

**SUPPLEMENTARY INFORMATION TO DOCUMENT CONF-BG 35/00  
ON CHAPTER 4 "FREE MOVEMENT OF CAPITAL"**

***OVERALL POSITION***

1. The Republic of Bulgaria accepts and will implement in full the *acquis* in the field of free movement of capital by the date of accession. The only exceptions with this respect are the acquisition of agricultural land, forests and forestry land, and the acquisition of land for secondary residence. The request for transitional periods is specified in paragraphs 9 and 10.
2. As a working hypothesis, the Bulgarian Government considers that Bulgaria will become a member of the EU on 01.01.2007.

***LIBERALISATION OF CAPITAL MOVEMENTS***

3. The Republic of Bulgaria will accomplish a complete freedom of capital movements by the date of accession to the EU. The only exceptions with this respect are the transitional periods specified in paragraphs 9 and 10.
4. The Republic of Bulgaria will harmonise its foreign exchange legislation with the EU *acquis* by the end of 2002.

The draft amendments to the Foreign Exchange Law will be prepared by the end of 2001 and will be submitted to the National Assembly. The amendments will be adopted by the end of 2002. Shortly after the publication of the amendments to the Foreign Exchange Law in the State Gazette, the Republic of Bulgaria will adopt the amendments to the Regulations on its implementation.

5. Taking into account the ruling of the European Court of Justice in case C-423/98 Alfredo Albore, before the date of accession, Bulgaria will establish non-discriminatory regime for acquisition of ownership over real estate in areas related to the national security. However, in compliance with Article 57 (ex-73c) of the EC Treaty, the Republic of Bulgaria intends to retain the regime in force on 31 December 1999 vis-à-vis third countries.
6. The Republic of Bulgaria confirms that no other restrictions with regards to free movement of capital prevail in Bulgarian legislation and that, if such restrictions are identified, they will be abolished before accession.

7. The Republic of Bulgaria intends to retain the legal prohibition as on 31 December 1999 for foreign natural and legal persons from third countries to acquire ownership over land in the country.

8. Bulgaria confirms that from the date of accession it will grant the Member States of the European Economic Area the same treatment as the EU Member States.

### *Acquisition of land*

9. The Republic of Bulgaria requests a seven-year transitional period from accession for the acquisition of ownership over agricultural land, forests and forestry land by EU citizens and legal persons.

Self-employed EU farmers, established in the Republic of Bulgaria who are willing to buy agricultural land for the purpose of carrying out economic activities are excluded from the scope of the transitional period.

A detailed timetable of the planned intermediate measures for the development of the land market for agricultural and forestry land is provided in Appendix B.

10. The Republic of Bulgaria requests a five-year transitional period from accession for the acquisition of ownership over land for secondary residence.

EU citizens and legal persons, willing to establish in Bulgaria, will be granted, from the date of accession, the right to buy land for primary residences, administrative and industrial buildings. EU citizens, residing in Bulgaria will be granted the same rights as Bulgarian nationals with respect to acquisition of land for secondary residence.

The precipitate abolition of the restriction, subject of the transitional period would result in sharp increase of land prices, which might lead to serious difficulties for Bulgarian nationals to purchase land at affordable prices. The land prices will reach their highest levels in the most attractive regions of the country where demand is concentrated, which will reduce the opportunities of Bulgarians to act there competitively with EU nationals. This might seriously imbalance the land market and lead to social problems on regional and national level. During the transitional period the income of Bulgarian citizens will be stabilized and the big disproportion between the land prices in Bulgaria and EU Member States will be neutralised.

The maintenance of this restriction will not disrupt the other freedoms of the internal market because pursuant to the Bulgarian legislation foreign citizens and legal persons can freely acquire ownership over buildings and limited property rights over land. The limited property rights comprise usufruct, easements right, building right and the right to add a premise to an existing building. The subjects to the limited property rights are not entitled only to transfer the land.

Thus, the transitional period will enable the Republic of Bulgaria to prevent purchase of land for the sole purpose of holding it and hoping to sell it for monetary gain at a later stage.

11. The Republic of Bulgaria will undertake the necessary steps to amend Article 22 of the Constitution before accession as to abolish the general prohibition for foreign natural and legal persons from EU Member States and European Economic Area to acquire ownership over land in the country. The relevant legal acts where the Constitutional provision is substantiated will be duly amended in accordance with the conditions of the negotiated transitional periods specified in paragraphs 9 and 10. Further comments on the current legal framework and the definitions of the different types of lands are submitted in Appendix A.

12. The Republic of Bulgaria notes that it might further address these issues and, if necessary, return to this chapter at an appropriate moment.

### ***Payment systems***

13. The efficient functioning of payment systems is a high priority of the Republic of Bulgaria. Bulgaria will implement the *acquis* in the field of payments systems in accordance with the timetable provided in Appendix C.

### ***Money laundering***

14. Combat against money laundering is one of the highest priorities of Bulgarian government in the area of finance and fight against crime. An internal system of monitoring has been established regarding the correspondence between the Bulgarian legislation and *acquis*. The responsible institution for the fight against money laundering is the Agency “Bureau of Financial Intelligence”. As a result of the monitoring and of the recommendations of the Council of Europe (Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures – PC-R-EV), in the beginning of year 2001 amendments to the Law on Measures against Money Laundering were adopted, which harmonized the Bulgarian regulation with Directive 91/308/EEC (Appendix D).

\*\*\*

The Republic of Bulgaria will adopt all the necessary legislation in order to implement in full the *acquis* in the field of free movement of capital by the date of accession, except for the transitional periods, specified in paragraphs 9 and 10. The infrastructure for its implementation and enforcement is in place and will be fully operational.

The Bulgarian government proposes the negotiations on Chapter 4 “ Free movement of capital” to be provisionally closed on the basis of the existing *acquis*.

Should new elements of the EU *acquis* make it necessary, Bulgaria recognises the possibility of opening supplementary negotiations before the end of the Intergovernmental Conference.

## **Legal Framework of Land Ownership and Definitions of the Different Types of Land**

The basic provisions concerning the acquisition of land by foreign natural and legal persons in the Republic of Bulgaria are laid down in the following acts:

1. **The Constitution** of the Republic of Bulgaria (State Gazette No.56/1991, in force since 13.07.1991);
2. **Law on Ownership** (State Gazette 92/1951, in force since 17.12.1951, last amendment - State Gazette No.106/22.12.2000);
3. **Law on Foreign Investments** (State Gazette 97/24.10.1997, last amendment - State Gazette 110/17.12.1999, in force since 01.01.2000).

The Republic of Bulgaria will take the necessary measures in order to abolish the general constitutional ban and to amend the relevant provisions in the Law on Ownership and the Law on Foreign Investments before the date of accession to the European Union.

Being a primary national resource, land is under the protection of the state and the society and it is used extremely in compliance with its function. Any change in its function must be made under the strict law procedures (Law on Protection of Agricultural Land).

The Bulgarian legislation contains a number of specific acts concerning the ownership over the different types of land, which have to be amended in accordance with the conditions of the negotiated transitional periods:

1. **Law on Ownership and Use of Agricultural Land** (State Gazette 17/01.03.1991, last amendment - State Gazette 106/2000, in force since 01.01.2001);
2. **Law on Forestry** (State Gazette 125/29.12.1997, last amendment - State Gazette 78/26.09.2000);
3. **Law on Protected Areas** (State Gazette 133/11.11.1998, last amendment - State Gazette 78/26.09.2000).
4. **Law on Restitution of Ownership on Forests and Land from the Forest Fund** (State Gazette 110/25.11.1997, last amendment - State Gazette 36/12.04.2001 ).

The land function is the basic criterion for defining the regime of the different types of land in relation with the ownership, as well as the rules for their usage and protection.

According to Article 8 of the **Law on Territory Structure** the specific function of the different types of land is defined by the detailed layout:

1. **Land in urban territories and in other town-planning estates outside these territories** - designed for living, production, warehouse, sports and entertainment

functions, for parks and gardens, traffic and transport, technical infrastructure, etc.;

2. **Agricultural territories** – for arable and uncultivated land;

According to the **Law on Ownership and Use of Agricultural Land** agricultural land is designed for agricultural production and:

- is not included in the building areas of the towns and villages, defined by the town-planning layout or by the surrounding area;
- is not included in the Forestry Fund;
- is not built-up with buildings, belonging to: industrial or other undertakings, recreational or health institutions, religion communities or other public organizations; nor it represents yards and warehouses to such buildings;
- is not taken up by open mines and quarries, nor by energetic, irrigating, transport or other equipment for public usage, nor it represents adjoining parts to such equipment.

3. **Land in forest territories comprises forests** (wood-producing, protective, recreational, etc.) and forest land (glades, rocks, bushes, etc.). Forests in protected areas, defined in a special act and other types of forests, used for permanent satisfaction of nationally important public needs by common use are exclusive state property;

4. **Land in protected areas** - related to protection of nature and reserving the objects of the cultural and historical heritage;

5. **Land in disrupted territories** – for reconstruction and recultivation of quarries, mines, scrap depots, landslides, etc.

**SCHEDULE****of activities carried out to date and of measures planned to be undertaken during  
the transitional period until the full liberalisation of the land market****I. Introduction**

The Republic of Bulgaria requests a seven-year transitional period concerning the ban for EU citizens and legal persons to acquire ownership over agricultural and forestry land. The limitations on land ownership do not apply to companies, even those with 100% foreign participation, which are registered in accordance with the Bulgarian law. The transitional period will not apply to self-employed farmers who would like to establish themselves and reside in Bulgaria.

The present Schedule substantiates the need for the transitional period and defines both the measures carried out to date and the particular measures to be undertaken until the end of that period. The Schedule includes three stages: a short-term stage (until the end of 2002), a medium-term stage (until the end of 2006) and a long-term one (until the end of the transitional period - 31.12.2013). For each stage a review is made of the particular measures, which shall be undertaken along the three basic priorities:

- development of agricultural farms;
- establishment of the cadastre and the property register; and
- development of the land market.

**II. Measures taken up to date**

Up till now the following measures have been undertaken along the three basic priorities:

***On Priority 1: Development of agricultural farms***

1. A Farmers Support Act has been adopted. The Act regulates the state support to agricultural producers. This support aims at the establishment of viable farms; the increase of agricultural production in areas with unfavourable social and economic development; the conservation and improvement of soil fertility and of the genetic stock; the promotion of environment-friendly agriculture and a stable domestic market; the expansion of external markets for Bulgarian agricultural products; the improvement of the production infrastructure and creation of favourable conditions for increasing the agricultural producers' incomes.

2. The farms are being assisted through national schemes of the State Fund "Agriculture". A basic priority of the policy of the State Fund "Agriculture" are the investment programs pursuant to which preferential investment credits are granted and investments in the agricultural sector are stimulated.

3. By decision of the European Commission from 15 May 2001 (OG L 134 from 17.05.2001) the State Fund "Agriculture" was accredited as a functional structure for SAPARD according to the requirements of Regulation 2222/2000 and the Multiannual financial agreement signed between the European Commission and the Republic of Bulgaria.

4. Conditions have been set for the management and exploitation of state-owned and private forests by balancing economic and environmental factors for a sustainable development. A new legal basis has also been created for the management of forests, which promotes the conservation of the Bulgarian forests as a national wealth. In connection with environmental certification, and in order to ensure that the Bulgarian companies will have access to the European market and to financing by international institutions, a national work team has been created to elaborate a national standard for the certification of forests. For the introduction of the forest certification system, the World Bank has planned a USD 35 000 grant for Bulgaria.

***On Priority 2: Establishment of the cadastre and the property register***

1. The Law on the Cadastre and the Property Register (LCPR) has been adopted and promulgated in State Gazette 34 of 25.04.2000. The law came into force on 01.01.2001.
2. Pursuant to the LCPR, a Cadastre Agency has been set up under the Ministry of Regional Development and Public Works.
3. Regulation No.3 of 16.02.2001 on the registration and keeping a record of the persons qualified to perform activities related to the cadastre has been adopted (State Gazette 19/2001).
4. The minutes from the negotiations for conclusion of a loan agreement with the International Bank for Reconstruction and Development have been signed. The loan agreement is for the “Cadastre and Registration of Real Estate” Project for the period 2001-2006.
5. With a Decision of the Council of Ministers No. 326 of 5 May 2001, a Long-term Program on the Establishment of the Cadastre and the Property Register for the period 2001-2015 has been adopted, as well as a Program for the Activities on the Establishment of the Cadastre and the Property Register in 2001.

***On Priority 3: Development of the land market***

1. The ownership of agricultural land and of forests and forest fund areas has been restituted. In fact, the process of restitution of agricultural land in the Republic of Bulgaria has been completed. By the end of the year 2000 more than 99% of the agricultural land subject to restitution has been returned. Ownership documents (consisting of decision by the land commission and a property plan) have been issued to the former owners or to their heirs. The property rights over 85.32% of the forest and forest fund areas subject to restitution has been restored by February 2001.
2. The fulfilment of the last stage of the land reform, relating to the compensation of owners whose land can not be restituted, and the distribution of land to landless citizens and smallholders, has begun.
3. Municipal tenders were organised and held for the sale of agricultural land from the State agricultural fund to holders of personal compensatory bonds. By February 2001

tenders were held in 48 municipalities. Procedures have been opened for the holding of municipal land tenders in another 49 municipalities.

4. In order to activate the land market and to consolidate the restituted land, on the grounds of the existing legal provisions, the Ministry of Agriculture and Forestry offers the possibility of exchanging private agricultural land for land of the State agricultural fund. Priority is given to the exchange of agricultural land belonging to natural and legal persons in connection with the establishment of perennial plantations and vineyards.

5. With the amendment to the Law on Ownership and Use of Agricultural Land (last amendment - State Gazette 106/2000) financial facilities are granted to the owners in the event of disposal transactions with agricultural land.

6. The existing opportunity for using land of the State agricultural fund by rent or lease is another element of the land market.

7. A national information system has been created within the Ministry of Agriculture and Forestry for the demand and supply of agricultural land. The use of the system is free of charge. Those willing to buy or sell land can use the Internet to access the system.

8. The assessment of forests and land of the forest fund is performed in cases of:

- Determination of a basic price, when the state purchases or offers for sale forests or lands of the State forestry fund according to Art.7.3 of the Forestry Law;
- Consolidation;
- Establishment of limited property rights over forests and land of the forest fund;
- Other cases for which the law or by-law requires a market assessment.

In the above-mentioned cases the assessment of the forests and land of the forest fund is made on a case by case basis and is not subject to fixed time limits.

### III. Short-term measures (until the end of 2002)

<b>Priority 1: Development of agricultural farms</b>			
No	Measure	Deadline	Responsible institutions
1.	Fulfilment of the 2001 budget of the State Fund "Agriculture"	31.12.2001	State Fund "Agriculture"
2.	Drafting Regulations implementing the measures of the National Agriculture and Rural Development Plan 2000-2006 for the SAPARD Program	31.12.2001	Ministry of Agriculture and Forestry, State Fund "Agriculture"



**Reasoning:**

*Measure 1: Fulfilment of the 2001 budget of the State Fund “Agriculture”*

Further financing by the State Fund “Agriculture” will increase the efficiency and competitiveness of agricultural farms.

*Measure 2 Drafting Regulations implementing the measures of the National Agriculture and Rural Development Plan 2000-2006 for the SAPARD Program*

The implementation of this measure will set favourable conditions for the implementation of the SAPARD Program and the fulfilment of the planned objectives for the development of viable farms.

<b>Priority 2: Establishment of the cadastre and the property register</b>			
No	Measure	Deadline	Responsible institutions
1.	Adoption of by-laws in conformity with the requirements of the Law on Cadastre and the Property Register (LCPR)	July 2001- November 2001	Ministry of Regional Development and Public Works (MRDPW) and Ministry of Justice (MJ)
2.	Initial activities on securing the administrative capacity of the Cadastre Agency and the registration offices	31.12.2002	MRDPW, MJ
3.	Performance of activities for the establishment of the cadastre and the property register in 5 court districts	31.12.2002	MRDPW, MJ
4.	Organising a tender and assigning the task for development of software for the information systems of the cadastre and the property register. Development of software for the registration offices at the courts for the conversion of the data in the personal folios into digital format.	31.12.2002	MRDPW, MJ

**Reasoning:**

*Measure 1: Adoption of by-laws in conformity with the requirements of the Law on the Cadastre and the Property Register (LCPR).*

In conformity with the requirements of the Law on the Cadastre and the Property Register, the following by-laws will be adopted:

<b>No .</b>	<b>Acts according to the LCPR</b>	<b>LCPR Ref.</b>	<b>Deadline</b>	<b>Responsible institutions</b>
1.	Regulation on the content, the establishment and the maintenance of the cadastre map and cadastre registers	Art.31	July 2001	MRDPW
2.	Regulation on the keeping and maintenance of the property register	Art.5.3	July 2001	MJ
3.	Regulation on the establishment of a bilateral link and exchange of data between the cadastre and property register	Art.6.3	July 2001	MRDPW, MJ
4.	Regulation on the establishment, storage and usage of the information systems for the cadastre and property register and on the direct access to the data	Art.7.3	November 2001	Council of Ministers (at the proposal of MRDPW and MJ)
5.	Regulation on the provision of cadastre data	Art.58.1	November 2001	MRDPW
6.	Tariff of charges for entering cadastre data and putting a record in the property register	Art.8.2	October 2001	CM (at the proposal of MRDPW and MJ)
7.	National standard for the exchange of data between information systems which use cadastre data	Art.33.2	October 2001	CM (at the proposal of MRDPW)

*Measure 2: Initial activities on securing the administrative capacity of the Cadastre Agency and the registration offices.*

Securing the administrative capacity consists of filling up the staff for the registration offices and recruiting the personnel for the Cadastre Agency and the cadastre services in the regional city centers. A Training Program for the personnel responsible for application of the LCPR shall also be worked out and adopted. The Programme includes representatives of the Cadastre Agency, the registration offices, the Ministry of Agriculture and Forestry, the Ministry of Defence, the municipalities, etc. A Training Unit on cadastre and property registration will be functioning in compliance with this Program within the Centre for post-graduate and facultative training within the University of Architecture, Building and Geodesy.

*Measure 3: Performance of activities for the establishment of the cadastre and the property register in 5 court districts.*

During 2001 the systematic establishment of cadastre in 5 court districts will begin in line with the Program on Establishment of the Cadastre and the Property Register. The establishment of the cadastre and the property register will be executed by court districts; for the cadastre it will be inaugurated with an order of the executive director of the Cadastre Agency, and for the property register it will be inaugurated with an order of the Minister of Justice.

*Measure 4: Organising a tender and assigning the task for development of software for the information systems of the cadastre and the property register. Development of software for the registration offices at the courts for conversion of the data in the personal folios into a digital format.*

On the basis of the concept and model of the information system for the cadastre and property register created under the World Bank project, the development of the software for the information system will be assigned. Pursuant to Par.16 of the transitional and final provisions to the LCPR, the registration offices at the courts will be provided with software to enter the data in digital format. In order to create conditions for completeness of the data in the property register, it is envisaged that after 01.01.2001 entries will also be made for the fact-ascertaining notarial deeds, as well as for copies of announced testaments.

<b><i>Priority 3: Development of the land market</i></b>			
No	Measure	Deadline	Responsible institutions
1.	Drawing up of a list of representative agricultural farms for a periodic survey of the land market and of the structure of agricultural farms.	31.12.2001	The "Agrostatistics" Directorate at the Ministry of Agriculture and Forestry
2.	Adoption of a Law on agricultural land plots consolidation.	30.06.2002	The Ministry of Agriculture and Forestry, the Council of Ministers, the National Assembly
3.	Drawing up a Strategy of the Ministry of Agriculture and Forestry for the implementation of the Law on agricultural land plots consolidation.	31.12.2002	The Ministry of Agriculture and Forestry
4.	Conclusion of the processes of compensating former owners and distributing land to landless citizens and smallholders.	31.12.2002	The Ministry of Agriculture and Forestry
5.	Compensation of former owners for non-restituted forests and land of the forest fund.	31.12.2002	The Ministry of Agriculture and Forestry

**Reasoning:**

*Measure 1: Drawing up of a list of representative agricultural farms for a periodic survey of the land market and of the structure of agricultural farms.*

In 1999 and 2000 surveys were made on the development of land market and the structure of agricultural farms in Bulgaria. In 2001 a list of agricultural farms will be prepared which will be monitored periodically. The monitoring of agricultural farms' structure will make possible the study of the trends in the development of the land market and the analysis of the changes in the structure of agricultural farms. The "Agrostatistics" Directorate at the Ministry of Agriculture and Forestry carries out the studies. Currently the survey is carried out on the basis of data from about 12 000 agricultural farms.

*Measure 2: Adoption of a Law on agricultural land plots consolidation and Measure 3: Drawing up a Strategy of the Ministry of Agriculture and Forestry for the implementation of the Law on agricultural land plots consolidation.*

The adoption and implementation of the Law on land plots consolidation will create conditions for consolidating the land with a view of increasing the efficiency of agricultural production, respectively increasing the market value of agricultural land.

*Measure 4: Conclusion of the processes of compensating former owners and distributing land to landless citizens and smallholders and Measure 5: Compensation of former owners for non-restituted forests and land of the forest fund.*

The implementation of Measures 4 and 5 will lead to the finalisation of the land reform.

**IV. Medium-term measures (until the end of 2006)**

<b>Priority 1: Development of the agricultural farms</b>			
No	Measure	Deadline	Responsible institutions
1.	Implementation of the SAPARD Program	31.12.2006	Ministry of Agriculture and Forestry, State Fund 'Agriculture'

**Reasoning:**

*Measure 1: Implementation of the SAPARD Program.*

The goals incorporated in the National Agriculture and Rural Development Plan (2000-2006), approved by decision of the EC on 20.10.2000, aim at improving the agricultural structures, the efficiency, the application of the *acquis communautaire*, while at the same time employment opportunities are opened up and living standards in rural areas are improved.

<b>Priority 2: Establishment of the cadastre and the property register</b>			
No	Measure	Deadline	Responsible institutions
1.	Completion of the personnel, technical and technological development of the cadastre and registration offices.	31.12.2006	MRDPW, MJ
2.	Establishment and approval of the cadastre map in 33 court districts.	31.12.2006	MRDPW, MJ

**Reasoning:**

*Measure 1. Completion of the personnel, technical and technological development of the cadastre and registration offices.*

The staff, technical and technological development of the 28 cadastre offices and 112 registration offices will be concluded for the entire territory of the country not later than the end of the second stage. The information systems of the cadastre and property register will be implemented as distributed data bases in the cadastre offices and the district courts. The technical infrastructure will be created and a direct link will be established between the cadastre office information system in each region and the information systems of the property register in the district courts.

*Measure 2. Establishment and approval of the cadastre map in 33 court districts.*

During the second stage the cadastre map will be created and approved and the introduction of the property register in 33 court districts will be promulgated. In the course of this period activities will have been started and running on the establishment of a cadastre map and a property register for each one of the regional city centres of the country.

<b>Priority 3: Development of the land market</b>			
No	Measure	Deadline	Responsible institutions
1.	Conclusion of the consolidation of agricultural land plots in 30% of the land planned to be consolidated.	31.12.2006	The Ministry of Agriculture and Forestry

**Reasoning:**

*Measure 1. Conclusion of the consolidation of agricultural land plots in 30% of the land planned to be consolidated.*

This process will ensure the consolidation of agricultural land, the stabilisation of ownership and the activation of the land property market.

## V. Long-term measures (untill the end of the transitional period 31.12.2013)

<b><i>Priority 1: Development of agricultural farms</i></b>			
No	Measure	Deadline	Responsible institutions
1.	Application of the mechanisms of the Common Agricultural Policy in line with the conditions set in the future agreement for Bulgaria's accession to the EU.	31.12.2013	The Ministry of Agriculture and Forestry

### ***Reasoning:***

*Measure 1: Application of the mechanisms of the Common Agricultural Policy in line with the conditions set in the future agreement for Bulgaria's accession to the EU.*

The application of the mechanisms of the Common Agricultural Policy will speed up the process of concentration and modernisation and will facilitate the achievement of a level of competitiveness of agricultural production similar to that of the EU Member States.

<b><i>Priority 2: Establishment of the cadastre and the property register</i></b>			
No	Measure	Deadline	Responsible institutions
1.	Finalisation and approval of the cadastre map and the property register.	31.12.2015	MRDPW, MJ
2.	Establishment of the cadastre and the property register integrated information system.	31.12.2015	MRDPW, MJ
3.	Update of the cadastre information.		MRDPW, MJ

### ***Reasoning:***

*Measure 1: Finalisation and approval of the cadastre map and the property register and Measure 2: Establishment of the cadastre and the property register integrated information system.*

Up to the end of the transitional period finalisation and approval of the cadastre map and the property register for all 112 court districts of the country are envisaged. For the entire territory of Bulgaria the cadastre and property register integrated information system will be introduced and will start functioning. On the basis of this system all transactions of disposal with real estate, as well as the information and services to natural and legal persons will be provided.

Transactions with real estate can be executed even before the finalisation and approval of the cadastre map and property register. However, the latter will provide more security and certainty for all potential investors.

### *Measure 3. Update of the cadastre information.*

The Cadastre Agency, through the regional cadastre offices, will maintain up-to-date the graphical and attribute information on all real estate in the region. It will provide data and ensure opportunities for the update of the cadastre map and the cadastre registers.

<b><i>Priority 3: Development of the land market</i></b>			
No	Measure	Deadline	Responsible institutions
1.	Conclusion of the consolidation of agricultural land plots in the remaining 70% of the land planned to be consolidated.	31.12.2013	The Ministry of Agriculture and Forestry

### ***Reasoning:***

*Measure 1: Conclusion of the consolidation of all agricultural land plots of the land planned to be consolidated.*

This process will ensure the consolidation of agricultural land plots, the stabilisation of ownership and the activation of the land property market.

## **VI. Conclusions**

The request for a 7-year transitional period concerning the ban on foreign natural and legal persons to acquire ownership over agricultural and forestry land is based on economic and social arguments. An early abolishment of that limitation would cause a sharp rise in land prices, which will limit the access of Bulgarian farmers to agricultural land at affordable prices. The shortage of employment opportunities in other sectors might lead to increased unemployment and will deepen the social problems on regional and national level.

The implementation of the planned measures and the accompanying institutional and legislative changes will gradually lead to overcoming the existing problems on the way to a well-functioning land market:

- The effectiveness of agricultural farms is low which determines the low prices of the land. The process of concentration and modernisation of farms with the aim of achieving a level of competitiveness comparable to that of the European Union Member States requires a long period of time. Through measures for the development of local farms, their productiveness, efficiency and capability of participation on a par with foreign players in the land market will be increased. This will bolster also competition, respectively the demand and supply of land, and will allow its price to achieve values adequate to the ones existing in the EU Member States.
- With the establishment of the cadastre for the entire territory of the country and the introduction of the property-based system of registration until the end of 2015, full and accurate information will be ensured on the property boundaries and the bearers of property rights over land. This, in its turn, represents an additional legal

guarantee for ensuring the confidence and trust of the participants in the land market, including also the foreign investors.

- The conclusion of the process of consolidation of agricultural land plots until the end of 2013 will additionally stabilise and activate the land market.



## **Implementation of the EU Acquis in the Field of Payment Systems**

The Republic of Bulgaria will implement the EU *acquis* in the field of payment systems by the end of 2004 as follows:

### ***Directive 97/5/EC of the European Parliament and of the Council of 27 January 1997 on cross-border credit transfers***

1. Drawing up of draft amendments to the legal framework conferring upon the Bulgarian National Bank the power to issue a Regulation on cross-border credit transfers. Submission of the draft amendments to the National Assembly - by the end of 2001.

2. Adoption of the Regulation of the Bulgarian National Bank - by the end of 2002.

The Regulation will transpose the requirements of Directive 97/5/EC regarding the commercial banks' obligations to provide information to their clients.

3. Implementation of the remaining provisions of Directive 97/5/EC - by the end of 2004.

The necessary amendments to the Bulgarian legislation concerning cross-border credit transfers by non-bank institutions will be adopted by the end of 2004. The implementation of the requirements of Directive 97/5/EC concerning the obligations to compensate in the event of non execution of credit transfer order within the agreed time limits will be carried through amendments to the BNB Regulation. The provisions implementing this part of the Directive will not enter into force before the date of accession of the Republic of Bulgaria to the EU.

Bulgaria will introduce adequate and effective procedures for handling customers' complaints as well as for the settlement of disputes between banks and customers, as foreseen by Article 10 of Directive 97/5/EC, and will make the necessary amendments in the legal framework by the end of 2004. There is still a discussion in the Republic of Bulgaria on the most appropriate way to implement Article 10. Some of the possible solutions for the implementation of Article 10 are the establishment of a complaint body or arbitration within a consumer protection organisation, within the Association of Commercial Banks or within the Bulgarian National Bank. Bulgaria will provide regularly detailed information on its progress in this field.

### ***Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems***

1. Transposition of the requirements of Directive 98/26/EC with respect to the Real Time Gross Settlement System - by the end of 2001.

The draft for the amendments to the legal framework will be worked out by the end of June 2001. The amendments are expected to be adopted by the end of 2001.

2. Achievement of full compliance with the requirements of Directive 98/26/EC by the end of 2004.

The full compliance with the requirements of Directive 98/26/EC will be achieved through amendments to the legal framework. The draft of these amendments will be worked out by the end of 2003 and they will be adopted by the end of 2004. The responsible institutions are the Bulgarian National Bank, the Ministry of Finance, the Ministry of Justice, the State's Securities Commission and the Central Depository.

***Recommendation 97/489/EC of 30 July 1997 concerning transactions by electronic payment instruments and in particular the relationship between issuer and holder***

1. Drawing up of draft amendments in the legal framework - by the end of 2002.

By the end of 2002 the Republic of Bulgaria intends to prepare drafts to complete the legal framework in relation to debit cards, drafts for new legal acts providing for issuance and transactions effected by deferred debit cards, charge cards and credit cards issued on the basis of the rules of international organisations as Visa International, Europay/MasterCards, AmEx as well by electronic money instruments.

2. Adoption of the relevant legal acts - by the end of 2004.

## **Correspondence between the Law on Measures against Money Laundering (LMML) and Directive 91/308/EEC**

The correspondence between the Law on Measures against Money Laundering (State Gazette No.85 from 24.07.1998, last amendments and complements State Gazette No.1 from 02.01.2001) and Directive 91/308/EEC is as follows:

Article 1 of Directive 91/308/EEC – **Article 2 of the LMML** gives definition of money laundering, and par. 2 is fully corresponding to the first three paragraphs of the definition in article 1 of the Directive. The definition does not fully correspond to the fourth paragraph of the money laundering definition in the Directive regarding association to commit and abetting. The Bulgarian legislation will be changed accordingly in order to be in full compliance with the definition of the Directive before the date of accession. Paragraph 3 of article 2 of the LMML gives further correspondence with article 1 of the Directive saying that money laundering shall be regarded as such even where the predicate offence was perpetrated abroad and does not fall within the penal jurisdiction of the Republic of Bulgaria.

Article 2 of Directive 91/308/EEC – Article 253 of the Penal Code criminalizes the money laundering deed and **article 1, par. 2 of the LMML**, points that the objective of the law is to prevent money laundering and to detect actions of natural and legal persons aimed at money laundering.

Article 3 of Directive 91/308/EEC – **Article 4 of the LMML** requires from 27 groups of persons (listed in article 3 of the LMML), including credit and financial institutions, identification of their customers, in the cases of establishing permanent commercial relationships as well as carrying out of operations and entering into transactions which involve sums exceeding 30 thousand BGL and from the Bulgarian National Bank, banks, financial houses and foreign exchange offices also in the cases of exchange of currency in cash where the amount exchanged exceeds 10 thousand BGL. The requirement for identification shall also apply to the cases where more than one operation or transaction is carried out, each of them not exceeding 30 thousand BGL respectively 10 thousand BGL, but there are data that such operations or transactions are linked. The persons under art.3, paragraphs (2) and (3) of the LMML, must identify their customers also, wherever there is a suspicion of money laundering. **Article 5 of the LMML** refers to identification in cases in which customers are not acting on their own behalf.

Article 4 of Directive 91/308/EEC – **Article 6 of the LMML** specifies the documents required for the purpose of identification and **article 8 of the LMML** determines the period of five years for keeping the information about the customers.

Article 5 of Directive 91/308/EEC – **Article 7 of the LMML** requires from the persons under article 3 of the LMML (including credit and financial institutions) to collect information as regards the essential elements of the operation or transaction, wherever there is a suspicion of money laundering.

Article 6 of Directive 91/308/EEC – **Article 11 of the LMML** requires from the persons under article 3 of the LMML to notify forthwith the Agency “Bureau of

Financial Intelligence” (the competent Bulgarian authority) prior to carrying out the operation or transaction, related to money laundering. Under **article 9 of the LMML** the persons under article 3 of the LMML (including credit and financial institutions) furnish the competent authority (BFI) at its request with all necessary information (data about customers and operations and transactions). **Article 7, par. 2, of the LMML** points that information collected under the LMML may be used only for the purposes of the LMML (that is to say only in connection with combating money laundering). And under **article 12 of the LMML**, BFI notifies the Prosecutor’s Office, when establishing the perpetration of an offence, keeping the anonymity of the reporting person.

Article 7 of Directive 91/308/EEC – Under **article 11 of the LMML** the obliged persons (including credit and financial institutions) notify forthwith the Agency “BFI” prior to carrying out the suspicious operation or transaction, holding up its realization within the period admissible under the legal acts that regulate the corresponding kind of activity.

In the cases where the delay of the operation or transaction is objectively impossible, the person shall notify BFI immediately after the performance of the operation or transaction.

Article 8 of Directive 91/308/EEC – **Article 14 of the LMML** says that the persons under art.3 of the LMML shall not be allowed to notify their customer or any third party of the disclosure of information.

Article 9 of Directive 91/308/EEC – Under **article 15 of the LMML** the disclosure of information to the competent authority (BFI) shall not give rise to liability for breach of other laws.

Article 10 of Directive 91/308/EEC – Under **article 3 of the LMML** the measures for preventing and detecting actions relating to money laundering (identification of persons, collection, keeping and disclosure of information) are obligatory for certain groups of entities, among which are the Bulgarian National Bank, tax and customs authorities. Besides, under **article 10, paragraphs 4 and 5, of the LMML** the Ministry of Interior and the administrative structures under the Minister of Finance (tax and customs authorities, the supervision authority for the gaming and insurance companies) cooperate with BFI on the basis of special regulations.

Article 11 of Directive 91/308/EEC – Under **article 16 of the LMML** the obliged persons (including credit and financial institutions) must adopt internal rules for control and prevention of money laundering. The internal rules specify clear criteria for discerning suspicious operations and transactions and procedures for training of the employees as regard to the combating money laundering. Under **article 6, par. 5, of the LMML** the obliged persons establish, wherever it is possible, specialized units for identification of customers and for implementing the measures against money laundering.

Article 12 of Directive 91/308/EEC – Under **article 3, par. 2, of the LMML** the measures against money laundering are obligatory for 27 groups of persons, that is to say not only for the credit and financial institutions, but also for other professions and categories of undertakings, which engage in activities that are particularly likely to be used for money laundering purposes.

Article 13 of Directive 91/308/EEC – refers to establishing of a contact committee under the aegis of the Commission.

Article 14 of Directive 91/308/EEC – Article 253a of the Penal Code and **article 3 of the LMML** specifies the penalties for breach of the LMML.

Article 15 of Directive 91/308/EEC – The LMML includes stricter provisions in the field covered by the Directive. For example, under **article 12, par. 1, of the LMML** the Minister of Finance upon a proposal by the Director of BFI may suspend by an order in writing a certain operation or transaction for a period of up to three workdays; under **article 13 of the LMML**, BFI, after being reported on suspicious operation or transaction, may require from the Bulgarian National Bank, banks, state and municipal authorities additional information.

Article 16 of Directive 91/308/EEC - refers to the Member States.

Article 17 of Directive 91/308/EEC - refers to the Commission.

Article 18 of Directive 91/308/EEC - refers to the Member States.