

Executive Summary

1. This report summarises the anti-money laundering and counter-terrorist financing (AML/CFT) measures in place in Germany as at the date of the on-site visit from 1 to 19 November 2021. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Germany's AML/CFT system, and provides recommendations on how the system could be strengthened.

Key Findings

- a) Germany has made significant improvements to its AML/CFT framework over the past five years, including using the National Risk Assessment (NRA) process to develop a stronger national understanding of money laundering/terrorist financing (ML/TF) risks, establishing mechanisms to improve co-operation and co-ordination between Federal and state (*Länder*) governments, significantly boosting human resources to the main financial sector supervisor (BaFin) and the Financial Intelligence Unit (FIU) to increase their capabilities, removing limitations in asset recovery and the ML offence and putting in place the Transparency Register to improve access to information on beneficial ownership. While technical compliance with the FATF Standards is generally strong, some of the recent reforms are not yet fully effective.
- b) Based largely on its first NRA (2019), Germany has a good understanding of the risks related to real estate and the banking sector, and emerging risks from the COVID-19 pandemic and virtual assets. Risks related to cash and cross-border risks are well-understood (with the exception of risks related to unaccompanied cash). ML risk understanding is still developing in some areas, particularly relating to complex ML, professional enablers and the use of legal entities, partly as a result of information gaps, previous issues in the ML offence, and limited involvement of some sectors in the NRA. Germany has taken steps to mitigate identified risks in the real estate sector. Additional measures are required to more effectively mitigate the risks in relation to cash and *hawala* services.

- c) Germany has taken important recent steps to improve co-operation and co-ordination issues identified in its 2010 FATF mutual evaluation report (MER). Germany's new public-private partnership, the Anti-Financial Crime Alliance (AFCA), is a positive step and should be developed further. While co-operation has improved, ensuring co-ordination between and across the *Länder*, particularly with the over 300 DNFBP supervisors, remains challenging.
- d) Germany has taken a number of positive steps to strengthen the role of the FIU and improve the quality of financial intelligence. However, there is scope to further improve access and use of financial intelligence held by the FIU and better align FIU analysis with the operational needs of law enforcement authorities (LEAs). While the FIU and LEAs have access to, and use, a broad range of financial intelligence sources; processes could be improved and made more efficient by continuing to equip the FIU with tools to process and analyse available data, including through the use of artificial intelligence or other advanced analytics.
- e) Germany has demonstrated a commitment to investigating and prosecuting ML at the policy level. However, it is not clear that this commitment has fully translated into results at the operational level. The overall number of ML cases that progress to prosecution is lower than expected and is not fully aligned with Germany's risk profile.
- f) Germany introduced non-conviction based asset confiscation laws in 2017 and also made asset confiscation a mandatory consideration for prosecutors in every case. These legal and policy changes have been supported by an increase in resourcing that has led Germany to achieve impressive asset confiscation outcomes over the last five years. However, cross-border cash smuggling risks (particularly through mail and cargo) are not well recognised.
- g) TF activity is effectively investigated, prosecuted and disrupted in Germany using a range of offence provisions. Germany is proactive in pursuing the investigation of TF activity alongside terrorism-related investigations and has demonstrated capacity and willingness to use all available measures to disrupt TF activity including banning organisations and other measures to combat violent extremism.
- h) Understanding and mitigation of TF risks in Germany's non-profit organisation (NPO) sector is strong and proportionate. While Germany has sponsored United Nations (UN) designations, it does not proactively designate individuals and entities in line with its risks and context or use targeted financial sanctions (TFS) to support its broader TF and counter-terrorism strategy. Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) are generally aware of their TFS obligations, although monitoring of TFS compliance is complex and not fully effective (particularly in the DNFBP sectors). There are a range of domestic measures available to deprive terrorists and financers of assets, although these have limitations and some measures could be better exploited. The overall

amounts frozen are low compared to the total amounts raised in Germany.

- i) Germany requires all FI and DNFBP sectors (and many additional non-financial sectors) to implement preventive measures. Larger FIs and virtual asset service providers (VASPs), particularly major banks, MVTS, insurance providers, and VASPs, generally have a good understanding of their ML/TF risks and apply adequate preventive measures. Risk understanding among DNFBPs is still developing, and DNFBPs, including some entities in higher risk sectors (such as legal professionals, notaries, REAs, DPMS), face challenges implementing preventive measures. There are major shortcomings in suspicious transaction reporting (STR), which is particularly low for non-bank FIs and DNFBPs. Poor reporting by DNFBPs is likely due to a range of factors including lack of awareness, misunderstandings of the reporting threshold, poor implementation of preventive measures, and confusion around professional secrecy obligations.
- j) All FIs, DNFBPs and VASPs (which are considered FIs in Germany) are subject to AML/CFT supervision. BaFin largely implements a satisfactory risk-based framework for supervising FIs (including VASPs) based on a strong understanding of risks. However, there is a low level of independent BaFin supervisory activity in some higher risk non-bank sectors. A range of remedial measures are applied, some of which are used to positive effect. However, in particular cases, measures have not ensured prompt remediation of non-compliance or the prevention of repeated breaches. Market entry requirements are sufficient, but the low number of rejections and a lack of data makes it difficult to form a definitive conclusion on the robustness of controls and BaFin could take a more proactive approach to identifying unlicensed MVTS providers, especially *hawala* operators.
- k) DNFBP and other financial supervisors have begun moving towards a risk-based approach to AML/CFT supervision. However, this is hampered by challenges co-ordinating the large number of supervisors, the vast scope of the supervised non-financial sector population (approximately 1 million entities), and a critical lack of resources. Remedial measures are used to a limited extent and not always in a proportionate manner. Measures to prevent and detect criminals and associates entering the market are stronger for licensed sectors, while the dealers in precious metals and stones (DPMS) sector has more limited measures and there are no market entry checks for the trust and company service provider (TCSP) sector. Measures to identify unauthorised DNFBP providers are largely reactive outside the casino sector.
- l) Germany has taken important steps towards implementing a regime to allow competent authorities and the general public access to beneficial ownership (BO) information on legal persons and arrangements through a Transparency Register. However, accurate and up-to-date BO information was not yet consistently available at the time of the on-site and there will be a substantial transition period before all entities, particularly civil law partnerships, will be covered by the regime. There

are challenges relating to bearer shares and nominee shareholders that are not yet fully addressed.

- m) International co-operation is prioritised by Germany and there is effective co-operation with Germany's most important international crime co-operation partners. Mutual legal assistance (MLA) and extradition under the European schemes are particularly effective and timely. However, statistics, centralised case management and case tracking is a challenge in Germany's federal system and is an area for improvement.
- n) The lack of available data across the Federal and *Länder* governments to measure effectiveness, the need to apply new technologies to enhance the use of data to combat AML/CFT and the need to work with Data Protection and Privacy authorities arose in multiple areas.

Risks and General Situation

2. Germany is the largest economy in the EU and the fourth largest in the world after the US, China, and Japan. Frankfurt is the most important financial centre in continental Europe and, since 2016, Germany has the highest number of credit institutions and foreign branches in the European Union (EU).¹ Within its large financial sector, there are 6 high-risk major banks and co-operatives that were subject to over 20 sanctions by BaFin in 2019-2020. The large German commercial banks offer a variety of financial services, some with substantial presence abroad. Two major German banks account for the majority of Germany's correspondent banking relationships, including those with high-risk countries and one of those banks has been subject to enforcement actions from overseas regulators, as well as BaFin.² Germany is also home to the sixth largest stock exchange in the world, the Frankfurt Stock Exchange. It has the largest banking sector in the euro area, with total assets of about EUR 7.85 trillion at the end of 2014.³ A key component of Germany's economic strength stems from their many small and medium sized enterprises, and thus Germany has a significant number of obligated entities in the non-financial sector. One study suggests that 20-30% of proceeds of crime in Germany are laundered in the non-financial sector.⁴ Seventy-five percent of transactions in Germany happen in cash and Germans have a strong social and historical attachment to cash. Unlike some other EU countries, Germany does not have cash transaction limits. Germany is strategically located in the centre of the Schengen zone and it has the third-largest number of international migrants worldwide (11 million). The German economy is globally networked and export-oriented, including an advanced technology industry.
3. The main money laundering/terrorist financing (ML/TF) risks faced by Germany arise from its well-performing economy, its cash-intensive nature and international interconnectedness: international ML/TF risks (including from foreign predicates), cash-based ML/TF, laundering through the real estate sector, misuse of legal persons/arrangements, emerging risks (including virtual assets) and a range of legally or illegally obtained sources of funds for TF.

¹ International Monetary Fund (IMF), [Financial Sector Assessment Program \(FSAP\), Technical Note on Anti-Money Laundering and Combating the Financing of Terrorism](#), IMF Country Report No. 16/190, June 2016

² www.dfs.ny.gov/reports_and_publications/press_releases/pr1701301;
www.federalreserve.gov/newsevents/pressreleases/files/enf20170530a1.pdf

³ International Monetary Fund (IMF), [Financial Sector Assessment Program \(FSAP\), Technical Note on Anti-Money Laundering and Combating the Financing of Terrorism](#), IMF Country Report No. 16/190, June 2016

⁴ Bussmann, K.-D. and M. Vockrodt, '*Geldwäsche-Compliance im Nicht-Finanzsektor: Ergebnisse aus einer Dunkelfeldstudie*', 2016, *Compliance-Berater* 5: p.138-143 referenced in the EU Supranational Risk Assessment (2019).

Overall Level of Compliance and Effectiveness

4. On technical compliance with the FATF Standards, Germany has strong results. On effectiveness, many of these changes have occurred in the three to five years before the on-site visit, or less, and while some initiatives are beginning to show results, other reforms have been too recent or are structural and require an appropriate period of time to be operational and lead to changes in the effectiveness of the overall system. Changes that were implemented earlier (e.g., asset recovery reform) have led to a material increase in effectiveness, whereas more recent changes (e.g., efforts to improve DNFBP supervision, co-ordination with and across the *Länder*, changes to the ML law, and the introduction of the Transparency Register) are not fully effective. Areas that have enjoyed a sustained focus since the last evaluation (counter-terrorism and related CFT measures and international co-operation) continue to demonstrate results.

Assessment of risk, coordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)

5. Germany has taken a range of steps since its last MER to increase its national ML/TF risk understanding. Germany's first NRA (2019) provides a good basis for assessing ML/TF risks based on input from a range of national and *Länder* agencies and representatives from the private sector. The NRA has triggered additional initiatives, including NPO and legal person risk assessments, which will feed into the national risk understanding and AML/CFT policies going forward. Individual agencies (including BaFin and the FIU) and all *Länder* have also developed risk assessments or products. Germany's public-private partnership, the Anti Financial Crime Alliance (AFCA), is a positive development in bringing together public and private sector stakeholders to ensure an ongoing assessment and understanding of risks, including emerging risks. These initiatives have given Germany a good understanding of the ML/TF risks related to cash, real estate and the banking sector, as well as cross-border risks and emerging risks from the COVID19 pandemic and virtual assets. TF risk understanding is good, based on regular TF situation reports and other risk assessment products including, to a lesser extent, the NRA. Further work is required to consider risks in other areas, particularly in the non-financial sector (outside of cash and real estate) and in relation to complex ML (including professional enablers and the use of legal entities).
6. National AML/CFT policies and activities (including the 2020 National AML/CFT Strategy) are aimed at mitigating identified ML/TF risks, enhancing co-operation, addressing persistent technical compliance issues and implementing EU requirements and recommendations of the previous FATF evaluation. Positive measures have been taken to respond to identified risks in the real estate sector. While some action has been taken, additional and more comprehensive measures are required to mitigate the identified ML/TF risks of cash and *hawala* services.
7. Germany has taken recent steps to address co-ordination issues identified in the 2010 MER, including establishing an informal national Steering Committee and a network of co-ordinating offices in the *Länder*. While co-operation has improved, co-ordination remains a challenge due to the scale and complexity of the system. The newly-established mechanisms need formal mandates, additional resources, and other support to ensure their effectiveness moving forward. The lack of available data across the Federal and *Länder* governments hampers Germany's ability to measure its own effectiveness in a number of areas of the system.

*Financial intelligence, ML investigations, prosecutions and confiscation
(Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29–32)*

8. Competent authorities have access to a broad range of information to use in financial investigations and case studies demonstrated that LEAs, prosecutors and intelligence agencies have the skills and capacity to conduct complex financial investigations using multiple information sources. However, financial intelligence is only accessed and used to some extent.
9. Germany implemented fundamental reforms to its financial intelligence framework in 2017 when it transitioned from a law enforcement FIU to an administrative FIU. Overall, this has been a positive move with increases in resourcing and the FIU taking on a more active role in financial intelligence analysis than it was under the previous decentralised FIU model. The transition has been challenging with particular issues around co-operation and buy-in from LEAs, access to data and use of advanced analytics leading to inefficiencies with a significant amount of cross-checking of data done manually by FIU staff. There is also room for improvement with FIU prioritisation to support LEA needs. The number of requests for FIU intelligence from LEAs is low and while there is a high number of intelligence disseminations, only a small proportion are used in support of criminal proceedings. Germany is taking a number of positive steps to address these issues but were not fully in place or effective at the time of the evaluation.
10. Germany was able to demonstrate ML investigations and prosecutions across a wide range of cases. However, the overall number of ML cases investigated and prosecuted in Germany is low considering the size of the country and the economy. Germany takes a reactive rather than a proactive approach to the identification of ML and it is not clear that ML involving professional ML networks, cash smuggling, foreign predicates, complex ML and cases involving legal persons are being detected. In practice, there is a focus on prosecuting for the predicate offence and barriers to pursuing ML in cases where there is no clear link to a predicate offence. Alternative measures, particularly asset confiscation, are used extensively by Germany however these measures are pursued regardless of whether or not it is possible to secure an ML conviction. There is no clear policy or strategy for disrupting and sanctioning ML in a consistent and comprehensive manner.
11. Asset confiscation is consistently pursued as a policy and operational objective. The introduction of non-conviction based asset confiscation laws in 2017 and the direction that it is mandatory for prosecutors to consider asset recovery in all cases involving proceeds of crime has led to significant outcomes and large amounts of assets being confiscated. LEAs have the tools and skills to trace, freeze and confiscate assets including assets of equivalent value. However, Germany's understanding and approach to cash smuggling (via mail and cargo and beyond cash couriers) is limited considering the significant risks of cash-based ML.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5–8, 30, 31 & 39.)

12. Authorities proactively pursue terrorism and TF and actively investigate TF activity alongside terrorism-related investigations in line with their risk profile. A robust array of tools, data sets and capabilities are available and used to analyse and investigate TF-related activity. Domestic co-ordination and co-operation is strong between authorities at both the federal and *Länder*-levels via standing taskforces and shared databases. Data and statistics on TF are not kept in a comprehensive manner in Germany which makes it challenging for authorities to differentiate between TF and terrorism cases and monitor the ongoing effectiveness of their system. The use of alternative measures are a strong feature of Germany's system with active use of association bans, programs to address violent extremism and effective use of the TFS offence to prosecute TF activity.
13. Germany has a good understanding of the TF risks associated with NPOs and applies a targeted risk-based approach to mitigating those risks. TFS mechanisms are not used effectively, or to support Germany's broader TF and counter-terrorism strategy. Agencies prefer to rely on domestic disruption mechanisms (which are limited in scope) and are not aware of or do not see the value in TFS. This is a major shortcoming in light of Germany's risks and context. There is some outreach to FIs, but generally limited guidance and support for other entities and insufficient proactive communication with DNFBPs and non-bank FIs, including higher-risk sectors such as MVTs and DPMS. DNFBPs are not effectively monitored for compliance with TFS implementation. Beyond TFS, Germany has access to a range of domestic measures to deprive terrorists and financiers of assets, however, these are limited in scope and cannot provide an effective alternative to TFS designations, given Germany's risk and context. Authorities demonstrated that they can use association bans (with accompanying asset recovery) and criminal confiscation effectively and proportionately. Other tools, such as BaFin and FIU freezes, could be better exploited. Overall, the amounts frozen under the various mechanisms are relatively low in relation to Germany's risk and context and its estimates of the total amounts raised within Germany.

Preventive measures (Chapter 5; IO.4; R.9-23)

14. Germany has extremely large and diverse financial and DNFBP sectors. All FIs, DNFBPs (as defined by the FATF) and VASPs (which are licensed FIs in Germany) are required to apply AML/CFT preventive measures. AFCA has been a positive development in making available a wider range of risk information to obliged entities. In general, FIs, including VASPs, apply a range of preventative measures. Larger FIs particularly major banks (including online banks), MVTS institutions, insurance providers, and VASPs, have a good level of understanding of ML/TF risks and obligations. Smaller FIs, including some regional/niche banks and money service businesses, showed a less sophisticated awareness of risks and mitigation measures. The risk understanding among DNFBP sectors is mixed. Larger and better supervised DNFBPs (particularly major legal or REA firms or large-scale DPMS) take a risk-based approach to the preventative measures they employed. Smaller DNFBPs, including in higher risk sectors (such as notaries and legal professionals), face challenges applying preventive measures, including in relation to customer due diligence (CDD), politically exposed persons (PEPs) and TFS. The combination of a range of factors inhibits the effective implementation of preventive measures by all DNFBPs (including the lack of supervisory resources, the large number of obliged entities in the financial sector, and the changing status of certain obliged entities year-to-year).
15. There are major shortcomings in STR reporting. The number of STRs received from non-bank FIs and DNFBPs is low and, until recently, the number received by banks was also lower than expected given Germany's risks and context. Almost all STRs (97% in 2020) come from the financial sector, with banks filing 90% of STRs. Reports from FIs, particularly banks, have seen a recent exponential increase but started from a modest base. The increase reflects FIs' improved awareness and recent changes to the STR regime, but may also be in part as a result of defensive reporting. A range of factors contribute to the low level of STR reporting in DNFBP sectors: lower awareness, uncertainty regarding reporting thresholds, issues implementing preventative measures, and confusion surrounding professional secrecy obligations. Sectors covered by legal professional privilege have a very broad understanding of the concept, which prevents STR reporting in the absence of 'positive knowledge' that ML or TF has occurred through the entity. Germany has adopted mandatory rules-based reporting in real estate transactions to address a lack of reporting by these sectors. This has had a positive effect on reporting from notaries, but is limited to real estate transactions and there is insufficient understanding and ongoing confusion among the obliged entities to which it applies.

Supervision (Chapter 6; IO.3; R.14, R.26–28, 34, 35)

16. All FIs and DNFBP sectors (as defined by the FATF) are supervised for AML/CFT compliance in Germany. BaFin, the main supervisor of FIs (including VASPs), has seen an evolution in its approach to AML/CFT supervision and has implemented regular reforms in response to changing risks and instances of non-compliance (including structural reforms resulting from a recent major scandal). Measures to prevent criminals and associates from entering the market are satisfactory, although a lack of data makes it difficult to form a definitive conclusion. BaFin is actively targeting unlicensed VASPs, but could take a more proactive approach to unlicensed money value transfer service (MVTs) providers, especially *hawala* operators. BaFin has a strong understanding of risk at a national, sectoral and firm-specific level. It largely applies supervisory measures in line with this risk understanding, significantly supported (but not replaced) by annual external audits of FIs. However, there is a low level of independent BaFin supervisory activity in some higher risk non-bank sectors. BaFin applies a range of remedial measures and sanctions and undertakes outreach efforts. Measures in particular cases (including involving major banks) do not always ensure the prompt remediation of non-compliance or prevent repeated breaches, and it is difficult to conclude on the extent to which supervisory efforts (as opposed to the annual audit process, legislative reforms and growing global awareness) have had a positive impact on compliance. BaFin could consider all options from its range of sanctions to address repeated breaches and to ensure prompt remediation.
17. There are a large number of supervisors (approximately 337) at the *Länder* or district-level to supervise DNFBPs and other FIs (i.e., certain insurance entities). Since Germany's last MER and starting in 2017, there has been a positive shift towards a risk-based approach by many of these supervisors informed by *Länder* risk assessments. However, the number of supervisors, the critical lack of resources, and the vast size of the supervised population (approximately 1 million obliged entities in the non-financial sectors), create major difficulties in ensuring all supervisors have a consistent risk understanding and take an effective risk-based approach to supervision. Risk-based supervision varies considerably; while risk is a consideration for DNFBP supervisors, they generally do not consider all relevant risk factors and variables in fully actualising a risk-based approach and supervisory strategy. Co-ordinating the large number of DNFBP and other FI supervisors also poses challenges and results in an overlap in supervisory responsibilities and activities. Licensed DNFBP sectors and insurance entities have stronger market entry measures in place, while DPMS and TCSP sectors are subject to more limited checks. Outside the casino sector, measures to identify unlicensed providers are largely reactive. While there are some very recent positive indications, sanctions in the DNFBP sectors remain infrequent and are not always applied in a proportionate manner. Guidance for obliged DNFBP entities has been developed and some supervisors engage in outreach, although feedback indicates that this could be more practical and consistent. The impact of supervisory engagement in DNFBP sectors is unclear.

Transparency and beneficial ownership (Chapter 7; IO.5; R.24, 25)

18. Germany has a complex system of registers in place to capture information on legal persons and arrangements in Germany, particularly through the Commercial Register and the Transparency Register. Whilst Germany has conducted a risk assessment on legal persons and arrangements this assessment does not suitably incorporate data from all relevant authorities on how legal persons may be abused in Germany. Germany is taking steps to collect and centralise beneficial ownership (BO) information on the Transparency Register (initially launched in 2017) with reforms on track to turn the Transparency Register from a supplementary register into a full register by the end of 2022. While the Transparency Register will improve the accessibility and accuracy of BO information (which still present issues), there remain issues with the scope of the Register as it will not include civil law partnerships. While the Register has been in place since 2017, it is not actively and systematically used by competent authorities to obtain BO information as the information held on the register is not reliably verified and there are issues with the accuracy and timeliness currently held. The Electronic Account Retrieval System has been in place since 2003 and has been the main source of BO information for competent authorities up to now. This system allows authorities to have direct access to account and deposit information held by German credit institutions. It is used extensively but relies on the entity having a bank account in Germany. The continued use of bearer shares and the use of nominee shareholders in Germany is a source of risk that Germany is also yet to fully mitigate.

International co-operation (Chapter 8; IO.2; R.36–40)

19. Germany has an effective legal and operational framework in place for mutual legal assistance (MLA), extradition and asset recovery (including asset repatriation). Assistance is provided promptly and requests and responses are generally good quality. A particular feature of Germany's system is that assistance can be provided under German law to any country without the need for a treaty arrangement. The types of assistance that can be provided is broad and includes all the tools that LEAs can use for domestic investigations. Most of Germany's most important international crime co-operation partners are other EU member states and the use of streamlined mechanisms for international co-operation through European Investigation Order (EIO) and the European Arrest Warrant (EAW) mean that Germany can provide prompt and streamlined assistance.
20. Germany's system for receiving, processing and tracking requests for international co-operation is decentralised and requests are often sent directly to officials in the different *Länder* for consideration and response. Statistics and records are not kept at the national level which makes it more challenging for Germany to identify new and emerging risks and trends and proactively prioritise resources. It also makes it difficult for Germany to track the timeliness of responses to requests and raises challenges in cases where there are requests for assistance that require co-ordination between multiple *Länder*.

Priority Actions

- a) Ensure that Federal and *Länder* Governments consistently prioritise ML/TF/PF issues:
 - a. at the political-level, secure high-level commitment and ongoing accountability by Federal and *Länder* governments for co-ordination in risk understanding, mitigation and allocation of resources;
 - b. at the official-level, give the RÜST-GW a formal and binding mandate and ensure all relevant authorities are adequately represented, including adding tax authorities and strengthening procedures for appropriate participation of the *Länder*; and,
 - c. formalise the *Länder* Co-ordinating Offices and give them the mandate and resources to ensure adequate and regular co-operation and co-ordination of the national and regional framework at both policy-making and operational levels (including on supervision and law enforcement functions).
- b) Substantially strengthen the detection, investigation and prosecution of ML by: prioritising ML as an offence distinct from predicate offences; and, enhancing understanding and prioritisation of cases in high-risk areas for Germany including cases involving legal persons, professional third party ML and foreign predicate offences.
- c) Improve the availability and use of financial intelligence by: increasing FIU access to bulk data and analytical tools to enhance the efficiency and effectiveness of FIU analysis; and, enhancing co-ordination and co-operation between the FIU and LEAs so that FIU intelligence prioritisation models and products more fully align with LEA operational needs.
- d) Enhance DNFBP supervision by adopting measures to ensure a harmonised, risk-based approach; considering a mechanism for oversight of DNFBP supervision across Germany; substantially increasing DNFBP supervisory resources (human and technical); and enhancing information available to DNFBP supervisors.
- e) Implement the planned reforms to the Transparency Register and registration requirements for civil law partnerships; enhance and deepen understanding of risks arising from legal persons in Germany; and, consider additional mitigation measures to address the risks arising from bearer shares and nominee shareholders.
- f) Considering the risks associated with cash-based ML, develop comprehensive policies to address these risks and consider all available measures. Improve understanding of risks arising from cross-border cash movements (particularly bulk cash movements); actively monitor and target high-risk movements of cash through mail and cargo. Ensure the risks from informal MVTs (such as *hawala*) are addressed holistically and there is continued focus on the investigation, prosecution and disruption of these illicit finance through these channels.

- g) Improve the effectiveness of the TFS system by proactively proposing designations and considering the development of a domestic listing process (in addition to the EU list). Address technical deficiencies to ensure that UN listings that occur on Friday afternoon or on a national holiday are implemented without delay.
- h) Improve STR reporting by: reviewing whether legal professional privilege requirements are impeding reporting in practice and ensure that there are adequate measures (such as guidance) to encourage higher-risk sectors to fulfil their legal reporting obligations; having the FIU routinely analyse the quality of STRs and provide substantive feedback; understanding the root causes of STR increases from the banking sector to ensure there is no defensive reporting and, if so, provide clarity on when STRs should be filed; and enhancing guidance to obliged entities including by continuing to support the work of Germany's public-private partnership AFCA.
- i) Improve FI supervision and compliance by assessing the level of inspections BaFin carries out itself each year of higher risk non-bank FIs to ensure entities are subject to regular supervisory activity as necessary; adopting a more proactive approach by BaFin to the prevention and detection of unlicensed MVTs providers, including informal value transfer services such as *hawala* operators; and increasing BaFin's use of sanctions, including business restrictions and personal accountability as appropriate in light of the level of dissuasiveness of these measures.
- j) Improve Germany's collection and use of data across its system to increase its ability to measure and monitor its performance on AML/CFT on an ongoing basis (particularly ML/TF investigations and prosecutions, international co-operation and areas of shared or decentralised responsibilities). Make better use of data and utilise advanced analytics to improve effectiveness in several areas of the AML/CFT system.

Effectiveness & Technical Compliance Ratings

Table 1. Effectiveness Ratings

IO.1 - Risk, policy and co-ordination	IO.2 International co-operation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Substantial	Substantial	Moderate	Moderate	Moderate	Moderate
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Moderate	Substantial	Substantial	Moderate	Moderate	

Note: Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

Table 2. Technical Compliance Ratings

R.1 - assessing risk & applying risk-based approach	R.2 - national co-operation and co-ordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions – terrorism & terrorist financing
LC	LC	C	C	LC	PC
R.7 - targeted financial sanctions - proliferation	R.8 - non-profit organisations	R.9 – financial institution secrecy laws	R.10 – Customer due diligence	R.11 – Record keeping	R.12 – Politically exposed persons
PC	LC	C	LC	C	LC
R.13 – Correspondent banking	R.14 – Money or value transfer services	R.15 –New technologies	R.16 –Wire transfers	R.17 – Reliance on third parties	R.18 – Internal controls and foreign branches and subsidiaries
PC	LC	LC	C	LC	LC
R.19 – Higher-risk countries	R.20 – Reporting of suspicious transactions	R.21 – Tipping-off and confidentiality	R.22 – DNFBPs: Customer due diligence	R.23 – DNFBPs: Other measures	R.24 – Transparency & BO of legal persons
C	C	C	LC	C	PC
R.25 - Transparency & BO of legal arrangements	R.26 – Regulation and supervision of financial institutions	R.27 – Powers of supervision	R.28 – Regulation and supervision of DNFBPs	R.29 – Financial intelligence units	R.30 – Responsibilities of law enforcement and investigative authorities
LC	LC	C	LC	C	C
R.31 – Powers of law enforcement and investigative authorities	R.32 – Cash couriers	R.33 – Statistics	R.34 – Guidance and feedback	R.35 – Sanctions	R.36 – International instruments
C	C	PC	LC	LC	LC
R.37 – Mutual legal assistance	R.38 – Mutual legal assistance: freezing and confiscation	R.39 – Extradition	R.40 – Other forms of international co-operation		
C	C	C	LC		

Note: Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.