



Obligation for disclosure of
beneficial owners

The new Anti-money Laundering Act (the “Act”) introduces numerous transparency obligations in respect of ownership and control of legal entities. The obligations should be complied with by the end of May 2019.

Beneficial owners will have to be disclosed to the Registry Agency

Each legal entity, subject to registration in the Commercial Register or the BULSTAT Register, will have to disclose the individual who is its ultimate beneficial owner until 31st of May 2019. All subsequent changes in beneficial owners will be reported to the relevant register.

The obligation covers:

- all Bulgarian legal entities (e.g. companies, foundations, non-profit organisations, consortia and other) including branches of foreign entities in Bulgaria;
- individuals and legal persons in their capacity of trustees of trusts, escrow funds and other similar foreign legal entities acting on the territory of Bulgaria.

The Act introduces a broad definition for beneficial owner. A beneficial owner is an individual who:

- directly or indirectly owns at least 25 % of the legal entity; or
- directly or indirectly controls the entity.

If the beneficial owner cannot be identified based on the criteria above (e.g. if there is no individual who owns at least 25% or controls the entity), an individual holding a senior management position should be regarded as the beneficial owner (generally

this is the director, executive director or another individual who holds senior management functions).

Penalties

Failure to comply with the disclosure obligations within the deadline could lead to a penalty ranging from BGN 1 000 to BGN 20 000.

Access to the information on beneficial ownership

At present, the information on beneficial ownership should not be public. However, a wide scope of persons will have access to it including the State Agency for National Security, Bulgarian National Bank, regulators such as the Financial Supervision Commission, banks and other financial institutions, wholesalers, notaries, lawyers, registered auditors, leasing companies and others.

According to an EU Directive the information on beneficial ownership should become public not later than 10th of January 2020.

Obligation for provision of detailed information

In addition to the disclosure requirements above, additional and updated information will have to be provided to the State Agency for National Security and the competent authorities upon request, as well as in the cases of establishing business relationship or carrying out a transaction with a person who has the obligation to apply anti-money laundering measures to its clients (e.g. banks and other financial institutions, currency exchange offices, wholesalers, notaries and others).

Obligation to appoint an individual acting as a point of contact

Entities that do not have legal representatives who are Bulgarian permanent residents (such as directors, procurators), will have the obligation to appoint and report in the Commercial register or the BULSTAT Register an individual who is a Bulgarian permanent resident. This individual will act as point of contact for the legal entity.

Next steps

All legal entities will have to take the necessary measures to identify and document appropriately their ultimate beneficial owners under the definition given in the Act. They should disclose the beneficial owner in the Commercial register or the BULSTAT Register until 31st of May 2019.

Let's talk!

For a deeper discussion of how these issues might affect your business, please contact us.



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