

DECLARATION OF BENEFICIAL OWNER

The new Measures against Money Laundering Act ("MAMLA"), promulgated in the State Gazette, issue 27, dated 27 March 2018, in force as from 31 March 2018, provides for a requirement for legal entities or other legal formations, established in the Republic of Bulgaria, to declare their beneficial owners with the Commercial Register and Register of Non-Profit Legal Entities, respectively with the Bulstat Register.

This new Act transposes the provisions of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the "Directive") and repeals the current Measures against Money Laundering Act.

I. OBLIGATED ENTITIES. EXCEPTIONS.

Legal entities established in Bulgaria are obligated to announce their beneficial owners.

Exempt from the obligation to declare their beneficial owners are only legal entities which are directly owned by natural persons and the data of these persons is visible at the entity's file with the Commercial Register, e.g. shareholders in a limited liability company (OOD), sole owner of a solely owned limited liability company (EOOD) or a solely owned joint-stock company (EAD).

II. DATA SUBJECT TO DECLARATION

On 08 January 2019 the Regulations on the Implementation of the MAMLA were promulgated. The Regulations approve a template of Declaration under art. 63, para. 4 of the MAMLA (the "Declaration"). In accordance with the template, the following data is subject to declaration:

1.1. Beneficial owners - natural persons

The identification data for beneficial owners - natural persons, include:

- a. full name;
- b. citizenship;
- c. personal identification number (EGN) or date of birth of the persons, who do not have EGN;
- d. country of residence, if different from the Republic of Bulgaria or the country under letter "b" above.

1.2. Legal entities or other legal formations, which have direct or indirect control

Besides the data on the beneficial owners - natural persons, companies must also declare the data about the entities which directly or indirectly have any control. Such data include company name, number as per the national register, legal form as per the national legislation, seat and registered address, as well as the identification data of their legal representatives.

1.3. Contact person on measures against money laundering matters

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If a company does not have a director - natural person, permanently residing on the territory of Bulgaria, the company must appoint a person permanently residing in Bulgaria who will be the contact person on the measures against money laundering matters.

III. "BENEFICIAL OWNER" DEFINITION

The legal definition of "beneficial owner" is introduced in § 2 from the Supplemental provisions of the MAMLA and corresponds to the definition provided in the Directive.

§ 2. (1) "Beneficial owner" is any natural person(s) who ultimately owns or controls the legal entity or another legal formation, and/or the natural person(s) on whose behalf or for whose account a transaction or activity is being conducted, and who meets at least one of the following conditions:

1. In the case of corporate legal entities and another legal formations, the beneficial owner is the natural person(s) who directly or indirectly owns a sufficient percentage of the shares or voting rights in such entity or another legal formation, including through bearer shareholdings, or through control via other means, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Union law or subject to equivalent international standards which ensure adequate transparency of ownership information.

Indication of direct ownership is present when a natural person(s) owns at least 25% of the shares in a legal entity or another legal formation.

Indication of indirect ownership is present when at least 25% of the shareholding in the legal entity or another legal formation is held by a corporate entity or another legal formation, which is under the control of the same natural person(s), or by multiple legal entities and/or legal formations, which are under the ultimate control of the same natural person(s).

2. In respect of trustee ownership, including trusts, trusteeships and other similar foreign legal formations, established and existing under the legislation of the jurisdictions admitting such forms of trust ownership, the beneficial owner shall be:

- a. the founder;
- b. the trustee;
- c. the protector, if any;
- d. the beneficiary or class of beneficiaries, or
- e. the principal in whose interest the trust is created or managed when the natural person benefiting from it is yet to be determined;
- f. any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means.

3. In respect of foundations and legal arrangements similar to trusts - the natural person(s) holding equivalent or similar positions to those referred to in point 2.

(2) Shall not be deemed beneficial owner(s) any natural person(s) who is/are nominee director(s), secretary(ies), shareholder(s) or owner(s) of the capital of a legal entity or other legal formation, if another beneficial owner is established.

IV. TERM AND ORDER FOR ANNOUNCEMENT

By **31 May 2019** the obligated entities file with the Commercial Register and Register of Non-Profit Legal Entities, respectively with the Bulstat Register, applications for registration of the data on beneficial owners, legal entities and other formation which have direct or indirect control, as well as contact person in the cases where provided by the law.

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V. SANCTIONS

For the non-compliance with the obligation for applying for registration of the data subject to declaration within the provided for by the MAMLA term, a penalty starting from BGN 500 to BGN 5000 is imposed in the cases where the violator is a natural person, respectively a pecuniary penalty starting from BGN 1000 to BGN 10 000 is imposed when the violator is a legal entity.

An obligated entity, which, after being imposed a penalty for non-compliance with the obligation for applying for registration of the data, subject to declaration, and have not applied for registration in the provided term, another penalty within the above mentioned amounts is imposed to the obligated entity each month until application for registration of the data is filed.

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