

# **MONEY LAUNDERING FROM HUMAN TRAFFICKING FOR THE PURPOSE OF SEXUAL EXPLOITATION<sup>1</sup>**

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The main reason why people get involved in criminal activities and especially in organised criminal activities is the opportunity to make a quick and large profit. Criminals, however, are not just interested in securing large profits but also in the possibility to use this money, to enjoy the fruits of the criminal activity. Using the proceeds from such an activity exposes criminals to a risk of being identified and linked to the crime which generated the cash resources. Therefore, criminals prioritise laundering the “dirty money”, i.e. trying to conceal the actual criminal origin of the funds and making them appear as having accrued from legitimate activities. Money laundering thus becomes an integral part of the criminal activities generating cash resources.

Criminal organisations in the separate countries specialise in a variety of criminal activities which are particularly widespread and generate enormous profits. For Bulgaria, human trafficking, especially for the purpose of sexual exploitation, is precisely one such crime. This type of trafficking has become a social and criminal phenomenon in this country. Entering this criminal activity does not require large advance investments from the criminals but guarantees large profits which, in conjunction with the social and economic situation in the country, catalyses the endemic growth of the problem and turns it into a huge source of financing for Bulgarian organised crime.

## **I. Significance and peculiarities of trafficking in human beings from Bulgaria**

In recent years, trafficking in human beings from Bulgaria has emerged as a significant problem for this country and for the states of Western Europe. In its annual report devoted to the problem, Europol (Europol 2008: 3) yet again identifies Bulgaria as one of the

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<sup>1</sup> The report has been published in Bulgarian in: *Izpirane na pari ot trafik na hora. [Money Laundering from Human Trafficking]* Sofia: RiskMonitor and National Investigation Service, 2009, pp 17-31. The report presents the results of a project entitled “Main Schemes of Laundering Money Obtained from Human Trafficking”, financed by the Bulgaria Fund. Within the framework of the project, more than 150 interviews were conducted with prostitutes and traffickers, NGO experts and representatives of the justice-administering authorities. In addition to these sources of information, prosecutor’s acts and investigative warrants were perused as well.

six main source countries of victims who are trafficked within the EU, along with Ukraine, Romania, Russia, Nigeria and Moldova.

A review of the break-down of the cases of suspected exploiters of victims of human traffickers in certain Member States of the European Union by source country, presented in Table 1, invites similar conclusions.

Table 1: Persons suspected of human trafficking in EU Member States by source country<sup>2</sup>

<b>Belgium</b>		<b>Netherlands</b>		<b>Germany</b>	
<b>2002-2005</b>		<b>2001-2005</b>		<b>2005-2007</b>	
Belgium	64%	Netherlands	32%	Germany	44%
<b>Bulgaria</b>	<b>18%</b>	Turkey	11%	Turkey	9%
Albania	10%	<b>Bulgaria</b>	<b>9%</b>	<b>Bulgaria</b>	<b>6%</b>
Other <sup>3</sup>	8%	Other	48 %	Other	41%
Total	100%	Total	100%	Total	100%

Source: *Exploitation sexuelle et exploitation au travail* (2007), UNODC (2009) and author’s estimates

The figures in the table clearly show that in terms of the number of suspected human traffickers Bulgaria ranks among the top three European Union Member States about which information is available. The data indicate that one of five groups dealing with exploitation of people, detected in Belgium, is from Bulgaria. Thus, apart from yielding some of the largest number of victims of trafficking, this country is also a front-runner in the number of exploiters in EU countries. Worse yet, the results of our study suggest a broadening of the geographical scope of operation of the criminal actors from these well-known European

<sup>2</sup> The report on Belgium provides data on human trafficking for the purpose of sexual and labour exploitation but expressly notes that Bulgarians specialise in sexual exploitation of the victims. The data on Germany are only about trafficking for the purpose of sexual exploitation. In respect of the Netherlands, the human trafficking types vary. Still, as the report (UNODC 2009) indicates, some 80 per cent of the trafficking is for the purpose of sexual exploitation. This is corroborated in the summarised data of the Prosecution Office of the Republic of Bulgaria, cited in Prosecutor Evgeni Dikov (2009). These data show that sexual exploitation has been the purpose of more than 85 per cent of the human trafficking cases detected in this country over the last three years (2006 – 92,23%; 2007- 85,37%; 2008 – 85,37%). Therefore, the figures in the table are relevant to the largest extent to the type of trafficking subject to our study.

<sup>3</sup> The data in *Exploitation sexuelle et exploitation au travail* (2007) refer to the top five source countries, but there may be exploiter groups from other countries as well, which are not covered in the report.

destinations to new states on other continents, such as the US and the Republic of South Africa. Everything presented shows that a small country like Bulgaria has turned into one of the largest participants in human trafficking, as well as that this crime has assumed menacing proportions in this country.

One peculiarity of the trafficking of human beings from Bulgaria, which clearly stands out in the study, is the fact that the overwhelming majority of the trafficking “victims” are familiar in advance with the purpose of the trip and with what they will be doing in the final destination country. We found examples in the interviews in which “victims” seek contacts with traffickers to take them to a lucrative place and “victims” who, before departure, are shown videos of the places where they will work. This does not mean that those people are not coerced into this activity by factors such as poverty and unemployment, nor that they are not subjected to abuse. On the contrary, various forms of abuse: physical, sexual, psychological, economic, and even sadism (in the sense in which Fromm uses the term<sup>4</sup>) are concomitant to human trafficking. For a large part of the “victims”, however, recruitment does not involve physical abuse, and discipline in the organisations is enforced mainly by “fines”. One result of this peculiarity is that a very small portion of the prostitutes regard themselves as victims of trafficking. This peculiarity has been taken into account in the present study. Therefore, it largely approximates a study of the sex industry or the prostitution export market.

## **II. Actors in Human Trafficking for the Purpose of Sexual Exploitation**

This section presents briefly the principal types of actors in human trafficking, which were extrapolated from the information collected in the study. Notably, any attempt to typologise a dynamic phenomenon like organised crime is inevitably bound to be partial. The types presented may well be non-exhaustive, but they give us at least a general idea of the key actors in human trafficking. We extrapolate the following actors:

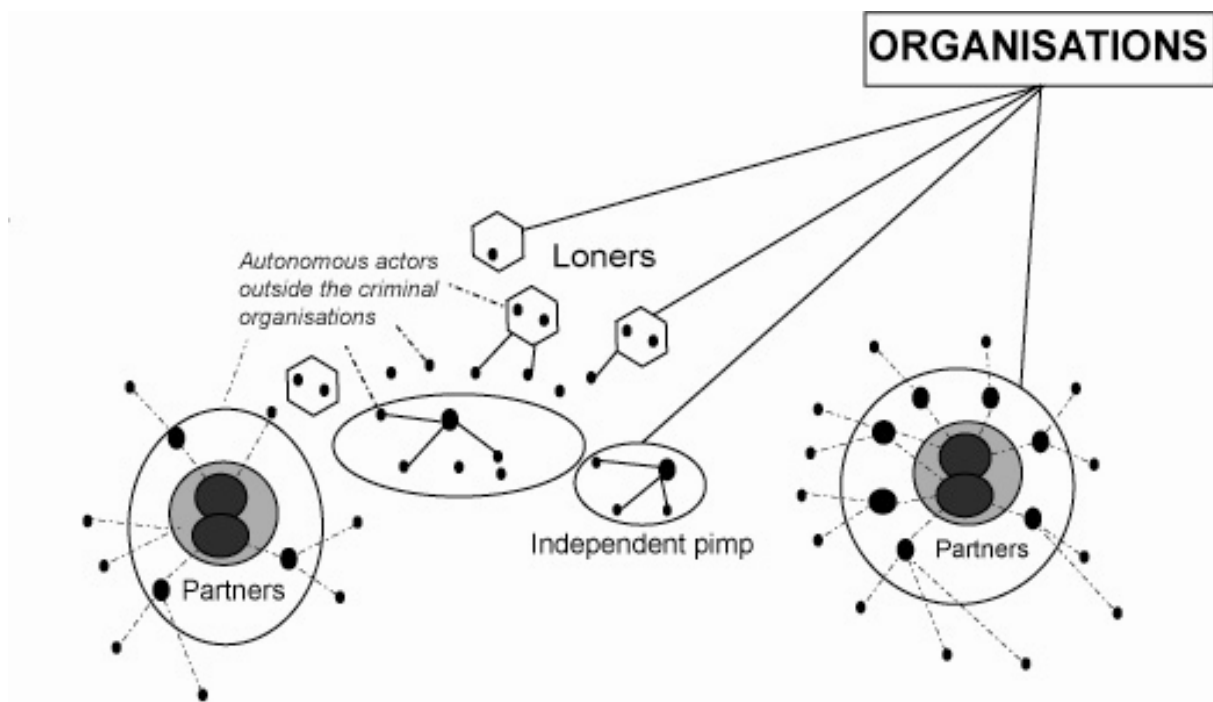
- **Loners:** a prostitute or a couple moving independently, touring various countries. One person works, having limited access to territories;

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<sup>4</sup> The core of sadism, according to Erich Fromm, is the passion to have absolute and unrestricted control over a living being. To force somebody to endure pain and humiliation without being able to defend himself is a form of unconditional control. A person who has full control over another living being makes that being in his thing, his property.

- **Independent pimp:** one pimp arranges for 2-5 girls (relatives in some cases) to transfer to foreign countries and work there. Access to lucrative segments of the foreign market is difficult;
- **Partners:** groups of pimps running stables of several girls each, who work together. A network of channels for access to foreign markets. There may be a distinct leader among the pimps, or an independent pimp may hire people to help him. The groups consist of 2 to 8 pimps with stables of 1 to 7 girls each;
- **Organisations:** large entities with a multi-tier hierarchical structure and a clear distribution of functions. Commonly involved in another criminal activity as well apart from human trafficking. Consist of numerous members, as well as pimps with stables of girls who work for them. Try to control the above-mentioned actors and to force them to work form them or to extort money from them. In some cases, over 100 prostitutes work for or report to such organisations. They have sustained international contacts, built in the course of years, which ensure them access to the most lucrative market segments and protection and support for those linked with them.

**Figure 1: Actors in human trafficking for the purpose of sexual exploitation**



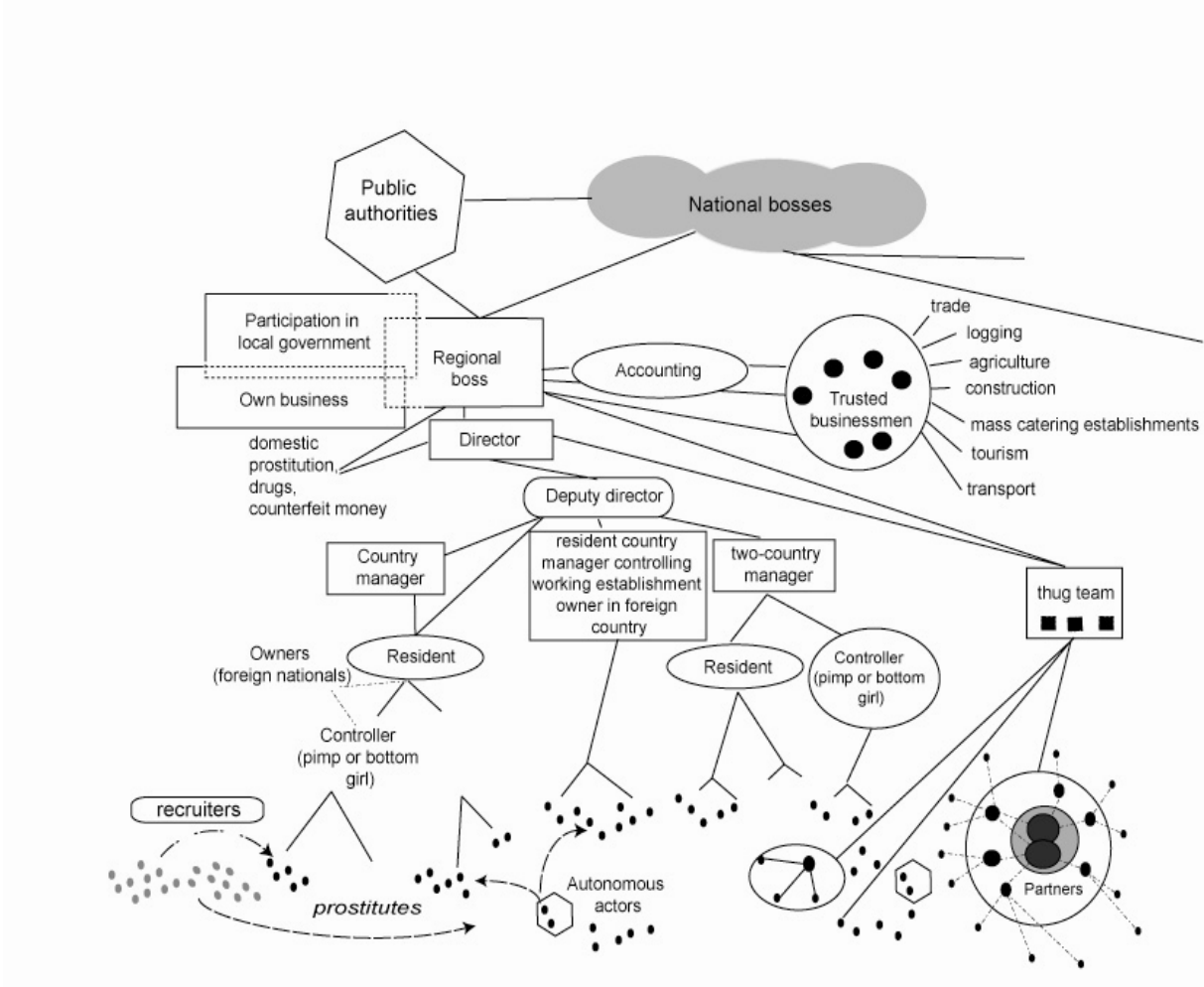
According to a large part of the interviewees, it is quite often impossible for the loners, the independent pimps or the partners to share for long in prostitution or even to start exporting prostitution without paying the large organisations. Similar conclusions can also be drawn from the interviews conducted with prostitutes, where several of the girls have started to work on their own or with their husbands and boyfriends but within two or three months have been traced and forced to join the organisations or to pay them a monthly “fee”. Nevertheless, we also have interviews with loners who say that they have been working on their own in the course of several years without paying Bulgarians.

The organisations are the actor that exerts a significant influence on the criminogenic situation and takes the lion’s share of the profits generated by human trafficking. Separately, the other actors can hardly exert a significant influence both on the state of crime and on the state of the economy through the money they generate. In most cases the amounts they earn enable them to enjoy a high living standard, but they can hardly influence the economic and political situation in the country. This does not mean that these actors should be ignored, but that the priorities should be identified and the main efforts should target suppression of the organisations, of organised crime which holds key positions in human trafficking. Therefore, the main focus should be on them.

### **III. Organisations in Human Trafficking: Roles and Structures**

This section will focus on the roles and structures of the organisations in human trafficking. Figure 2 presents a model structure of such an organisation, which combines elements of several really existing structures. Because of the combination of the real organisations in the scheme presented, the organisation may appear to be more unwieldy than it is in reality. Information on the known real organisations suggests similarity in the principal tiers and roles, which can be seen in the following scheme.

**Figure 2: Structure of an organisation for human trafficking for the purpose of sexual exploitation**



The following key roles are presented in the scheme:

1. The lowest tier is occupied by **prostitutes**: girls, rarely men. They are recruited in a variety of ways.
2. In the organisations, some members play the role of **recruiters**, who procure a fresh supply of prostitutes. After persuading the victim to join the organisation, the recruiters accompany her on the journey to the destination country, connect her with another member who accompanies her, or buy tickets if the prostitute will travel unaccompanied. The interviews show that in most cases there are no separate transporters responsible only for the transportation of the people.
3. A **controller** (a pimp or a bottom girl) is responsible for the control of the girls. The controller directly monitors the work of several girls and keeps account of their earnings,

meets and accommodates the new arrivals. In some known cases, the controllers also transport the prostitutes to the destination country.

4. The organisations collaborate with foreign nationals, who are **owners** of establishments or have access to other working environments for prostitutes. This collaboration is usually long-standing and is based on established mutual trust.

5. The earnings are collected from the controllers by a **resident**, who also seeks opportunities for inroads into other territories, arranges schemes for repatriation of the money to Bulgaria etc. Ever more often the organisations start to acquire clubs and establishments of their own in the destination countries. In such cases, the resident takes over the management of these clubs and establishments. In many cases the resident is a woman who controls access to strategic positions. For example, a ‘Madam’ who runs prostitute windows in Brussels.

6. The residents most often deal with the **respective country managers**, who mainly reside within Bulgarian territory but often travel to the destination countries and facilitate the resident’s work. One manager may be in charge of multiple countries. In some known cases, the roles of a country manager, resident, controller and owners of the working establishment in the foreign country are combined by a single member of the organisation.

7. The **thug team** is another component of the organisation. It is used to enforce internal discipline and to bring the autonomous actors in human trafficking under control. In some known cases, the thug team is sent to punish an offending member or a girl from another country. In most cases, the thug team members perform other functions in the organisation as well, such as security guards of the regional boss or the director.

8. **Deputy director**, who assists the director in controlling and managing the rest of the members of the organisations dealing with sexual exploitation and human trafficking. In some cases, the deputy director may double as a country manager. Some known organisations do not have a separate role for a deputy director.

9. **Director**: runs the business with prostitutes, and in many cases is also responsible for the management of other criminal activities of the organisation, such as distribution of drugs, counterfeiting currency and documents etc. Some organisations, though, specialise only in prostitution and human trafficking. The director exercises control from Bulgaria and maintains a very close relationship with the top people in the organisations.

10. On top of the organisations, there is a **regional boss**, who resides in Bulgaria and runs the organisation, has a solid legitimate business, and in certain cases occupies positions in local government. These bosses have at least three types of strategic connections:

- with **trusted businessmen**. The property or companies of the regional boss often nominally belong to trusted persons, who are responsible for the management of a specific branch of the organisation's legitimate business. In most cases, the finances of the regional boss are managed by a trusted accountant, who does not always possess the requisite educational qualifications;

- with **national bosses**, who control segments of a number of legitimate and illegitimate markets in the country. In some cases, the regional bosses are local representatives of the national bosses rather than autonomous players. Above the national bosses there is probably another tier or tiers, of which the study did not yield reliable information;

- with representatives of the **public authorities** (politicians: local and national, magistrates, policemen and other). The connections of the organisations with representatives of the public authorities are far stronger than "conventional corruption" related to a lump-sum bribe of a corrupt official. They rely on a carefully groomed, long-standing relationship, resting on enormous mutual trust, and often accompanied by regular pay-offs. In some known cases, the connections, say, between a regional boss and a highly placed local magistrate, are based on an emotional involvement (a love affair) rather than on a profit motive.

In the next section, we will attempt to estimate the profits accruing to the actors in human trafficking.

#### **IV. Attempt to Estimate the Amount of Proceeds from Human Trafficking for the Purpose of Sexual Exploitation**

Determining the amount of the funds generated by human trafficking presents an interesting problem. Accurate calculation of these funds is hardly possible, but the number of trafficked victims, their earnings, as well as their working days have to be known even for a rough estimate. In this paper we will cite the results of the calculations done in the publication of the study conducted (Petrunov 2009) without elaborating.



As the UN notes as well (UN.GIFT 2008), the lack of accurate statistics about the actual number of victims is a global problem. Our study found that an average 8,000-12,000 persons are exploited at a time outside Bulgaria. Proceeding from this estimate and the information derived from our interviews with prostitutes (they service an average 6 customers per day, charge an average rate of EUR 70, and log an average 270 working days per year), we calculate that Bulgarian actors in human trafficking for the purpose of sexual exploitation generate between EUR 900 million and 1,300 million annually (if the information is accurate). Certainly, any estimate of the proceeds of crime is conventional. Still, such an estimate gives us at least an approximate idea of the funds generated by this criminal activity.

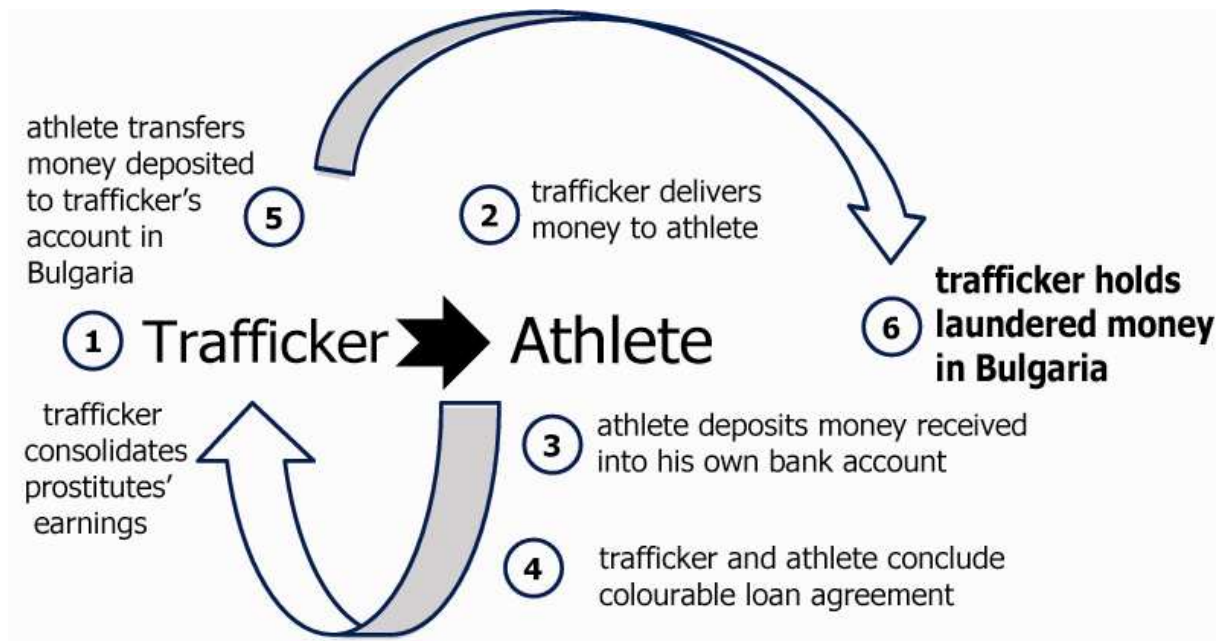
According to the opinion of the experts interviewed, between 50 and 80 per cent of the proceeds from human trafficking, i.e. between EUR 500 million and 900 million, find their way back into Bulgaria. Considering the size of this amount, it is logical to ask: how this money is managed? How is it laundered? We will focus on these questions in the next section.

## **V. Main Schemes for Money Laundering from Human Trafficking for the Purpose of Sexual Exploitation**

Money laundering schemes come in many different types, the limit probably being only criminals' ingenuity and the avenues open to them to launder the proceeds from their criminal activity. A number of various money laundering methods can be extrapolated from the study but, for considerations of space, we will limit ourselves to just several schemes in this paper.

A typical peculiarity of laundering the proceeds from cross-border human trafficking is the fact that the funds are generated over a prolonged period of time in the territory of a foreign State. It is precisely for this reason that moving the money from the destination country to Bulgaria presents the organisations with a major problem. Several methods of repatriating the money have been identified in the study. Each one of these methods has its peculiarities and variations. Thus, the prostitutes may send the money directly to the pimp in Bulgaria using the quick money transfer services or bank institutions. But these methods may be additionally complicated. The first scheme, which we will discuss, is precisely of this type. It is presented in Figure 3.

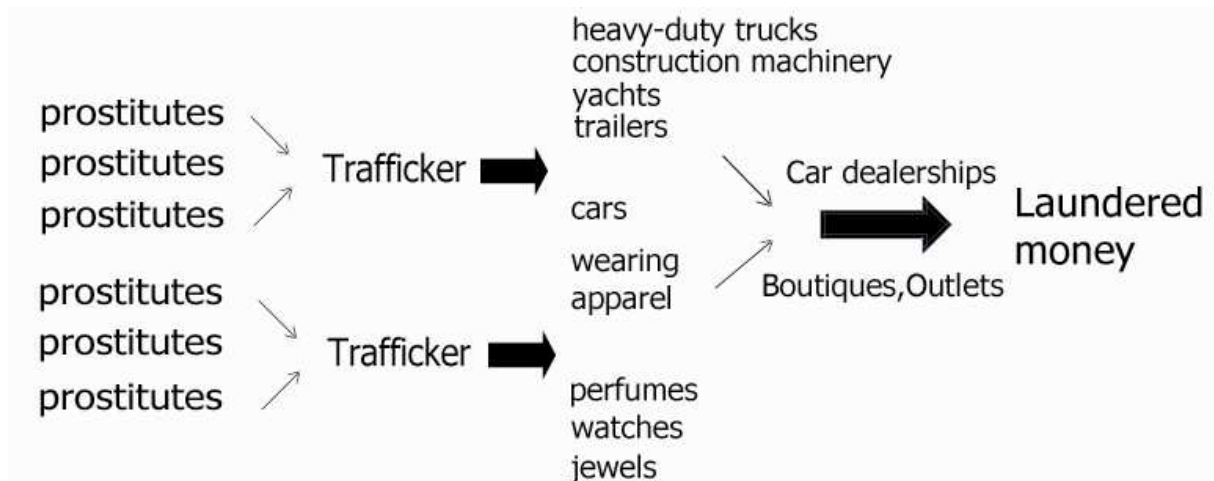
**Figure 3: Money transfer**



In the scheme presented, a highly placed trafficker makes arrangements with a well-known athlete with whom he has a close relationship to remit to him a large sum of money from the destination country. The trafficker consolidates the money earned by the prostitutes so as to collect a larger amount. Thereafter, he delivers the money to the athlete, who deposits it into a bank account of his own in the destination country. Besides this, a loan agreement for the same amount as the sum delivered in advance is concluded between the athlete and the trafficker. Apart from serving as a supporting document for the transaction to be presented to the bank, the agreement enables the trafficker to legitimise the money he holds. The athlete transfers the money deposited to an account of the trafficker in Bulgaria. As a result of these transactions, the trafficker repatriates to Bulgaria the money earned by the prostitutes and makes it appear as if this money has been borrowed.

Another method of repatriating the prostitutes' earnings to Bulgaria is purchasing various goods in the destination country, which are then imported and sold in Bulgaria. In the study, this stands out as one of the most commonly used methods. In the specific cases, traffickers purchase used and new cars, trailers, yachts, heavy-duty trucks, construction machinery, wearing apparel, jewellery, watches, perfumery, etc. Quite often the pimps own retail establishments in Bulgaria, where the imported merchandise is sold. These are car dealerships, boutiques, outlets, jewellery stores etc. This method is presented in the figure below.

**Figure 4: Purchase of goods**



When traffickers use this scheme, they try to sell the goods as quickly as possible so as to recover the money invested in the goods, as well as make room for new merchandise from the future exploitation of the prostitutes. To achieve these goals, the retail establishments used by the traffickers very often sell branded goods far cheaper than the normal economic operators, which undermines the competitive environment. For example, there are cases in which traffickers purchase new cars in the destination countries, import them into Bulgaria and sell them at a price lower than the price at which the authorised dealer for the country sells the respective make.

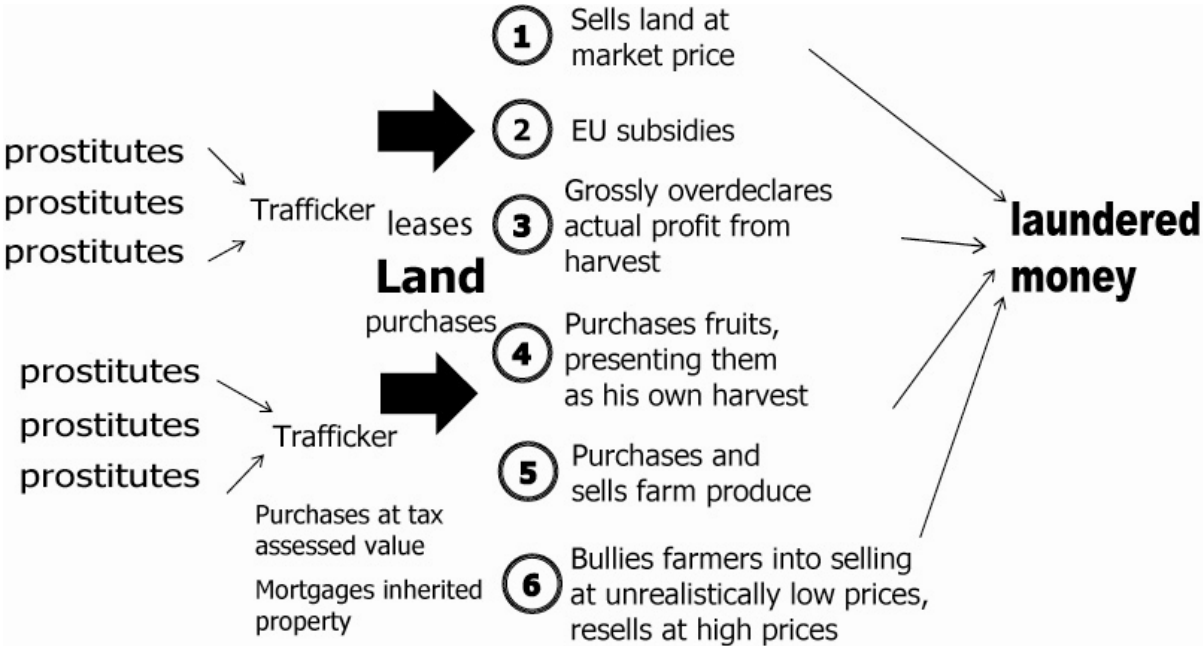
After the money returns to Bulgaria, it is invested in the legitimate economy. Agriculture is one of the areas of heaviest investment of proceeds from human trafficking for the purpose of sexual exploitation. Traffickers' serious interest in this sphere is attributable to several key arguments:

- tax incentives for agricultural producers;
- easy entry into agriculture;
- difficult tracing of the funds invested and the expenditures incurred, as well as the actuality of the profits declared;
- possibility to apply for subsidies under EU programmes.

For more successful entry into agriculture, traffickers lease or purchase agricultural land. In such purchases, they are inclined to offer a price above the average market price so as

to attract owners who wish to sell. Land purchase transactions are documented at the tax assessed value, which is manifold lower than the market price. In this way, they acquire expensive land for which, on paper, they have paid far less money. To make the money on which the land was purchased appear acquired from a legitimate source, in some cases trafficker mortgage inherited properties in which they reside. There are known cases in which, after purchasing land at a very low documented price, traffickers resell the land, entering a several-fold higher price in the documents on the sale. In some cases, after acquisition of the land, traffickers have its category upgraded and thus increase its tax assessed value, which facilitates the declaring of a higher selling price. As a result, the transaction is effected at a huge documented profit, which allows the trafficker to legitimise the proceeds from sexual exploitation.

**Figure 5: Laundering money in agriculture**



What matters to traffickers is not the harvest they will reap but the money they will manage to launder. Several methods of money laundering in agriculture have been identified. In the simplest method, traffickers declare a bumper harvest, many times larger than the actual one. In some known cases, the criminals who are registered as agricultural producers go round the villages in the region where they live and buy out farm produce from the real producers. The buy-out is usually paid in cash, without drawing up any document on the purchase and sale. Having thus purchased the produce from the agricultural producers,

traffickers present it as their own produce and sell it, fully documenting the transaction in their own name.

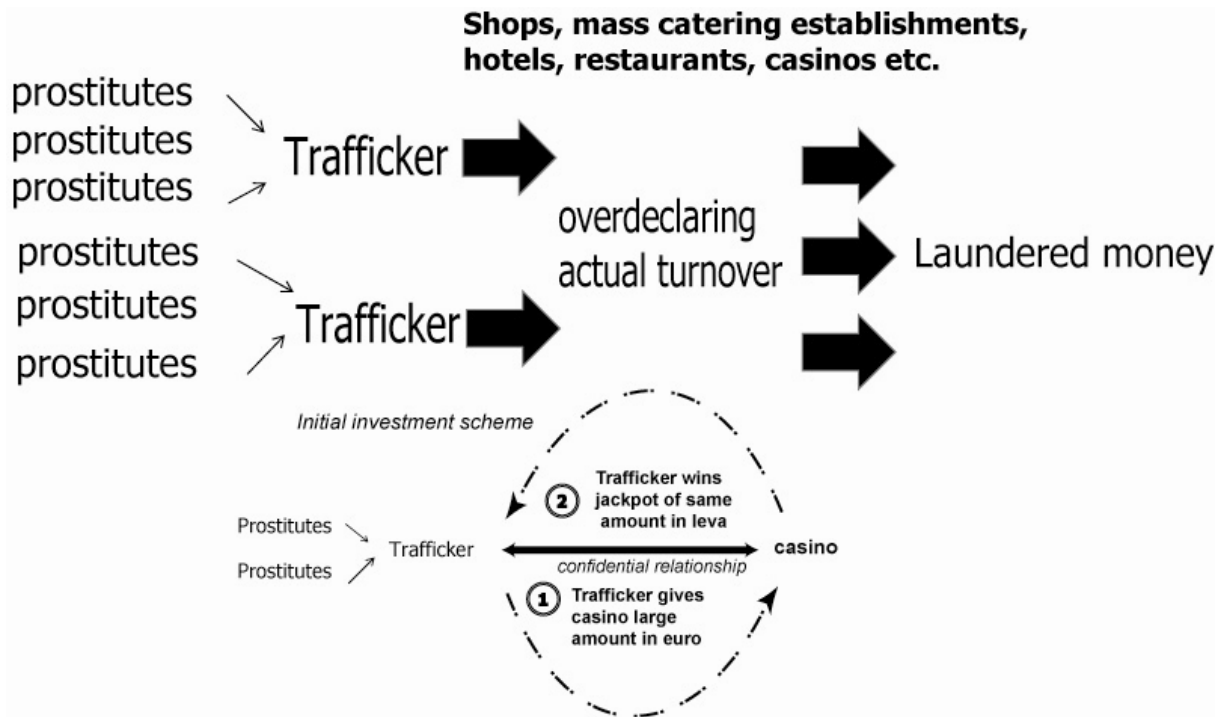
In some cases the criminals deal only with the repurchase of farm produce, having substantial cash resources at their disposal. When they purchase the produce, they grossly understate the prices paid, and resell it at a far higher price. The stated difference between the purchase price and the selling price thus results in a huge documented profit, which may be a disguise for proceeds from sexual exploitation.

In another widespread practice, traffickers dealing with purchase of farm produce bully the farmers into selling it to them at unrealistically low prices. There are known cases in which traffickers have established a monopoly position in entire regions and dictate the purchase price, which they impose by extortion. Thus, laundering the money, the traffickers commit further crimes. After purchasing the farm produce from the real producers, the trusted persons of the organisations dealing with human trafficking resell the produce at a much higher price.

All money-laundering methods in agriculture result in presenting the proceeds from human trafficking as accruing from agricultural activities.

All commercial operations, such as shops, mass catering establishments, hotels, restaurants, casinos etc., can be used for money laundering. The method is presented in Figure 6.

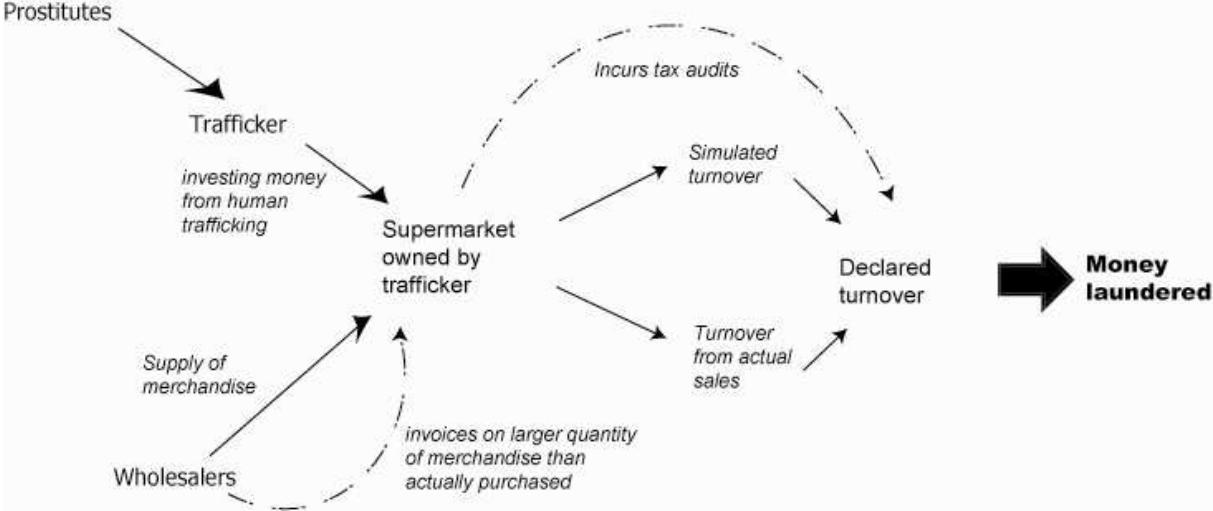
**Figure 6: Money laundering through commercial operations**



In this method, a turnover by far exceeding the actual one is declared. These operations have lower actual sales but, on paper, report a huge turnover. In some cases, special techniques are used to conceal the criminal origin of their funds and to show legitimate income upon acquisition of the commercial operation. Thus, in one particular case a trafficker made arrangements with a casino proprietor to deliver to him a large sum of money generated from exploitation of people, after which he will “win” the same amount as a jackpot in the casino. The trafficker gives the amount in euro and wins the jackpot in leva, thus sparing himself the effort to exchange the money from euro into leva. For the transaction, the trafficker relies on the confidential relationship he has built with the casino proprietor. Such methods suggest that money can be laundered through the casinos using the method described, but also the casino itself can grossly overdeclare its turnover and turn into a money laundry in its own right.

There are known cases in which the traffickers, acting on the advice of lawyers and accountants, complicate the money laundering methods through commercial operations. A particular case of this type is presented in the figure below.

**Figure 7: Money laundering through commercial operations on advice of accountants and lawyers**



In the scheme presented, a trafficker owns a supermarket. The trafficker makes arrangements with wholesalers who supply his supermarket with merchandise to give him invoices on a larger quantity of goods than the quantity actually purchased. The wholesaler agrees to issue such invoices because many other customers purchase merchandise without requiring this tax document. Thus, the high levels of the grey economy in Bulgaria create an extremely favourable environment for money laundering. The trafficker invests proceeds from human trafficking in the supermarket. Apart from actual sales, the supermarket also reports a simulated turnover, i.e. grossly overdeclares the actual turnover. Thus, the merchandise that is supplied to the supermarket on paper only is “sold” also on paper only. By these transactions, the launderers make sure that, when checked, they would not only be able to show a turnover from sales but also to produce documents on actually delivered merchandise. Besides this, the trafficker, again acting on the advice and with the assistance of his lawyers and accountants, contrives to incur periodic tax audits, which establish that there are no violations in the commercial operation. As a result, the proceeds from human trafficking appear as if they have accrued from the commercial operation of the supermarket.

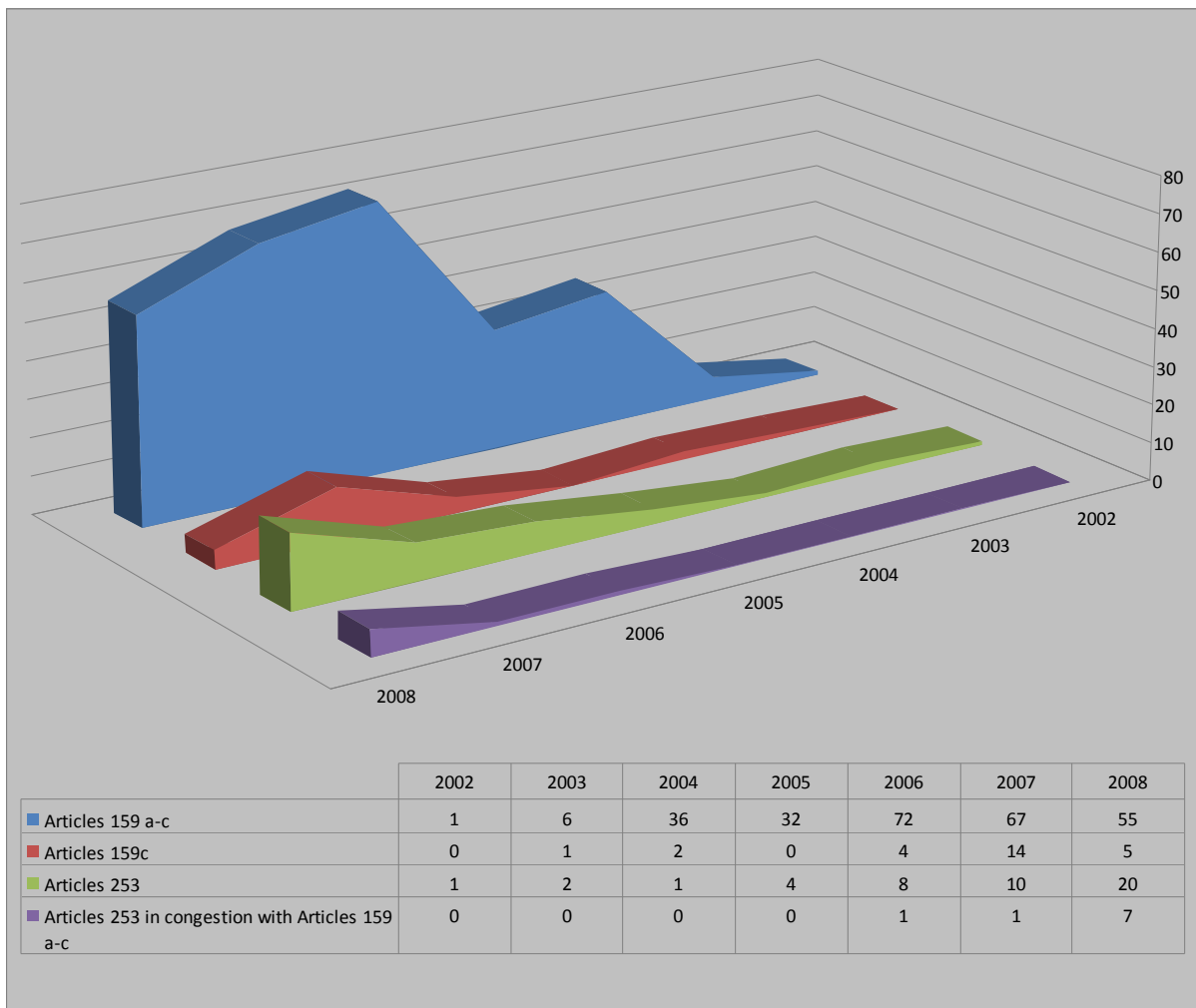
Further money laundering methods may be presented on the basis of particular cases, but in this paper we will limit ourselves to the methods discussed above. The publication on the full study (Petrunov 2009) presents the rest of the schemes for laundering money from human trafficking which we managed to identify in the study.

## VI. Conclusion

In conclusion, we will dwell on certain problems encountered in combating human trafficking and money laundering, and will also present suggestions for overcoming these problems.

We will first focus on the results achieved so far in the fight against these criminal activities. To this end, we will use information on these results from the Supreme Cassation Prosecution Office. Chart 1 presents the number of prosecutorial acts submitted to court in the 2002-2008 period in connection with trafficking in human beings (Articles 159a, 159b and 159c of the Penal Code); trafficking in human beings committed on the order or in implementation of a decision of an organised crime group or as dangerous recidivism (Article 159c); money laundering (Article 253); and laundering money from trafficking in human beings (Article 253 in conjunction with Articles 159a, 159b and 159c).

**Chart 1: Prosecutorial acts submitted to court**





Source: Supreme Cassation Prosecution Office

An increase in the number of acts submitted in connection with the offences in question after 2006 compared to the previous years is clearly evident from the chart. Nevertheless, trafficking related to organised crime groups (Article 159c) tends to be ignored, compared to the total number of acts in connection with human trafficking. In many cases the public authorities treat human trafficking as offences committed by separate individuals rather than by entire organisations. Success in combating organised crime, however, requires an effort to detect all tiers in the organisations, and especially the highest tiers. Arrests of low and medium tiers should be avoided, lest they appear as autonomous actors and their link with the organisation be severed. To achieve this goal, the efforts should focus on money laundering which, as Franco Frattini notes (Frattini 2007: 63), “is at the very heart of organised crime”. Following the money is the only way to get to the top of the organisations.

Chart 1 shows a considerably smaller number of prosecutorial acts in connection with money laundering, compared to the number of acts in connection with human trafficking. Besides this, trafficking is just one of the predicate offences which generate enormous profits and must be investigated. Not a single prosecutorial act in connection with laundering of money from trafficking in human beings was submitted to court until 2006. The number of such acts peaked in 2008, when seven prosecutorial acts were submitted. The data presented illustrate a tendency in which the law-enforcement authorities lack the practice of linking the investigations of crimes generating large profits with a parallel tracing and investigation of the cash flows. To reverse this adverse tendency, working arrangements have to be made for the law-enforcement authorities obligating them to investigate money laundering parallel to the investigation of particular offences. Achieving this goal requires a dramatic increase in the number of officers specialised in handling such offences.

A fact, which is not evident from the chart but stands out when the prosecutorial acts are reviewed, is that in seven out of a total of nine acts in connection with laundering of money from trafficking in human beings, the charge is joint and in most cases is under Article 321, Article 159a, Article 159b, Article 159c, Article 155 and Article 253 of the Penal Code. Besides this, six of the seven acts bringing a joint charge were issued by the Varna District Prosecution Office, of which two led to a conviction, two to a plea-bargain agreement, and two are still pending judgment. Evidently, this is a good practice, which demonstrates that if the appropriate working arrangements are made and good inter-institutional co-operation is established, positive results will be achieved.

The interviews conducted identify as a serious problem the victims' reluctance to testify in Bulgaria or their propensity to recant earlier testimony. This is often motivated by traffickers' threats to the victims and their families. Therefore, an improvement of the fight against human trafficking requires providing full protection to those who have agreed to testify and to their families for the entire duration of the trial.

In another study (Petrunov 2008: 14-16), we established substantial ineffectiveness in the application of preventive measures against money laundering in Bulgaria. Merely 10-15 per cent of the entities obligated under the Measures against Money Laundering Act have submitted and have endorsed Internal Rules. In 2007, 90 per cent of the suspicious transaction reports originated from banks and customs authorities, which shows that the remaining 28 types of obligated entities do not fulfil adequately their obligations. Successful counteracting of money laundering requires effective application of the preventive measures against money laundering in Bulgaria. These measures must effectively extend to all 30 types of obligated entities listed in Article 3 (2) and (3) of the Measures against Money Laundering Act, with endorsement of Internal Rules setting adequate criteria for identifying suspicious transactions and compliance with the provisions made by these rules.

A major obstacle to the fight against money laundering in Bulgaria is the close link established between money laundering and the predicate offence. Addressing this problem requires standardisation of the practice of the extent to which the predicate offence and the link between that offence and the amounts which are subject to laundering must be proved. This link must be weakened by making convincing circumstantial evidence that the person deals with criminal activity admissible to prove the predicate offence. This may be achieved through an interpretative judgment of the Supreme Court of Cassation or through a legislative revision.

There is a need to change the philosophy of the legislation on forfeiture to the Exchequer of criminal assets. The restriction of forfeiture of such assets to persons whose criminal activity meeting specific essential elements defined by the Penal Code has been proved in court must be lifted. A legal possibility must be provided for the confiscation of property acquired through unlawful activity or by unearned income. This would make it possible to confiscate property from a broad range of persons, including the trusted businessmen who, in a number of cases, are nominal owners of the traffickers' property.

Finally, we will note once again that paramount importance should be attached to the fight against money laundering as one of the most effective means to suppress criminal organisations.

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