



Federal Ministry
of Finance

Strategy to counter money laundering and terrorist financing

SICHER HEIT

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The present strategy is largely based on the insights gained during the European Commission's supra-national risk assessments (SNRA) and Germany's National Risk Assessment (NRA) regarding the specific money laundering and terrorist financing risks for Germany. The strategy outlines recently initiated steps and formulates selected individual measures aimed at further improving Germany's system for anti-money laundering and countering the financing of terrorism (AML/CFT).

The NRA, the overall strategy, and the individual measures it contains form the core of Germany's national risk-based approach. The aim is to continue to enhance the robustness of the AML/CFT system by strengthening this risk-based approach.

1 Enhanced prioritisation, expansion of structural cooperation, and improved coordination between stakeholders with the aim of achieving a holistic approach

The federal government and the state (*Länder*) governments are aware of the danger posed by dirty money being laundered into the economy, and are making efforts to prevent this. Anti-money laundering and countering the financing of terrorism (AML/CFT) is a multidisciplinary task that requires the involvement of multiple government stakeholders at various levels. To continue to strengthen the national risk-based approach, all ministries and authorities involved need to place an even higher priority on AML/CFT – within their own structures, in their mutual exchanges, and within the international bodies responsible for dealing with these issues.

The present strategy brings together and coordinates the various structural and subject-specific initiatives of the ministries involved. The key elements of the strategy are outlined below. They are an expression of greater national prioritisation and the promotion of a multidisciplinary, risk-based approach.

To this end, the exchange of information that already exists in many cases needs to be developed into permanent, regular structures and formats in all areas, with the aim of achieving greater coordination of AML/CFT efforts.

Against this background, the German government has taken steps to set up information-sharing formats – at the federal level, between federal and *Länder* level, and between the private and public sector. To improve cooperation and information-sharing with the international bodies mentioned in Chapter 11, the

Federal Foreign Office has dedicated extra capacity to international AML/CFT cooperation. In addition, it has put its participation in the plenary meetings of the Financial Action Task Force (FATF) on a permanent footing.

A key element of this approach is the Interministerial Steering Committee for Combating Money Laundering and Terrorist Financing (RÜST GW/TF), which was set up at the beginning of June 2019 and will meet twice a year.

The steering committee will make it possible to conduct high-level, horizontal coordination processes. Its members include the directors-general responsible at the Federal Ministry of the Interior, Building and Community, the Federal Ministry for Economic Affairs and Energy, the Federal Ministry of Finance, the Federal Ministry of Justice and Consumer Protection, and the Federal Foreign Office; the Presidents of the Federal Financial Supervisory Authority (BaFin), the Federal Criminal Police Office (BKA), the Federal Office for the Protection of the Constitution, the Federal Intelligence Service, and the Customs Criminological Office; the head of the Financial Intelligence Unit; the Federal Public Prosecutor General; and a director-general from the Bundesbank. At the second meeting, two *Länder* representatives will also be admitted to the steering committee on a permanent basis. If appropriate, the results will be provided to the Federal Security Council, the cabinet and the State or Senate Chancelleries of the *Länder*.

The German government will look into further increasing the resources of the relevant federal ministries and encourage the same at the supervisory and law enforcement authorities of the *Länder*. In many areas, new positions have already been created and new staff hired in recent months. For example,

the Federal Ministry of Finance has restructured and significantly expanded its organisational units responsible for AML/CFT. Similar measures have been taken by other federal ministries and competent authorities.

Concrete steps:

- Further prioritisation of AML/CFT
- Placing of information-sharing among the authorities involved on a permanent structural footing
- Establishment of steering committee (June 2019) as a permanent format at director-general level (ministries) or senior management level (authorities), also including representatives of the *Länder*, to clarify interministerial matters and coordinate measures
- Further expansion and development envisaged at the authorities involved, taking into account existing budgetary constraints

2 Risk-based prioritisation to enhance the effectiveness of AML/CFT

In 2017 and 2019, the European Commission presented supranational assessments of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities, and issued recommendations on how to address them with the help of a comprehensive approach.

Starting in December 2017, the German government, under the lead responsibility of the Federal Ministry of Finance, conducted an in-depth National Risk Assessment (NRA) on AML/CFT, with the aim of identifying existing and future risks and addressing them effectively. In light of Germany's high economic attractiveness, the diversity of the German economy, and the high number of potentially anonymous transactions (e.g. due to the high cash intensity), the NRA puts the money laundering threat for Germany at level two on the World Bank's five-point scale.

Germany boasts a large number of strong economic sectors (not least in the finance industry, the real estate sector, and industry, particularly SMEs), a geographic location at the heart of Europe, and secure investment conditions. As a result, there are a variety of risk areas that pose a special challenge for AML/CFT.

It is therefore crucial to communicate the results of the supranational and national risk assessments to law enforcement authorities, supervisory authorities, and obliged entities, thus allowing them to expand and improve their understanding of the risks. Suitable strategies for this are currently being developed by the competent authorities.

The competent authorities are also carrying out their own analyses so that their future actions can be informed by the specific risks in their area of responsibility. For instance, BaFin is continuously improving its risk-based ML supervision, taking into account the specific risk situation of each obliged entity under its remit. To this end, BaFin recently carried out a comprehensive update of its risk assessment, which was first conducted in 2017. It also conducts audits based on its own risk scoring of obliged entities. These are updated at regular intervals.

BaFin is engaged in ongoing exchanges with the European Central Bank and other European supervisory authorities to improve risk awareness among internationally active obliged entities and is optimising the cross-border effectiveness of supervision. In 2019 and 2020, BaFin is also working to compile a special section on the banking sector and the insurance sector in the interpretation and application guidance, in order to take account of specific requirements in these sectors.

Taking the results of the NRA into account, the FIU has produced a key issues paper outlining priority risk areas in suspicious transaction reporting, which is making it easier to rank incoming suspicious transaction reports (STRs) in order of priority during processing and operational analysis. The priority risk areas identified are evaluated on an ongoing basis to determine whether they remain valid and whether they need to be adapted or further developed. This is done in consultation with law enforcement authorities and with the involvement of obliged entities.

In addition, findings from the NRA are already being drawn on heavily in policy-making. In the context of transposing the Directive amending the Fourth EU Money Laundering Directive, the German government took concrete measures that addressed challenges identified in the NRA.

Concrete steps:

- Strategy to communicate NRA results to obliged entities
- Further development of risk-based money laundering supervision, enhanced communication with obliged entities, and strengthening of sectoral risk assessments
- Legal measures to remove threats identified in the NRA

3 Further development of financial intelligence structures, especially through enhanced cooperation and information-sharing among supervisory authorities, the FIU, law enforcement authorities, police authorities, and intelligence services

The FIU is where all the information from suspicious transaction reporting under the Money Laundering Act (*Geldwäschegesetz*) comes together. As such, it plays an important role in detecting risk trends and patterns, and thus in risk-based AML/CFT. This role is to be expanded further.

To enable the FIU to cooperate effectively with supervisory and law enforcement authorities at the federal and *Länder* level, but also with obliged entities under the Money Laundering Act, the German government will review the legal framework for the FIU's work on an ongoing basis and adjust it where necessary. To this end, the area of financial intelligence is to be further strengthened. Since the national transposition of the Directive amending the Fourth EU Money Laundering Directive, the FIU is notified of police automated data-matching hits, even those involving special category data, and has access to the central register of proceedings conducted by public prosecution offices.

Germany has capable law enforcement agencies at federal and *Länder* level with specialist AML/CFT expertise.

Within the Federal Criminal Police Office (BKA), the audit service and the asset confiscation and recovery office (VIVA) have specially trained staff who support the investigations in which the BKA is involved. This

is strengthening the analysis of financial flows and the securing of assets from an operational point of view. In addition, these organisational units act as the central point of contact for coordination with the *Länder*.

With the help of the Joint Financial Investigation Group, which is located at the BKA and run by the police and the Customs Criminological Office, joint investigations are being strengthened and strategic AML projects implemented. The BKA's anti-money laundering centre of excellence can advise on tactical and phenomenological questions relating to money laundering. In addition, it develops new investigative techniques and communicates them to the *Länder*.

As part of its responsibilities, the German government will continue to strengthen the Joint Financial Investigation Group's work and improve general conditions on an ongoing basis.

In future, data from past years will be systematically evaluated and analysed to a greater degree in order to detect patterns and threat scenarios.

At the federal level, the Anti Financial Crime Alliance (AFCA) – a partnership under the FIU's umbrella featuring the active involvement of BaFin, the BKA and obliged entities from the banking sector, which had its inaugural meeting on 24 September 2019 – is

a key component of an institutional, mainly strategic exchange of information between obliged entities in the private sector and authorities working in the areas of prevention and law enforcement. In future, subject- and sector-specific working groups can be established under AFCA's umbrella. There are plans to include obliged entities and *Länder* representatives from the DNFBP sector in the future.

AFCA is modelled along the lines of similar initiatives in other countries (including the UK, Australia and the Netherlands) which recently established institutionalised partnerships between supervisory authorities, law enforcement authorities and private-sector obliged entities, especially financial market entities. These initiatives differ in terms of structure, but they all share the aim of improving information-sharing among those involved and creating a regular, permanent format for it.

Enhanced information-sharing and knowledge transfer as well as improved coordination on processes and issues can contribute to a qualitative improvement in knowledge about product- and sector-specific risks among all those involved.

This knowledge can help to improve the quality of information materials on money laundering typologies or further develop national risk assessments, for example. In turn, these measures can enhance the quality of STRs (especially in the financial sector) and the number of STRs (especially in DNFBPs).

Efforts to solidify and expand existing information-sharing between *Länder* police authorities and the FIU – for instance by posting FIU liaison officers to the criminal police offices of the *Länder* – are being promoted.

Concrete steps:

- Strengthening of AML through effective cooperation among those involved
- Extension of the FIU's access to other authorities' data as part of Germany's transposition of the Directive amending the Fourth EU Money Laundering Directive
- Improved cooperation between obliged entities and competent authorities, for example through the use of standardised electronic formats
- Introduction of automated retrieval of personal data from the FIU by law enforcement authorities and the Federal Office for the Protection of the Constitution, in accordance with section 32 (4) of the Money Laundering Act
- Introduction of secure, electronic data transmission channel to allow the FIU to send analysis reports to law enforcement authorities in an efficient and seamless way
- Exchange of subject- and sector-specific information with the private sector within the framework of a permanent partnership (AFCA)
- Obligated entities and *Länder* representatives from the area of DNFBP supervision to be involved in AFCA
- Expansion of cooperation between the FIU and the *Länder* police authorities, for instance by posting FIU liaison officers to the criminal police offices of the *Länder*

4 Intensification of risk-based supervision in the financial sector and improvement of risk-based approach on the part of obliged entities

The financial sector is particularly attractive for money laundering activities. The number of STRs has been rising continuously in recent years (a total of 76,137 STRs were filed in 2018). This is a good sign, indicative of a well-functioning reporting system in the financial sector. However, the large volume of STRs also means that it is important to ensure that STRs in this sector are of a high quality.

To this end, BaFin will work to improve the efficiency of preventive monitoring systems in cooperation with the FIU and obliged entities in the financial sector. BaFin and the FIU recently laid down principles for their future cooperation. BaFin is further expanding its risk-based ML supervision and working to continuously improve the risk-based approach and risk awareness of obliged entities under its supervision.

In this context, the German government will ensure that BaFin continues to have the necessary resources at its disposal on an appropriate scale so that it can fulfil its growing responsibilities. Based largely on the results of its own risk assessment as well as the

NRA, BaFin will continue its risk-based supervision (including in the areas of correspondent banking relationships and MVTs).

For example, in the course of the NRA, it became clear that BaFin should obligate foreign payment service providers to appoint a central contact point if the specific risk situation so warranted. BaFin has now implemented this.

These central contact points provide BaFin with important key figures (e.g. on payment volumes and the number of payments executed in Germany). The information provided by the central contact points will enable BaFin to carry out its future supervisory activities in this area using a risk-based approach.

In addition, the central contact points will act as the permanent points of contact for the FIU and law enforcement agencies. At the beginning of 2019, BaFin communicated the new requirement to payment service providers in Germany that meet the relevant criteria.

Concrete steps:

- Increased resources for BaFin in the area of money laundering prevention
- Further increase in audit frequency (especially in the areas of insurance, asset management and MVTs)
- BaFin is to further expand money laundering supervision, taking into account the specific risk situation of each obliged entity (e.g. in the case of correspondent banks)

5 Enhanced cooperation with the *Länder* in the area of money laundering supervision of DNFBPs, further mobilisation of the private sector, and greater support for obliged entities

To strengthen the national AML/CFT approach, structural cooperation between the Federation and the *Länder* is being improved. For example, on the Federal Finance Ministry's initiative, a regular meeting was set up this year for the coordinating offices of the DNFBP supervisory authorities of the *Länder*. The aim is to establish single points of contact in the *Länder* for the area of prevention and to ensure coordination and strategic information-sharing among the *Länder*.

At the same time, the coordinating offices of the *Länder* have been included in the interministerial steering committee (see Chapter 1). In future, the meeting between the *Länder* coordinating offices and the federal level will complement and build on the existing Federation/*Länder* working group.

In the DNFBP sector (e.g. jewellers, car dealerships, real estate and, in the future, auction houses), it is crucial for obliged entities and supervisory authorities to pursue a strong risk-based approach. Different sectors face different risks to which obliged entities need to respond as part of their statutory obligations. The results of the NRA offer a great deal of evidence for this. The active involvement of all obliged entities in reporting suspicious transactions is crucial and decisive for an effective prevention system. For this reason, even greater efforts need to be made to raise awareness among obliged entities in the DNFBP sector of the specific risk profiles in their various industries.

The FIU and its efforts to coordinate *Länder* supervisory authorities play a key role in this context. Cooperation between the FIU and the *Länder* supervisory authorities is being further intensified. By offering suitable formats for sharing best practices and thus contributing to the nationwide further development of supervisory practices, the FIU aims to promote interconnectedness among supervisory authorities. In addition, it provides analyses of incoming STRs and findings from international and national cooperation, e.g. with foreign FIUs, the BKA, customs and the revenue administration. The purpose of this is to compile and improve sector- and industry-specific risk assessments for DNFBPs and support *Länder* supervisory authorities in their risk-based supervision work. Analyses of STRs and the findings outlined above are also used in typology papers, thus helping obliged entities to meet their AML obligations.

In consultation with obliged entities and supervisory authorities, the FIU is working to ensure that STRs are filed promptly, and that they are comprehensive and of a high quality. The Federation and the *Länder* are working together to improve options for assessing the effectiveness of supervisory measures.

To improve prevention in the DNFBP sector, it is also important to enhance mutual cooperation between, on the one hand, supervisory authorities and, on the other hand, law enforcement and revenue authorities, including customs. For example, when prosecuting ML offences, it is worth keeping in mind the possibility of supervisory measures, including

administrative fines, e.g. in the absence of appropriate compliance structures. At the same time, law enforcement authorities should report their findings back to supervisory authorities more frequently. The same applies to the transmission of relevant findings of the revenue and customs administration to DNFBP supervisory authorities.

International guidelines and analyses can also help obliged entities and supervisory authorities to improve their risk-based approach. Awareness of international standards in the area of money laundering prevention is to be enhanced further.

Alongside the efforts to improve information-sharing between authorities and obliged entities, targeted legislative measures have been taken in specific risk areas.

The regulatory framework is continuously reviewed and improved on the basis of findings from the NRA and the work of supervisory authorities, law enforcement authorities, revenue authorities and customs authorities. These insights inform concrete federal government measures and initiatives.

For example, indications from DNFBP supervision that emerged during work on the NRA suggested that the trade in precious stones and precious metals was highly susceptible to ML. Especially in the gold trade, there are heavy cash movements just below the identification threshold of €10,000 that has applied up to now.

As part of the transposition of the Directive amending the Fourth EU Money Laundering Directive into national law, the cash threshold above which traders in precious metals are subject to due diligence requirements was therefore lowered to €2,000.

Another fact that emerged during the NRA, also thanks to information from DNFBP supervisors and law enforcement authorities, was that auctions posed heightened money laundering risk in cases

involving large cash payments. In response to this, cash payments at auctions by public authorities were also made subject to due diligence requirements under AML law in a way that will not impair auction procedures.

These examples show that the expertise of *Länder* supervisory authorities can make a valuable contribution to improving AML/CFT. For ML prevention in Germany to be successful, it is crucial that the Federation and the *Länder* work together in a spirit of partnership. This applies to enforcement (especially DNFBP supervision) as well as to law-making, where the experience and expertise of *Länder* supervisory authorities are to be incorporated at an early stage.

Because of the structural stability of the German legal system and the stable value of German real estate, the German real estate sector is at heightened risk of being the target of ML activities. The German legislation transposing the Directive amending the Fourth EU Money Laundering Directive stipulates that, in addition to estate agents involved in the sale and purchase of real estate (who were already subject to AML requirements in the past), agents acting as letting intermediaries are now also subject to AML requirements in relation to transactions where the monthly rent is upwards of €10,000.

To increase the (previously low) number of STRs in the real estate sector, a new provision was added when transposing the Directive amending the Fourth EU Money Laundering Directive, whereby certain real estate transactions always trigger an STR on the basis of an ordinance. This was also prompted by the results of the NRA. In this way, existing obstacles to the submission of STRs by legal advice professionals in the DNFBP sector have been removed.

Concrete steps:

- Ongoing evaluation of the *Länder* coordination instrument by the Federation and the *Länder*
- Intensified information-sharing among the *Länder* and between *Länder* supervisory authorities and the FIU on typologies and priority risk areas
- Improved risk-based approach thanks to more specific insights about typologies and the latest trends
- Inclusion of these insights in the NRA and the risk assessments of the *Länder*, leading to increasingly specific risk-based controls
- More specific indications for obliged entities' risk assessments and, in connection with this, increased risk awareness
- Further intensification of information-sharing with FIU and law enforcement authorities envisaged
- Provision of German-language versions of international standards and guidelines
- Targeted amendments to legislation in high-risk areas (e.g. real estate, precious metals, auctions)
- Incorporation of DNFBP expertise of the *Länder* at an earlier stage of the legislative process

6 Strengthening of analysis, supervision and law enforcement in connection with the specific risks arising from new technologies, while also harnessing innovative digital technologies for AML/CFT purposes

Digitalisation and the rise of new technologies pose new challenges in AML/CFT, especially in connection with services that allow users to remain anonymous. Germany continues to ensure effective supervision in this area. The findings of the authorities involved are shared across the board.

BaFin will vigilantly monitor technological change in the financial sector and identify and address any resulting ML/TF phenomena. To be able to do this, BaFin must continue to have the necessary resources at its disposal on an appropriate scale. The BKA continuously expands its expertise in the area of digital financial investigation and in handling “big data” in the course of investigations, such as the analysis and evaluation of the Panama Papers or other leaks.

Behaviour giving rise to suspicions of ML can also be observed in the digital sphere, albeit not yet on a large scale. Cryptocurrencies and virtual currencies can be used to conceal the source of funds. Large tech companies (such as Telegram and Facebook) have announced that they plan to develop new cryptocurrencies, which could give rise to new challenges. The BKA plans to counter this effectively by building up expertise (especially within the framework of international cooperation), by using relevant technological tools, and by actively supporting Federal and *Länder* police forces.

The German government actively campaigned at the EU level for crypto-trading to be covered by AML rules under the Directive amending the Fourth EU Money Laundering Directive. In line with EU rules, new German legislation extends AML obligations to the operators of exchange platforms as well as to wallet providers. Germany will continue to monitor developments in the area of cryptocurrencies. The regulatory framework will be reviewed on an ongoing basis and adjusted if necessary.

However, digitalisation and innovative technologies also offer AML/CFT opportunities, for example when it comes to detecting specific patterns, in the area of monitoring, and, at some point in the future, through the use of artificial intelligence. The German government supports the speedy development of suitable products and tools that can be deployed by relevant public authorities and obliged entities as soon as possible in a way that is in line with data protection rules. To evaluate potential future fields of application, BaFin recently set up a cross-agency working group dedicated to the digitalisation of ML prevention.

Concrete steps:

- Extension of the Money Laundering Act to include crypto-trading; continuous review of the regulatory framework
- Review of the need for regulation in the area of cryptocurrencies and virtual currencies/assets
- In the future: use of innovative technologies for AML/CFT
- Enhanced powers for the BKA to carry out digital financial investigations

7 Improved general conditions for more effective criminal prosecution of ML/TF offences

Effectively prosecuting and punishing money laundering can make a significant contribution to the successful fight against organised crime in particular. This includes sanctioning companies involved in money laundering and recovering incriminated assets, thus making crime less attractive by depriving criminals of the proceeds. At the same time, incriminated funds can no longer be used to commit further crimes.

The German government will continue to ensure that the legal conditions for effective criminal prosecution of money laundering and terrorist financing are in place, monitor the law in action, and make any necessary adjustments.

Overall, Germany's legal framework was significantly improved by the 2017 reform of criminal-law asset recovery, which closed gaps in asset recovery. For example, the restriction on the scope of extended confiscation was lifted. This means that, in the case of a conviction for a criminal offence, it is also possible to confiscate assets acquired through, or for the purposes of committing, offences other than those that are the subject of the conviction. In the area of terrorism and organised crime, the reform put in place a statutory instrument that allows the confiscation of assets of unclear origin stemming from criminal offences, even without proof of a specific criminal offence.

The asset recovery options created by the legal reform are to be used more extensively in practice, with rising numbers of asset recovery measures to be carried out in the future. In addition to ongoing qualification and training measures, a review is being carried out as to whether it is necessary to increase the resources of the units in the police forces and judiciary that are responsible for financial investigations and asset recovery.

The German government plans to pursue an approach whereby more future financial investigations are integrated in prosecution proceedings. In this approach, trained financial experts will support selected investigations with a view to tracing flows of funds.

From an organisational point of view, the German government will work towards ensuring that training events for law enforcement authorities are even more focused on effective ML/TF investigations. Especially complex money laundering cases and asset recovery measures should be handled by specialised units to ensure that relevant expertise is pooled.

The Federation's Joint Financial Investigation Group should be given additional staff in the areas of clearing and criminal prosecution, given the necessary equipment (including analytical IT tools) on an ongoing basis, and developed further in terms of content. The capabilities of specialist services (such as the audit service and VIVA) will be increased proportionately.

The German government aims to further strengthen the basis for strong criminal prosecution of money laundering, which includes adapting the definition of money laundering to the provisions of the EU Directive on combating money laundering by criminal law. In particular, this means adding further predicate offences. In the forthcoming review, it will also be important to assess the provisions and the catalogue of predicate offences in terms of their practical applicability.

The resources of the judicial authorities will continue to be increased. In January 2019, for example, the Federation and the *Länder* concluded a rule-of-law pact which, among other measures, will boost the staff of the judiciary. A total of 2,000 new positions for judges and public prosecutors (plus support staff) will be created and filled by 2021. The Federation is providing financial support to the *Länder* in this regard.

In addition, the transparency register, which was set up two years ago, will soon be improved in terms of its search functionalities, for example by creating European interconnections and, as part of the national transposition of the Directive amending the Fourth EU Money Laundering Directive, by adding the possibility of searching for beneficial owners of an organisation or legal arrangement.

The German government also aims to further improve statistics in the areas of the judiciary, police authorities and customs and adapt them to AML requirements. Statistics are a key element in supporting the work of supervisory and law enforcement authorities, because they make it possible to draw numerous conclusions about regional or sectoral priority risk areas. With the help of these insights, authorities can initiate targeted risk-based measures in their investigative and supervisory work.

Concrete steps:

- Revision of the definition of money laundering
- Reform of rules on sanctions against companies
- Expansion of financial investigations that are integrated in criminal proceedings
- Pooling of responsibilities and concentration of expertise on asset recovery measures
- Strengthening and development of the Federation's Joint Financial Investigation Group
- Improved search capabilities in the transparency register
- Review of possible ways of improving statistics

8 Intensified national and international cooperation to combat the financing of terrorist organisations more effectively

Combating terrorism is a top priority for Germany. A relevant part of this is preventing, halting and sanctioning financing activities.

To counter the financing of terrorism effectively, existing structures between security and supervisory authorities on the one hand and the FIU on the other hand are to be expanded and strengthened. This will allow trends, typologies and threat situations to be analysed at an early stage and addressed in a targeted way.

In the context of terrorist financing, the FATF and others point to the abuse of non-profit organisations (NPOs) as a risk. The German government is currently working on a separate sectoral risk assessment with a focus on this area so that it can more accurately assess the relevance of NPOs for CFT in a German context.

To ensure efficient information-sharing between the *Länder* and the federal government, the Joint Counter-Terrorism Centre (GTAZ) in Berlin (for Islamist-motivated terrorism) and the Joint Centre for Combating Extremism and Terrorism (GETZ) in Cologne (for other extremist and terrorist phenomena) have already been set up. Representatives of the participating authorities exchange up-to-date intelligence at these centres on a day-to-day basis. Commitments within the framework of the GTAZ and the GETZ will be expanded further. The area of terrorist financing is also relevant in this context.

To improve international cooperation in the area of CFT, the Federal Foreign Office has dedicated extra capacity to this area of work. The Federal Foreign Office's ongoing financing of the relevant projects also serves to enhance international cooperation in this realm.

Concrete steps:

- Separate sectoral risk assessment for the area of NPOs
- Further development of GTAZ and GETZ

9 Financial sanctions: stronger commitment to international cooperation and national implementation

The area of financial sanctions forms part of the EU's Common Foreign and Security Policy. As such, it is subject to different rules than the AML/CFT sector. In general, UN financial sanctions and autonomous EU measures (especially asset freezing) are implemented by means of directly applicable EU regulations.

Germany will maintain and further intensify its already high international commitment in all the relevant European and international bodies, e.g. when it comes to developing effective UN and EU sanctions. At the national level, the transposition of the Directive amending the Fourth EU Money Laundering Directive created the legal prerequisites for immediate provisional implementation of financial sanctions issued by the UN Security Council and its subsidiary bodies (sanctions committees). In this way, Germany will ensure the effectiveness of the UN's financial sanctions even before a directly applicable EU regulation is in place. In the past, offenders were able to take advantage of this time lag to frustrate the purpose of the sanction (by withdrawing assets). Moreover, this "limbo" phase resulted in compliance uncertainties for entities and companies in the financial sector.

At the same time, potential changes to authorities' responsibilities are being explored at the national level. The NRA revealed that responsibilities for monitoring compliance with financial sanctions are not defined sufficiently clearly and that, in some cases, not all authorities affected are sufficiently aware of bans on the disposal of frozen movable assets (primarily cash, precious stones and precious metals) and immovable assets (primarily real estate). In addition, the procedures for collecting and collating information about frozen economic resources (real estate or movable assets of value not intended for personal use) as well as frozen cash are not specified in sufficient detail.

As an initial step, the German government will therefore (a) raise awareness among the authorities concerned regarding the scope of the legal provisions and possible measures in this problem area and (b) monitor the results of these awareness-raising efforts. If they prove to be insufficient, other measures should be explored, having due regard to effectiveness considerations. These could include, for example, establishing a central body with nationwide responsibility for identifying the assets of listed persons beyond bank accounts.

Concrete steps:

- Amendments to national legislation to ensure immediate provisional implementation of UN financial sanctions in the phase prior to listing in a directly applicable EU regulation
- Potential clarification and pooling of authorities' responsibilities being explored
- Freezing of cash/high-value assets and monitoring of compliance with associated bans on their disposal should be improved and, if necessary, complementary provisions put in place to ensure effectiveness

10 Germany's commitment to an effective European AML/CFT framework: strengthening and convergence of ML supervision in the EU, especially in the banking sector

At the EU level, the German government consistently advocates an effective European AML/CFT framework. The aim is to protect the European single market from potential threats as effectively as possible.

The German government will continuously review whether there are areas in which European regulation can add value, especially with a view to greater harmonisation and supervisory convergence within the EU. Initially, the focus will be on the measures set out in the Council action plan that was adopted on

4 December 2018, especially improving cooperation and exchange of information between ML supervisors in different member states, and ensuring effective cooperation between ML supervisors, prudential supervisors in the area of finance, and FIUs.

In the longer term, the possibility of harmonising the legal framework and the need for an EU supervisory authority will also need to be explored. Germany will play a constructive role in these discussions.

Concrete steps:

- Prioritisation of AML/CFT within the European framework
- Continuous monitoring of supervisory divergences together with European partners and, if necessary, efforts at the EU level to reduce them

11 Expansion of Germany's international involvement in the G7, the G20, the UN and the FATF

Germany is actively involved internationally in AML/CFT in a wide variety of ways, under the framework of the United Nations, the OSCE and the Council of Europe, as well as in the G7 and the G20. In addition, Germany is involved in efforts to combat terrorist financing within the Counter ISIS Finance Group (CIFG), the Anti-IS coalition, and the Global Counter Terrorism Forum. Germany also discusses the subject of terrorist financing in bilateral counter-terrorism consultations with its international partners.

In addition, Germany is a founding member of the FATF, which was established in 1989. The FATF is the international standard setter in anti-money laundering, countering the financing of terrorism and countering proliferation financing. It evaluates members' compliance with legal requirements as well as their effective implementation, and imposes sanctions if necessary. Germany demonstrates its commitment through its intensive involvement in

the various working groups and, not least, by having taken on the first two-year vice presidency of the FATF, starting in July 2019.

At the same time, Germany is stepping up its international involvement by becoming a supporting member of regional FATF organisations, by actively helping individual countries, and by providing technical assistance through the GIZ.

The BKA's anti-money laundering centre of excellence will also take on more international responsibilities, especially in EMPACT projects and FATF events involving police-related topics.

In addition, the FIU plays an active part in the Egmont Group, a global association that currently includes 164 FIUs. This not only strengthens international cooperation, but also supports an internationally harmonised AML/CFT system.

Concrete steps:

- Active involvement in international bodies as well as the FATF and its regional organisations
- Active involvement of the BKA in EMPACT projects
- Active involvement of Germany's FIU in the Egmont Group

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