reporting by other sectors, in particular reporting related to the explosion of real estate transactions (e.g., notaries and real estate agents), has been much lower.

The Law on Administrative Violations and Penalties, as amended in 2005, establishes the liability of legal persons (companies) for crimes committed by their employees.

Bulgaria's financial intelligence unit (FIU), the Financial Intelligence Directorate (FID) within the State Agency for National Security (DANS) is the main administrative unit for collecting and analyzing information on suspected money laundering transactions. The FID-DANS does not participate in criminal investigations. In the past year, FID has had its powers severely limited. Prior to December 2007, Bulgaria's FIU was a fully independent agency operating under the Ministry of Finance (MOF), with the independence of its director guaranteed by the LMML. It had the authority to perform onsite compliance inspections, obtain information without a court order, share all information with law enforcement, and receive reports of suspected terrorist financing. However, on December 11, 2007, the Parliament passed legislation that came into force on January 1, 2008, which limits the FID's effectiveness and autonomy. This law, the Act on the State Agency for National Security, establishes DANS as the new national intelligence agency. The law also restructures the FID by changing its status from an independent agency within the MOF to a directorate within the DANS; consequently, the FID is no longer an individual legal entity with its own budget. Some of the FID's previous authorities were removed from the law and included only in regulations, further diminishing the FID's status. Other authority was assigned to the director of DANS, but not expressly to the FID, thereby limiting its ability to compel legal compliance by banks. In addition, discrepancies between the LMML and the law creating DANS create uncertainty regarding the FID's inspection and sanctioning authorities, including its ability to perform AML on-site inspections. In addition, the analytical capacity of FID is not precisely defined: the DANS law permits the FIU to acquire and handle national security-related information, but financial crimes information is not necessarily of national security importance. From January 1 to May 1, 2008, the Egmont Group of FIUs temporarily suspended Bulgaria's access to its secure information exchange system, pending a review of FID's authorities under the new legislation.

As of September 2008, the FID-DANS conducted 46 on-site inspections and issued 44 penal decrees totaling 119,500 BGN (approximately \$78,826), as compared with 83 such inspections of banking and nonbanking institutions as of October 2007. As of September 2008, there was only one

on-site inspection of a bank, and the bank challenged the powers of FID-DANS inspectors to ask for information necessary for completing the inspection. FID-DANS proposed the issuance of three criminal citations related to that on-site inspection for refusal to provide access to bank documents and clients' files.

Banks and the 29 other reporting entities under the LMML are required to apply "know your customer" (KYC) standards. Since 2003, all reporting entities are required to ask for the source of funds in any transaction greater than 30,000 BGN (approximately \$22,500) or foreign exchange transactions greater than 10,000 BGN (approximately \$7,500). Reporting entities are also required to notify the FID-DANS of any cash payment greater than 30,000 BGN (\$22,500). Because of inconsistent interpretation of the cash reporting requirement, some believe it covers only cash deposits, allowing a loophole to exist to the benefit of money launderers by leaving an unknown percentage of large cash withdrawals or exchanges unreported. As mentioned previously, as of January 1, 2009, Bulgarian banks will have to include the actual amount of all cash deposits above the 30,000 BGN (approximately \$22,500) cash transaction reporting (CTR) threshold. This is in contrast to the previous requirement mandating banks report only that the transaction occurred but not the actual amount.

The LMML obligates financial institutions to a five-year record keeping requirement and provides a safe harbor to reporting entities. Penal Code Article 253B was enacted in 2004 to establish criminal liability for noncompliance with LMML requirements.

Bearer shares can be issued by joint stock companies, although not by banks or state companies. There are no limitations on the issuance. The identity of the first owner is registered; however, subsequent sales are not recorded. The GOB indicated these share are rarely issued.

Bulgaria does not systematically track cross-border electronic currency transactions, thereby making Bulgaria an attractive entry point to funnel money into the European financial system. During the year, the FID-DANS noted an increase in flows of money through Bulgaria. Bulgaria's Customs Agency collects criminal intelligence from its officers at points of entry, reviews cash reporting documents, and requests assistance from foreign partners to determine whether cash couriers are engaged in criminal activity. Customs officers have intercepted enormous quantities of cash in hidden compartments in cars.

Cash transactions in Bulgaria have grown an average of 46 percent per year over the past three years (while the economy has grown, on average, about seven percent). In 2008, the FID-DANS received 344,897 CTRs, but only 592 STRs for a total value of 257,459,070 euros (approximately \$347,569,740). Banks submitted 515 of the STRs. Given the scale of growth of cash transactions over the 30,000 BGN (approximately \$22,500) reporting threshold, the number of STRs is exceptionally low. Some banks in Bulgaria have not filed any suspicious transaction reports in the past three years, with no clear consequence for the vast majority of them. Other locally-owned Bulgarian banks do inordinate volumes of their business in cash. Despite the cash intensive nature of Bulgaria's economy, the large volume of cash transactions being observed in Bulgarian business is disproportionate to ordinary, customary, and normal practices.

Historically lower rates of reporting compliance by exchange bureaus, casinos, and other nonbank financial institutions can be attributed to numerous factors, including a lack of understanding of, or respect for legal requirements; lack of inspection resources; and the general absence of effective regulatory control over the nonbank financial sector. According to its most recent evaluation of Bulgaria conducted in 2007, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial

Action Task Force-style regional body, noted deficiencies in Bulgaria's STR reporting regime, citing (among other problems) a lack of reporting from nonbanking financial institutions. During 2008, FID-DANS noted that while the compliance by nonbank entities remained low, the quality of their STRs improved. As of September 2008, the FID-DANS inspected eight exchange offices, imposing fines in seven cases for a total of 20,000 BNG (approximately \$13,000) for failure to identify clients or request declarations on the origin of funds, and for not filing STRs.

DANS and the Prosecution Service drafted an instruction regulating interaction mechanisms between the two entities, including elements on interaction of FID-DANS and the Prosecutors Office. The instruction also establishes a permanent Contact Group of four prosecutor sector heads within the Supreme Prosecutors Office of Cassation and four directors from DANS, including the FID Director, to coordinate and manage cooperation between the two entities. DANS also drafted another instruction regulating interaction mechanisms between DANS and the Interior Ministry. These two instructions, signed by the Chairman of DANS and the Prosecutor General and Minister of Interior, respectively, replace the prior instructions on cooperation mechanisms.

Although case law remains weak, there has been an increase in the prosecution of money laundering cases. In October 2006, the courts rendered the country's first two convictions for money laundering. Bulgaria still has failed to convict a major high-profile organized crime figure, and most money laundering cases involve relatively small amounts of money and lower level crime figures. In the first half of 2008, prosecutors worked on 106 pre-trial investigations compared to 54 for the same period of 2007, or a 51 percent increase in caseload. During this period, prosecutors filed five indictments in court (equal to the number of indictments in the first half of 2007), against eight persons (as compared to five persons in the first half of 2007). There were two convictions (as compared to four in the first half of 2007) and no acquittals. Bulgaria's location as a crossroads for the entry into Europe of southwest Asian narcotics suggests that drug monies flow as well, as do proceeds from trafficking in persons and other crime activities. Money laundering has not figured prominently in legal cases against such perpetrators, though the Ministry of Interior is eager to strengthen its capacity in this area.

Although there are few indications of terrorist financing directly connected with Bulgaria, the possibility remains that terrorism-related funds can transit Bulgarian borders through cash couriers and other informal mechanisms. In 2008, FID-DANS received only one STR in the amount of 1,681,248 euros (approximately \$2,269,685) related to possible terrorist financing. To date, no suspected terrorist assets have been identified, frozen, or seized by Bulgarian authorities. Article 108a of the Penal Code criminalizes terrorism and terrorist financing. Article 253 of the Criminal Code qualifies terrorist acts and terrorist financing as predicate crimes under the "all crimes" approach to money laundering. In February 2003, the GOB enacted the Law on Measures Against Terrorist Financing (LMATF), which links counterterrorism measures with financial intelligence, and compels all covered entities to report any suspicion of terrorist financing or pay a penalty of up to 50,000 BGN (approximately \$37,500). The law authorizes the FID to use its resources and financial intelligence to combat terrorist financing along with money laundering. Bulgaria's STR reporting requirements with regard to terrorist financing are still deficient, however, lacking a reporting obligation covering funds suspected to be linked to terrorists or terrorist financing.

Under the LMATF, the GOB may freeze the assets of a suspected terrorist for 45 days. Key players in the process of asset freezing and seizing, as prescribed in existing law, include the MOI, DANS, Council of Ministers, Supreme Administrative Court, Sofia City Court, and the Prosecutor General. The FID-DANS and the Bulgarian National Bank circulate the names of suspected terrorists and terrorist organizations found on the UNSCR 1267 Sanctions Committee's Consolidated List, the list

of Specially Designated Global Terrorists designated by the U.S. pursuant to Executive Order 13224, and those designated by the relevant EU authorities.

Although alternative remittance systems may operate in Bulgaria, their prevalence is unknown, and there are no reported initiatives underway to address them. In general, regulatory controls over nonbank financial institutions are weak, with some of those institutions engaging in banking activities absent any regulatory oversight. Some anecdotal evidence suggests that charitable and nonprofit legal status is occasionally used to conceal money laundering.

The Bulgarian Penal Code provides legal mechanisms for forfeiting assets (including substitute assets in money laundering cases) and instrumentalities. Both the money laundering and the terrorist financing laws include provisions for identifying, tracing, and freezing assets related to money laundering or the financing of terrorism. A civil asset forfeiture law, targeted at confiscation of illegally acquired property, came into effect in March 2005. The law permits forfeiture proceedings to be initiated against property valued in excess of 60,000 BGN (approximately \$45,100) if the owner of the property is the subject of criminal prosecution for enumerated crimes (terrorism; drug-trafficking; human trafficking; money laundering; bribery; major tax fraud; and organizing, leading, or participating in a criminal group); and a reasonable assumption can be made that the property was acquired through criminal activity. As required by the law, an Assets Forfeiture Commission was established and became operational in 2006. The Commission has the authority to institute criminal asset identification procedures, as well as request from the court both preliminary injunctions, and ultimately, the forfeiture of assets. Since its establishment, the Commission has faced strong criticism and demands for its closure from both government officials who question its effectiveness and politically connected businessmen allegedly protecting their interests. Initial indications show that the Commission is starting to become effective despite the fact that the process is slow, requires preliminary criminal prosecution against the owner, and often results in assets being transferred to relatives or significantly undervalued. As of October 2008, the Commission froze five million BGN (approximately \$3,300,000). During this period, the Commission noted that first instance courts in six cases (approximately 80 percent of the cases) granted claims for 2.8 million BGN (approximately \$1,800,000). In one case, the Commission accepted a conviction from a U.S. federal court as the basis for asset freezing and forfeiture proceedings in Bulgaria.

In September 2007, the United States and Bulgaria signed a mutual legal assistance treaty (MLAT), implementing the U.S.-EU Mutual Legal Assistance Agreement, which has yet to come into force. As of October 2007, the FID had bilateral memoranda of understanding (MOU) regarding information exchange relating to money laundering with 28 countries. The FID-DANS is authorized by law to exchange financial intelligence on the basis of reciprocity without the need of an MOU. As of October 2007, the FID-DANS sent 261 requests for information to foreign FIUs and received 54 requests for assistance from foreign FIUs.

Bulgaria participates in MONEYVAL, and the FID Director is the current Chairman of MONEYVAL. The FID-DANS is a member of the Egmont Group. Bulgaria is a party to the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, the UN Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Corruption.

Until December 2007, Bulgaria's legislative framework was largely viewed as consistent with international AML standards. The Act on the State Agency for National Security compromised the FID's independence and investigatory mandate. It is essential that the Government of Bulgaria

rectify these shortcomings. It must clarify and strengthen the FID's inspection and sanctioning authorities. The GOB should also take steps to improve and tighten its regulatory and reporting regime, particularly with regard to nonbank sectors, bearer shares, and cash payments, including cash withdrawals and exchanges, cross border transactions, and real estate transactions. The GOB should correct the deficiencies in its STR system regarding suspected terrorist financing. The GOB should improve the consistency of its customs reporting enforcement and should also establish procedures to identify the origin of funds used to acquire banks and businesses during privatization. Interagency cooperation should be streamlined to ensure effective implementation of Bulgaria's anti-money laundering and counterterrorist financing regime, and to improve prosecutorial effectiveness in money laundering, trafficking, narcotics, and terrorist financing cases. To improve judicial review of money laundering cases, the Government should enhance the capacity of judges regarding money laundering and promote a consistent interpretation of money laundering and asset forfeiture laws. In order to remove the risk that criminal interests are able to regain possession of confiscated goods, the GOB should also clarify the authorities of the Asset Forfeiture Commission so as to provide a mechanism to manage and dispose of confiscated properties.