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1 Foreword

A retrograde view on the topics and headlines that determined the media in 2007 shows that they again and again also concerned crime issues and the problems currently linked with their suppression. The spectrum ranges from spectacular criminal cases (like the Duisburg murder cases) through (controversially discussed) legislative initiatives in various fields of crime to (new) international forms of co-operation undertaken by the law enforcement authorities. The central topic at the beginning of 2008 were the spectacular investigations conducted by German tax authorities in connection with bank details obtained in Liechtenstein. This reflects the heightened awareness of the media and the public in their reaction to cases from the field of “financial crime”.

In this whole field, highly professional activities by the perpetrators are regularly observed on the one hand, but on the other hand also the permanently increased efforts of the various government institutions and private services to combat this field of crime in a better and more effective way.

The enormous intensification of the use of modern information and communications technologies especially in the field of financial crime – which is a given fact in the opinion of the FIU – is mentioned here as an example. Phenomena like “phishing”, “Internet payment systems”, “online gambling” or “virtual Internet currencies” are just a few highlights of the rapidly developing use of technical resources for the commission of crimes.

In this context, the FIU Germany plays an increasingly important role among the specialised offices of the law enforcement authorities in Germany and at international level. In this respect, the 2007 reporting period was again characterised by numerous different, new and complex challenges for the FIU.

The tasks assigned to the FIU by law were performed at a high quality level by our motivated staff members and after consistent prioritisation due to limited human and material resources.

We should strive to continue our activities and efforts in the future in the interest of a “clean” Germany as a financial and economic location. However, this goal can only be achieved through steadily intensified interaction between all government institutions and private services in Germany, Europe and all over the world. The FIU Germany is prepared to do its part and – thanking them for the assistance rendered in 2007 – invites all co-operation partners to continue this intensive co-operation in the future.

Dr. Michael Dewald
Head of FIU Germany



2 Reporting behaviour of parties required to report

The graphs and tables shown in the following chapter are based on figures taken from the “FIU database“ and reflect the FIU’s “statistics on information received“.

An exception are tables 3 (transfers of assets to foreign countries), 4 (transfers of assets from foreign countries) and 8 (types of crime identified by clearing offices in cases forwarded to other investigative agencies) as well as graph 4 (results of processing by money laundering clearing offices). Here, the figures were taken from the “Money Laundering“ data network. The tables / graphs also contain information provided in reports filed pursuant to Section 31 b of the Fiscal Code.

2.1 Nationwide case statistics for 2007

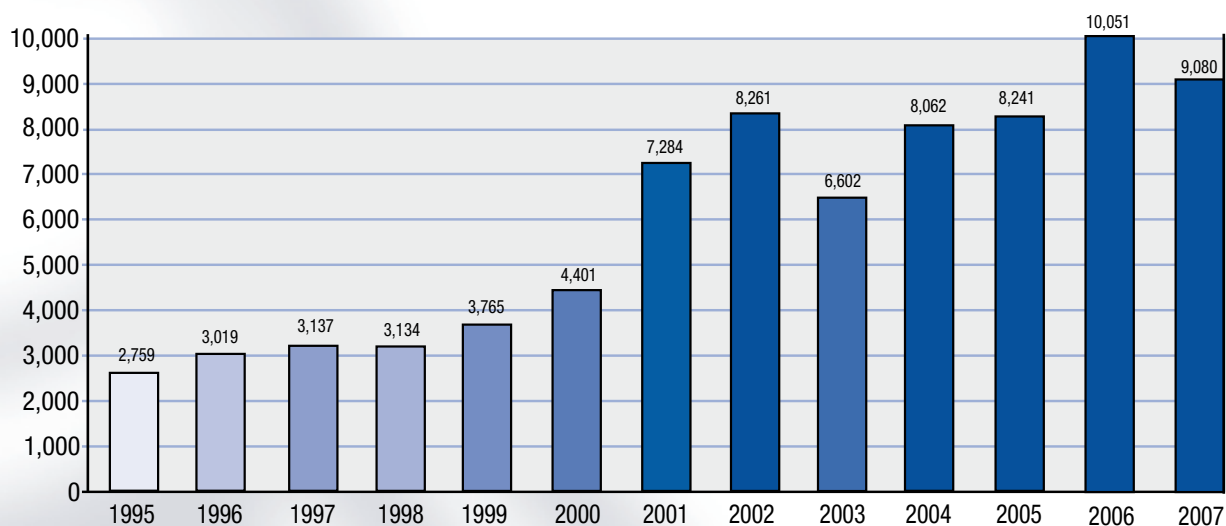
2.1.1 Suspicious transaction reports (STRs) filed pursuant to the Money Laundering Act (MLA)

A total of 9,080 suspicious transaction reports were filed pursuant to the Money Laundering Act in 2007. Compared to the previous year (10,051 suspicious transaction reports), this means a decrease by 971 suspicious transaction reports or 9.7%. For the first time again since 2003, this means a declining trend in the number of suspicious transaction reports filed.

The sharpest decrease has been established in the field of the credit banks (-735).

The following graph illustrates the development of the suspicious transaction reports filed with the clearing offices in the German states pursuant to the Money Laundering Act between 1995 and 2007. The figures exclusively refer to initial reports. Follow-up reports relating to previously submitted reports are not considered.

Graph 1: Suspicious transaction reports filed pursuant to the Money Laundering Act, 1995 – 2007¹



However, if those reports are deducted from the total number of MLA reports which did not relate to money laundering (or the financing of terrorism) but merely to “phishing”, i.e. computer fraud (2005: 250 cases, 2006: 1,648 cases, 2007: 121 cases), the trend of an increase in the number of suspicious transaction reports (filed for money laundering / financing of terrorism) continues in 2005 (7,991 STRs), 2006 (8,403 STRs) and 2007 (8,959 STRs) as well.

During the year under review, credit institutions filed about 80% of all suspicious transaction reports pursuant to the Money Laundering Act. Thus, their percentage share in the total number of reports remained almost unchanged compared to the previous year (81%). The same applies to the number of reports filed by financial service providers (about 18% in 2007 and 2006).

The number of reports filed by insurance companies (39 reports) has increased by four. However, it has to be taken into account that insurance companies are to be regarded

as “institutions” as defined in Section 1 (4) of the Money Laundering Act (with the corresponding obligations) only in connection with accident insurance policies with premium return clauses (2007: three reports) or life insurance policies (2007: 28 reports). With all other insurance products (2007: 8 reports / 2006: 20 reports), they are regarded as “other business persons” under the Money Laundering Act.

There was also an increase (from 13 to 24) in the number of reports filed by parties required to report pursuant to Section 3 (1) of the Money Laundering Act, such as notaries (1), lawyers (5), auditors (3), tax consultants (3), asset managers (1) and “other business persons” (11).

¹ The figures have been taken from the “FIU database” and may therefore differ from those recorded in the “Money Laundering” data network



Table 1: "Reports filed pursuant to the Money Laundering Act" by reporting party

			2007	2006	Change from 2006
Suspicious transaction reports pursuant to the Money Laundering Act (initial reports)	Banks	Credit banks	2,147	2,882	
		Saving banks and state central banks	2,810	3,072	
		Credit unions and co-operatives	1,993	1,632	
		Deutsche Bundesbank and main branches	15	49	
		Other	328	508	
		Total	7,293	8,143	-10.0%
	Insurance companies	Insurance companies	39	35	
		of which: life assurance policies	28	14	
		of which: report by insurance agent	---	---	
		of which: accident insurance policies	3	1	
		Total	39	35	11.0%
	Financial service providers	Financial transfer services	1,670	1,779	
		Currency services	2	2	
		Credit cards	24	4	
		Traveller's cheques	---	---	
		Other	5	53	
		Total	1,701	1,838	-7.5%
	Investment companies	Total	2	1	100.0%
	Financing companies	Factoring	---	---	
		Leasing	4	1	
		Other	4	2	
		Total	8	3	167.0%

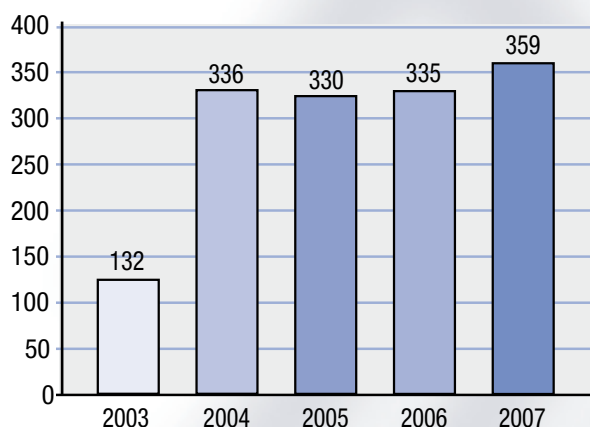
		2007	2006	Change from 2006	
Suspicious transaction reports pursuant to the Money Laundering Act (initial reports)	Casinos				
	Total	7	4	75.0%	
	Government authorities (Sec. 13,16 of the Money Laundering Act)	Federal Ministry of Finance	---	---	
		BaFin (regulatory authority for financial services pursuant to the Credit Act)	---	4	
		BaFin (regulatory authority for insurance companies pursuant to the Insurance Law)	---	---	
		BaFin (regulatory authority for securities pursuant to the Securities and Exchange Law)	---	---	
		Regulatory bodies for the insurance sector (excluding BaFin)	---	---	
		Other authorities	---	4	
		Total	---	8	-100.0%
	Other parties required to report	Lawyers	5	3	
		Legal aid providers	---	---	
		Patent attorneys	---	---	
		Notaries	1	---	
		Qualified auditors	3	2	
		Certified accountants	---	---	
		Tax consultants	3	2	
		Agents in tax matters	---	---	
		Real-estate brokers	---	1	
		Other business persons	11	2	
		Asset managers	1	---	
		Other parties required to report (Sect. 3 (1) MLA)	---	3	
		Total	24	13	85.0%
	Other reports filed pursuant to the Money Laundering Act	Total	6	6	0.0%
		Total	9,080	10,051	-9.7%



2.1.2 Reports filed by the tax authorities pursuant to Section 31 b of the Fiscal Code

In 2007, the FIU received another 359 reports relating to money laundering which were filed by the tax authorities pursuant to Section 31 b of the Fiscal Code. The number of these reports increased by 7% compared to the total number of reports filed in 2006 (335).

Graph 2: Reports relating to money laundering pursuant to Section 31 b of the Fiscal Code



2.1.3 Distribution of suspicious transaction reports filed pursuant to the MLA over the German states²

The following table shows the distribution of suspicious transaction reports filed pursuant to the MLA among the German states responsible for the clearing process. As in previous years, the majority of the suspicious transaction reports (about 63%) were filed in Bavaria (2,039), North Rhine-Westphalia (1,760), Baden-Württemberg (934) and Hesse (930).

Table 2: Suspicious transaction reports pursuant to the Money Laundering Act by state

State	Number		Change from previous year
	2007	2006	
Baden-Württemberg	934	1,109	-15.8%
Bavaria	2,039	2,164	-5.8%
Berlin	698	573	21.8%
Brandenburg	234	198	18.2%
Bremen	96	131	-26.7%
Hamburg	343	420	-18.3%
Hesse	930	1,074	-13.4%
Mecklenburg Western Pomerania	104	98	6.1%
Lower Saxony	692	747	-7.4%
North-Rhine Westphalia	1,760	2,142	-17.8%
Rhineland-Palatinate	294	339	-13.3%
Saarland	108	91	18.7%
Saxony	370	298	24.2%
Saxony-Anhalt	132	171	-22.8%
Schleswig-Holstein	221	336	-34.2%
Thuringia	125	160	-21.9%
Total	9,080	10,051	-9.7%

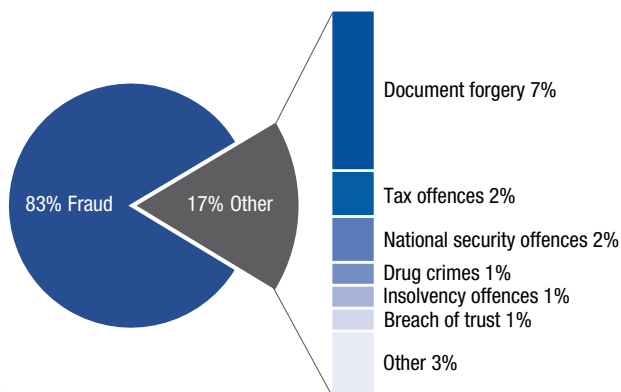
² The figures have been taken from the "FIU database" and may therefore differ from those recorded in the "Money Laundering" data network.

2.1.4 References to possible criminal offences (from the perspective of the reporting parties)

Besides references to Section 261 of the Penal Code, the suspicious transaction reports filed pursuant to the MLA and the reports filed pursuant to Section 31 b of the Fiscal Code, forwarded to the FIU in 2007, contained a total of 3,933 references to other criminal offences. The listing of multiple offences in a single report was possible. Compared to 2006 (3,490 references), this means an increase of about 13%. The number of reports referring to possible fraud offences (3,248 listings) increased by 16.5% compared to the previous year (2,789 listings). Among these 3,248 listings there were 2,646 suspicious transaction reports filed in connection with the “financial agents” phenomenon (and occasionally “phishing”).³

The following graph shows the ratio between the percentage of reports referring to fraud and the percentage of reports referring to other offences as compared to the total number of suspicious transaction reports with references to criminal offences. With approx. 83% (3,248 listings), the percentage of reports referring to fraud is even more distinct than in the previous year (80%). The total listings of all other offences amount to 685 during the period under review (2006: 701).

Graph 3: References to possible criminal offences from the perspective of the reporting parties⁴



2.1.5 References to foreign involvement in suspicious transaction reports pursuant to the Money Laundering Act

The following is a description of reported transactions with references to countries of origin and destination for transferred assets, regardless of the frequency and amounts of such transactions. Where several countries were mentioned in one suspicious transaction report, they were listed, too.

³ For further information, see 3.2.1

⁴ In STRs filed pursuant to the MLA and reports filed pursuant to Section 31 b of the Fiscal Code.



Transfer of assets to foreign countries

An increase of about 14% in the number of reported transfers of assets to foreign countries has been established compared to the previous year. A long-term trend has especially been recorded with regard to the increase of the amount of transactions to Russia (by 420% since 2004) and Ukraine (by 207% since 2004). This can primarily be explained by the increase in the number of STRs relating to “financial agents” since these funds were mainly transferred to the two countries mentioned.

Table 3: Suspicious transaction reports on transfers of assets to foreign countries (TOP 10)

Destination	Number		Change from previous year
	2007	2006	
Russia	536	500	7.2%
Ukraine	363	213	70.4%
Turkey	188	112	67.9%
United Kingdom	134	108	24.1%
Poland	131	62	111.3%
China	101	105	-3.8%
Nigeria	101	96	5.2%
Spain	100	91	9.9%
Netherlands	100	86	16.3%
Italy	82	71	15.5%
Other	1,565	1,528	2.4%
Total	3,401	2,972	14.4%

Transfer of assets from foreign countries

Particularly large increases in the number of reported suspicious transfers of assets from abroad were recorded for Russia with 63 listings (+ 45%) and the Netherlands with 36 listings (+ 62%). In contrast to this, a disproportionate decrease by 23 listings (- 28%) and 22 listings (- 22%) was recorded for Italy and Spain.

For quite some time now, there has been a considerable increase in the number of transactions from the United Kingdom (by 175% since 2004). This increase is primarily due to the increased number of reports of transfers from the British Virgin Islands and the Channel Islands.

Table 4: Suspicious transaction reports with transfers of assets from foreign countries (TOP 10)

Country of origin	Number		Change from previous year
	2007	2006	
Russia	202	139	45.3%
USA	180	168	7.1%
Kazakhstan	122	126	-3.2%
United Kingdom	107	79	35.4%
Switzerland	103	105	-1.9%
Netherlands	94	58	62.1%
Spain	76	98	-22.4%
Austria	63	68	-7.4%
France	60	81	-25.9%
Italy	59	82	-28.0%
Other	1,422	1,363	4.3%
Total	2,488	2,367	5.1%

2.1.6 Suspects

In 2007, 19,012 suspects in total⁵ were listed. This means an increase of approx. 1.5% compared to the previous year (2006: 18,735).

Nationality

The percentage of German suspects among the known suspects amounts to 59% and thus remained almost unchanged (2006: 57%). In general, it can be observed that the percentage of the suspects' nationalities in all STRs filed pursuant to the MLA remained more or less unchanged over the last four years. An exception are Ukrainian and Russian suspects with an increase by 109% and 96% since 2004. This is probably due to the suspicious transaction reports filed in connection with "financial agents" where suspects with these nationalities are often mentioned. The increase in the number of Iranian suspects is believed to be due to the embargo and sanction measures initiated in respect of Iranian banks in 2007.

Table 5: Nationalities (TOP 10)

Nationality of the suspects	Number		Change from previous year
	2007	2006	
German	8,533	8,049	6.0%
Turkish	738	681	8.4%
Russian	682	608	12.2%
Polish	232	214	8.4%
Kazakh	227	217	4.6%
Iranian	226	197	14.7%
Italian	224	243	-7.8%
Ukrainian	196	164	19.5%
Chinese	177	247	-28.3%
Nigerian	176	200	-12.0%
Other	3,026	3,285	-7.9%
unclear / unknown	4,575	4,630	-1.2%
Total	19,012	18,735	1.5%

2.1.7 Corporate headquarters

In the year under review, 4,392 (2006: 4,191) suspicious companies⁶ were reported. The country in which they were seated was mentioned in 3,015 of the cases. 1,815 of them (60%) had their corporate headquarters in Germany (2006: 2,439 companies, 83%). Thus, about 40% of the "suspicious companies" had their corporate headquarters abroad. This represents an increase of more than 100% compared to the previous year.

While the percentage of German companies with Germany as the corporate headquarters of "suspicious companies" amounted to between 72% and 83% during the last four years, all signs, in 2007, indicate a "shift" of suspicious companies to foreign countries.

It has also been established that the number of countries not mentioned among the TOP 10 has increased by 135 listings to 634 since 2004.

⁵ The figures for suspects are based on suspicious transaction reports filed pursuant to the Money Laundering Act and reports filed pursuant to Section 31 b of the Fiscal Code.

⁶ The figures are based on suspicious transaction reports pursuant to the Money Laundering Act and reports pursuant to Section 31b of the Fiscal Code.



Table 6: Corporate headquarters (TOP 10)

Countries where "suspicious companies" are seated	Number		Change from previous year
	2007	2006	
Germany	1,815	2,439	-25.6%
United Kingdom	119	62	91.9%
Russia	89	43	107.0%
USA	73	59	23.7%
Switzerland	62	75	-17.3%
British Virgin Islands	58	44	31.8%
Netherlands	54	47	14.9%
Ukraine	40	32	25.0%
Cyprus	38	30	26.7%
Austria	33	22	50.0%
Other	634	98	547.0%
Unknown / no information	1,377	1,240	11.0%
Total	4,392	4,191	4.8%

2.1.8 Grounds for suspicion

The following percentage distribution results from the various grounds for suspicion for which the reporting parties filed STRs pursuant to the MLA in the reporting year:

- **Account opening / account management: 38%** (2006: 37%)

Cases involving the use of accounts were on top of the list of grounds for suspicion. An unclear economic background (1,844), unusual transfers (1,123) and the economic authorisation of the customer (107) were mentioned most frequently.

- **Unusual indication / link to other cases: 25%** (2006: 22%)

Here, the data referred in particular to suspicious transaction reports containing indications of transfer fraud (2,616) and links to known investigations (682). The increase by almost 1,000 cases in the number of cases where "transfer fraud" was given as the ground for suspicion is due to the decision to record STRs filed in connection with financial agents under "transfer fraud".

- **Type of transaction: 19%** (2006: 22%)

The type of transaction was given as "cash" in 1,771 cases and "non-cash" in 519 cases.

- **Subject of transaction: 6%** (2006: 7%)

The subjects of transaction mentioned most frequently were cheques (312), real estates (253) and vehicles (171). The intensive analysis of the different methods of concealment carried out in connection with the “Case Collection”, together with the monitoring and assessment of suspicious transaction reports, substantiated the trend of an increase in the number of STRs filed in connection with real estates that had been established last year. The number of STRs filed in connection with real estate transactions has increased by 57% since 2004, with almost all STRs having been filed by the institutions maintaining the accounts and not for example by the real estate brokers required to report pursuant to Section 3 (1) of the MLA.

The reason for investments in real estates is that they are extremely valuable over a long period of time and their value even increased in many cases. Besides their lasting value, real estates offer the advantage of generating regular earnings which are a surplus to the actual value of the real estate by renting or leasing them.

- **Product / customer: 6%** (2006: 6%)

In this category, suspicious customer behaviour (791), the use of safes (32) and money transactions at unusual conditions (17) were reported most frequently.

- **Document / deed: 3%** (2006: 3%)

Document forgery (198) and difficulties in / refusal of identification (48) were mentioned primarily here.

- **Company: 2%** (2006: 2%)

Suspicious business activities (77), company structures / networks (58) and indications of bogus / letterbox companies (38) were the main criteria in this category for filing STRs.

- **Financing of terrorism: 0.6%** (2006: 0.6%)

- **Ground for suspicion not specifiable from the report: 0.4%** (2006: 0.4%)

All in all, it can be said that compared to 2006 there have been no significant changes in the grounds for suspicion indicated by the parties required to report in 2007.



Table 7: Grounds for suspicion indicated by the parties required to report

Category	Grounds for suspicion	Number	
		2007	2006
Special hints / links to known cases	Transfer fraud	2,616	1,674
	Link to known investigation	682	698
	Internet transactions	213	490
	Fraudulent offers	46	68
	Region involved	43	165
	Games of chance / bets	41	86
	Press releases / Open source information	37	41
	Other (special) hints / links to known cases	25	75
	Social security fraud	19	35
	Direct debit fraud	16	46
	BaFin circulars	4	3
	Total	3,742	3,381
Document / certificate / identification	Document forgery	198	242
	Smurfing	174	133
	Difficulties in / refusal of identification	48	26
	Other (document / certificate / identification)	8	31
	Total	428	432
Company	Business activity	77	186
	Structure / network of companies	58	30
	Fictitious / letter-box company	38	83
	Other (company)	36	54
	Payment of commissions / bribes	24	17
	Persons involved / business partners	20	14
	Company foundation	5	13
	Total	258	397
Kind of business ("how")	Cash	1,771	2,455
	Non-Cash	519	827
	Credit	239	223
	Barter	182	191
	Insurance	39	33
	Capital investment	20	56
	Other (kind of business)	4	4
	Total	2,774	3,789

Category	Grounds for suspicion	Number	
		2007	2006
Business purpose ("what")	Cheque	312	390
	Real Estate	253	232
	Vehicle	171	304
	Securities	59	38
	Precious metals	35	27
	Building and construction	32	54
	Precious stones	5	6
	Catering sector	5	13
	Expensive goods (other)	4	6
	Licences / patents (rights)	2	6
	Services	2	1
	Electronics	2	6
	Councelling / brokerage	1	10
	Other (business purpose)	1	15
	Boats	1	5
Total	885	1,113	
Account opening / ac- count keeping	Account use	2,487	3,204
	Economic background	1,844	1,063
	Transactions	1,123	1,242
	Economic authorisation	107	227
	Transfers through uneconomic / indirect channels	36	72
	Financial (transfer) transaction without required authorisation	18	27
	Other (account opening / keeping)	9	8
	E-money	5	1
	Onlinebanking	4	1
	Total	5,633	5,845
Product / customer	Customer behaviour	791	786
	Safe deposit box	32	54
	Conditions	17	26
	Type of account	11	24
	Other (product / customer)	9	33
	Cash dispensers	2	3
	Persons in prominent political and / or economic positions	2	26
	Total	864	952
Financing of terrorism	Other (financing of terrorism)	53	28
	Matches with listed persons	28	21
	criminal association / organisation	21	10
	Total	102	59
No specific grounds for suspicion	No specific grounds for suspicion	83	49
	Total	83	49
Overall total		14,769	16,017



2.2 Results of processing

2.2.1 Status of report processing at the close of the reporting year

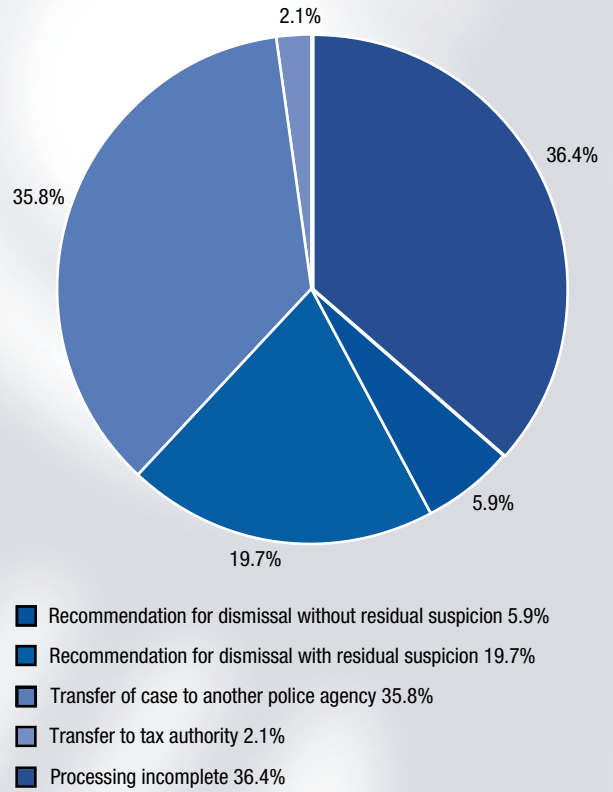
In 2007, police investigations (clearing) were closed without residual suspicion in approximately 6% of the 9,080 suspicious transaction reports filed pursuant to the Money Laundering Act. In 20% of all cases, investigations were closed despite the existence of residual suspicion from the police perspective. In approximately 36% of all cases, processing by the clearing offices had not been completed by year's end.

In approximately 36% of all cases, the suspicion of money laundering or another criminal offence was supported to the extent that the cases were forwarded for further investigation to an appropriate police investigation office. In about another 2% of all cases, the suspicion of tax offences was supported so that the cases were forwarded to the tax authorities.

Thus, in 38% of these cases, the suspicion of a criminal offence was corroborated (2006: 34%).

The number of cases handled successfully have remained constant at a high level over the past four years.

Graph 4: Results of processing by Money Laundering Clearing Offices of the State Criminal Police Offices (LKÄ)



2.2.2 Cases transferred to other specialised investigative agencies

In these cases, connections with the following types of crime were identifiable (multiple entries were possible in a given report):

Table 8: Connections to types of crime identified by Clearing Offices in cases forwarded to other investigative agencies (TOP 10)

Type of crime	Number		Change from previous year
	2007	2006	
Fraud	1,701	1,674	1.6%
Money laundering	1,530	968	58.1%
Document forgery	109	156	-30.1%
Tax offences	89	82	8.5%
Breach of trust	65	59	10.2%
Drugs offences	57	63	-9.5%
Insolvency offences	35	49	-28.6%
Illegal employment	17	22	-22.7%
Theft	12	17	-29.4%
Smuggling of illegal immigrants	10	4	150.0%
Other	329	329	0.0%
Total	3,954	3,423	15.5%

“Fraud” with about 43% of the total number of cases was most frequently recorded as type of crime. It is interesting to note that the number of cases forwarded by the clearing offices to other investigative agencies for suspected money laundering has increased. This is probably due to the increase in the number of reports relating to the “financial agent” (and occasionally “phishing”) phenomenon.

2.3 Summary and evaluation

2.3.1 Summary of report volume in 2007

- In 2007, a total of 9,080 suspicious transaction reports were filed pursuant to the Money Laundering Act. Compared to the previous year, this means a decrease by 971 suspicious transaction reports (- 9.7%).
- The number of reports filed by the tax authorities in 2007 pursuant to Section 31b of the Fiscal Code (359) increased by seven per cent compared to the previous year (335).
- The number of reports indicating possible fraud offences (3,248 listings) increased by another 17% compared to the previous year (2,789 listings). Thus, with 83%, the percentage of reports referring to fraud compared to reports referring to other offences is even higher than in the previous year (80%). Among these 3,248 listings there were 2,646 suspicious transaction reports filed in connection with the “financial agents” phenomenon (and occasionally “phishing”).
- As regards transfers of assets to foreign countries, Russia and Ukraine still head the list with 536 and 363 listings (2006: 500 and 213). As regards transfers from abroad, Russia heads the list with 202 listings (2006: 139), followed by the United States with 180 listings (2006: 168).
- The percentage of German suspects amounts to 59% (8,533 of 14,437 listings in total), followed by Turkish (738), Russian (682) and Polish (232) suspects.
- “Account management / opening” (unclear economic background, unusual transfers) and “unusual indication / link to other cases” (primarily links to “financial agents”) were mentioned most frequently as grounds for suspicion when STRs were filed (in 38% and 25% of the cases).



- The results of processing remained almost unchanged in comparison to the previous year:
 - Recommendation for dismissal without residual suspicion in 6% of all cases (2006: 6%)
 - Recommendation for dismissal with residual suspicion in 20% of all cases (2006: 25%)
 - Transfer of cases to other investigative agencies in 36% of all cases (2006: 32%)
 - Transfer of cases to tax authorities in 2% of all cases (2006: 2%)
 - Processing not yet completed in 36% of all cases (2006: 35%)

2.3.2 Evaluation of report volume in 2007

- When considering the groups required to report, the decrease in the number of reports filed by 9.7% is primarily due to the decrease of reports filed by credit institutions (-10%) and financial service providers (-7.5%).
- Although the total number of reports decreased by approx. ten per cent, it has to be mentioned here that, deducting “phishing” cases that are rather to be classified as computer fraud⁷ (2005: 7,991 STRs, 2006: 8,403 STRs and 2007: 8,959 STRs), the trend of an increase in the number of suspicious transaction reports continues.
- The consideration of all other STRs without the “financial agent” and “phishing” phenomena is worth mentioning here. As can be seen, after deduction of the respective STRs, there is a considerable decrease by about 22% from 8,138 STRs filed in 2006 to 6,334

STRs filed in 2007. This is an interesting development because the above-mentioned phenomena are relatively easy to identify and report involving little effort by way of computer-assisted research tools. The number of more complex suspicious circumstances reported, which are usually revealed only after examination of the individual case, is thus constantly going down. The Central Office for Suspicious Transaction Reports will monitor this trend and undertake research into the causes.

- The enormous increase in the number of suspicious transaction reports filed in connection with the “financial agents” phenomenon (and occasionally “phishing”) from 1,913 to 2,646 explains both the increasing transfers to Russia and Ukraine and the increased listings of these nationalities as suspects. Besides German “financial agents”, especially Russian and Ukrainian ones have transferred money obtained from “phishing” activities to Russia and Ukraine.
- The reporting behaviour of the parties required to report pursuant to Section 3 (1) of the Money Laundering Act (so-called “legal counsellors” and “other business persons”) must still be characterised as inadequate in view of the large number of natural persons and legal entities belonging to this group.
- The types of crime identified from the investigative results showed a remarkably high correlation with the offences cited by the reporting parties, with fraud offences (43%) still representing by far the largest part. In 39% of the cases, the reports were forwarded by the clearing offices to other agencies for suspicion of money laundering. These were mainly reports filed in connection with “financial agents”.

⁷ Pure “phishing cases” are to be classified as computer fraud although they seem to be the predicate offence of the subsequent money laundering activity by “financial agents”.

3 Monitoring of suspicious transaction reports

3.1 Noteworthy cases

Of the 9,439 initial reports on money laundering received in 2007 (9,080 STRs pursuant to the MLA and 359 reports pursuant to Section 31 b of the Fiscal Code), the FIU classified 88 reports as “noteworthy cases” (2006: 42).⁸ The Financial Intelligence Unit obtained the current status of such cases from the criminal justice authorities with original jurisdiction and, if relevant, initiated – or actively offered additional measures (by sending requests to foreign FIUs, for example). 64 of these suspicious transaction reports referred to transactions exceeding three million euros per report (2006: 23). The increase as compared to the previous year is considered an indicator of the fact that the parties required to report more and more often report cases involving large sums.

STRs were filed against prominent political figures in eleven cases (2006: 10) and against other prominent persons in six cases (2006: 3).

Seven STRs were filed after coverage in the media (2006: six).

3.2 Monitoring of trends

If the monitoring reveals new trends with regard to phenomena of money laundering that are relevant to analysis or investigation (such as an unusual accumulation of similar grounds for suspicion, facts of the case or the like), this trend is monitored for a limited period of time with a view to obtaining statistical figures and – based on this – research on the causes is done in dialogue with the agencies involved in the case. The identification of new trends and a feedback are important especially for those required to report pursuant to the Money Laundering Act (see 5.4 – 5.6).

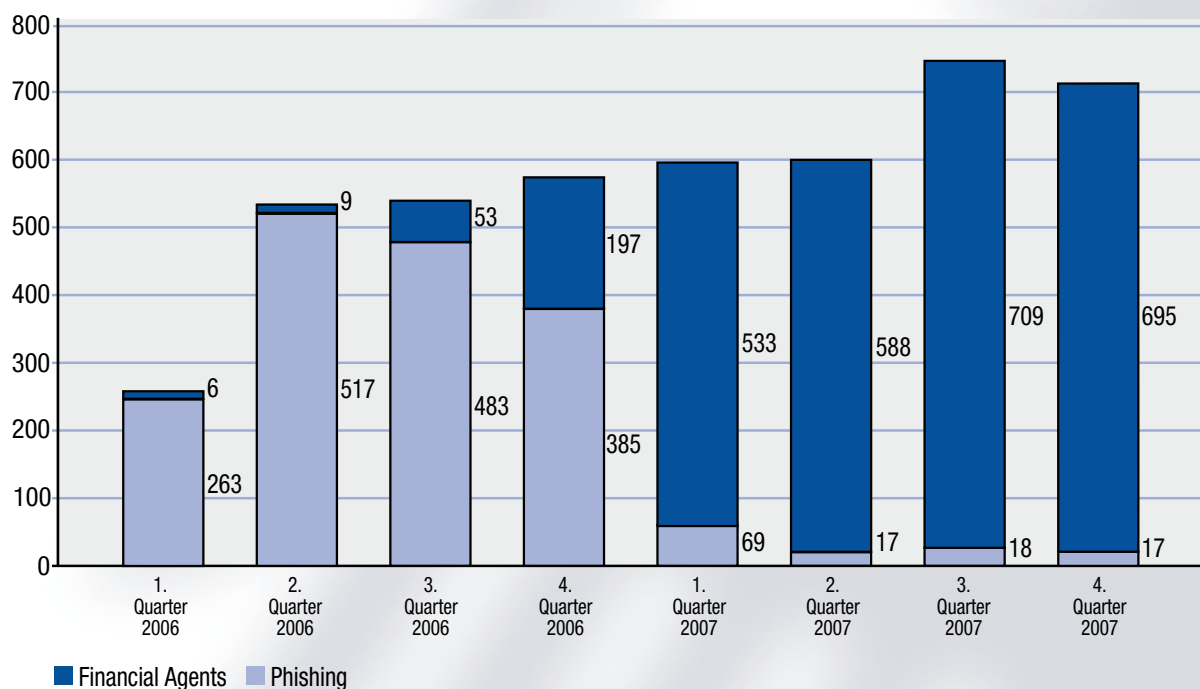
3.2.1 “Financial agents” (and occasionally “phishing”)

In 2007, 2,646 suspicious transaction reports were filed in connection with the “financial agents” phenomenon (and occasionally “phishing”) (2006: 1,913). Thus, the percentage share of STRs filed in connection with “financial agents” (and occasionally “phishing”) as compared to the total number of initial reports filed in 2007 is 28% (2006: 19%).

The following graph shows that the parties required to report have been filing STRs since the beginning of 2007 almost only in connection with money laundering activities by “financial agents”. In contrast to this, the number of STRs filed in connection with mere “phishing” attacks that are usually not relevant to financial investigations independent of proceedings has declined considerably – also as a result of an appropriate information policy by the FIU.

⁸ Cases classified as “noteworthy” are those filed in connection with individuals in prominent business, political or social positions, with media coverage or a high transaction volume (exceeding three million euros) but where no new typologies are identified.

Graph 5: Number of STRs filed in connection with "phishing" / "financial agents" in 2006 and 2007



3.2.2 "Financial Agents" abroad

Through the monitoring, suspicious transaction reports attracted attention in the second quarter of 2007 which were based on the transfer of "phished" funds to German accounts from abroad. Against this background, the FIU started to monitor trends in order to be able to make statements on whether Germany, in the field of international "phishing", must be considered to be not only a "crime-scene country" – as was previously supposed – but also a "transit country" for incriminated funds obtained by "phishing" abroad.

The monitoring of such STRs yielded only seven hits until the end of the third quarter of 2007. This number is so small in relation to the number of STRs filed in connection

with the "financial agents" phenomenon (and occasionally "phishing") during that period (727) that this is not considered to be a new "trend". This assessment corresponds to the results obtained from an analysis made within the operational part of the FIU where an enquiry relating to the same issue had been addressed to all 107 EGMONT group members⁹, asking them to supply transaction data for the cases in which funds transferred to Germany had been obtained by "phishing" abroad. The replies have, however, not corroborated the suspicion. The monitoring of this trend has thus been ceased.

⁹ The Egmont Group is an international body of national FIUs. It supports the exchange of information between the national central units and, at the international level, coordinates their efforts to fight money laundering. See 7.2.

3.2.3 Security transactions

In the fourth quarter of 2007, STRs were filed which contained information on commercial fraud in connection with the manipulation of share prices as the predicate offence to money laundering. The FIU then started to monitor trends relating to “security transactions”, with six suspicious transaction reports having been revealed until the end of 2007. A summarised assessment will be made separately.

3.2.4 Clear fraud cases

After suspicious transaction reports filed for clear fraud cases (e.g. eBay frauds, investment fraud, transfer fraud, credit fraud) had piled up in the past, the FIU started to monitor trends in order to obtain information on the reporting behaviour in these cases. At the beginning of 2007, the share of the initial reports referring to clear fraud cases – and not to money laundering – was about 16%.

By the FIU’s intensified public relations work (such as publishing the “Indicator Paper” and a corresponding “Newsletter”) and in co-operation with the state criminal police offices and the parties required to report pursuant to the Money Laundering Act, the share of initial reports referring to clear fraud cases dropped to 8% by the end of 2007. We will continue to monitor this trend.

3.3 Typologies

In 2007, seven suspicious transaction reports were filtered out which contained concrete indicators of new money laundering typologies. These cases were categorised for search and analysis purposes and passed on to the FIU Case Collection¹⁰. They concerned concealment methods that were based on the following patterns:

- Use of payment cards (a strategic analysis was performed by the FIU in this connection¹¹)
- Use of online payment systems
- Use of online accounts with virtual Internet currency
- Money transfer through trustees
- Use of credit card terminals without involving financial institutions
- Purchase of so-called shelf companies for handling money transfers in connection with security transactions
- Transfer of funds from Internet gambling bets through offshore companies

3.4 Assessment

The cases, trends and typologies identified through the monitoring clearly show that classification of cases as suspicious is not possible exclusively on the basis of a rigid catalogue of grounds for suspicion. Consequently, the respective risk and threat analysis on the basis of an assessment of the bank-specific customer segment and the range of products offered is crucial for deciding on the significance of individual indicators. Against this background, the FIU wishes to

¹⁰ See 6.6

¹¹ See 6.3



emphasise that a catalogue of indicators or search matrices do not absolve the parties required to report pursuant to the Money Laundering Act of their obligation to examine and decide on each case individually.

Feedback about money laundering methods and typologies is provided to those obligated by the Money Laundering Act through publication in the Annual Reports as well as by holding discussions on a case-by-case basis, presenting lectures at seminars and conferences of the reporting parties, providing information to the meeting of the Working Party of Banks and Chambers organised by the FIU, and publishing information in the FIU Newsletters.

4 Follow-up responses by public prosecutors' offices pursuant to Section 11 (9) of the Money Laundering Act

The analysis of the follow-up responses sent by the competent public prosecutors' offices pursuant to Section 11 (9) of the MLA in connection with criminal proceedings in which a report had been filed pursuant to Section 11 (1) of the MLA, produced the following results for the 2007 reporting period:

4.1 Statistical analysis

In 2007, 4,107 follow-up responses by public prosecutors' offices pursuant to Section 11 (9) of the MLA were recorded. Compared to 2006, this means an increase in the number of follow-up responses by 36%. This further increase is, inter alia, due to the FIU's continued efforts to heighten awareness among the important public prosecutors' offices. These 4,107 follow-up responses were received from public prosecutors' offices after a total number of 9,080 suspicious transaction reports had been filed pursuant to the Money Laundering Act.

The following development of the response reporting practice of the prosecutors' offices – compared to the number of the reports filed pursuant to the Money Laundering Act – has been ascertained since 2003:

Table 9: Follow-up responses pursuant to Section 11 (9) of the Money Laundering Act (2003-2007)

Year	Follow-up responses	STRs filed pursuant to MLA	Difference
2003	13	6,017	6,004
2004	518,	8,062	7,544
2005	1,680	8,241	6,561
2006	3,018	10,051	7,033
2007	4,107	9,080	4,973

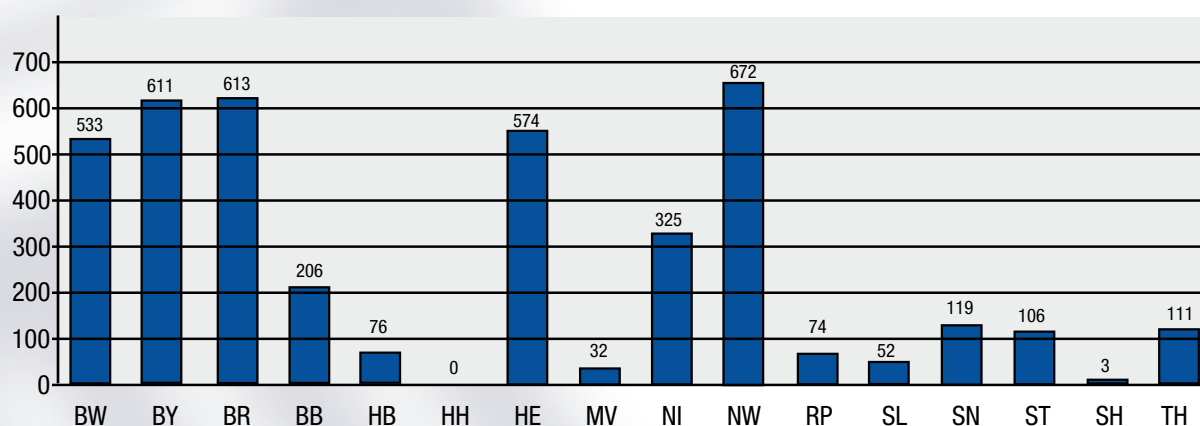
Comments on the absolute figures:

A direct comparison between the suspicious transaction reports filed during the calendar year and the follow-up responses received by the FIU cannot automatically be made, especially due to the fact that the follow-up responses may also refer to suspicious transaction reports filed in previous years.

But also without this direct comparison, it can be positively ascertained that the difference between the number of follow-up reports and the number of suspicious transaction reports has significantly decreased for the first time.

However, the percentage of STRs for which the public prosecutors' offices submitted no responses about the results of the case to the FIU still amounts to about 55%.

Graph 6: Distribution of the 4,107 follow-up responses by German states



As in the previous years, the German states of Baden-Württemberg, Bavaria, Berlin, Hesse and North-Rhine Westphalia stand out in respect of the number of follow-up responses filed by the public prosecutors' offices pursuant to Section 11 (9) of the Money Laundering Act.

Like before, nearly no follow-up reports by public prosecutors' offices were received at the FIU from the German states of Hamburg and Schleswig-Holstein. This behaviour corresponds to their unchanged restrictive legal interpretation of Section 11 (9) of the Money Laundering Act in conjunction with Section 482 (2) of the German Code of Criminal Procedure in conjunction with No. 11 (3) and No. 52 of the Directive on Reporting in Criminal Cases¹². Both

German states do not derive any reporting obligation for the public prosecutors' offices from this directive. However, throughout Germany, this attitude forms an absolute minority opinion.

When considering the follow-up responses, an increase in the number of reported results has been observed here for many of the German states, for some of them even considerably. Much more significant¹³ in respect of the reporting behaviour is, however, the number of follow-up responses by the public prosecutors' offices in the individual German states. Worthy of note are Bremen and Saxony-Anhalt, followed by Berlin, Brandenburg and Thuringia, with follow-up response rates of 79 to 89 per cent.

¹² Anordnung über Mitteilung in Strafsachen.

¹³ This statement is valid despite the restrictions mentioned above regarding a direct data comparison between the follow-up responses and the suspicious transaction reports filed in one year. Especially when comparing several years, any possibly resulting distortions are adjusted.



Table 10: Comparison between "STRs filed pursuant to MLA and follow-up responses"

	2007			2006		
	STRs (MLA)	Follow-up responses	%	STRs (MLA)	Follow-up responses	%
BW	934	533	57.1	1,109	504	45.5
BY	2,039	611	30.0	2,164	310	14.3
BE	698	613	87.8	573	467	81.5
BB	234	206	88.0	198	101	51.0
HB	96	76	79.2	131	61	46.6
HH	343	0	0.0	420	6	1.4
HE	930	574	61.7	1,074	198	18.4
MV	104	32	30.8	98	16	16.3
NI	692	325	47.0	747	268	35.9
NW	1,760	672	38.2	2,142	622	29.0
RP	294	74	25.2	339	97	28.6
SL	108	52	48.1	91	41	45.1
SN	370	119	32.2	298	154	51.7
ST	132	106	80.3	171	105	61.4
SN	221	3	1.4	336	4	1.2
TH	125	111	88.8	160	64	40.0
Total	9,080	4,107	45.2	10,051	3,018	30.0

The most significant percentage increases are identified in Hesse and Thuringia, the response reporting practice of these states has become absolutely positive.

Although the response reporting rate doubled in Bavaria, it is, however, with over 2,000 STRs filed, clearly at the bottom range with only 30%.

All in all, a further improvement is still necessary despite the overall increase of follow-up responses by public prosecutors' offices in relation to the number of STRs from 30% to 45%.

4.2 Analysis of contents

4.2.1 Follow-up responses not relevant to analysis

Of the 4,107 follow-up responses by public prosecutors' offices which were received and recorded at the FIU, 3,749 cases referred to orders which led to the dismissal of proceedings for the reasons mentioned below. Thus, the percentage of cases dismissed amounts to approx. 91%. While the percentage of dismissals still amounted to approx. 77% in 2005, it already increased to approx. 86% in the last year under review.

The dismissal orders are divided as follows according to the decision taken:

- pursuant to Section 170 (2) of the Code of Criminal Procedure (insufficient suspicion) — 3,563
- pursuant to Section 153 (1) of the Code of Criminal Procedure (non-prosecution of petty offences) — 129
- pursuant to Section 154 (1) of the Code of Criminal Procedure (insignificant additional sanction)¹⁴ — 35
- pursuant to Section 205 of the Code of Criminal Procedure (discontinued provisionally)¹⁵ — 20
- pursuant to Section 152 (2) of the Code of Criminal Procedure (lacking initial suspicion) and / or pursuant to Section 45 of the Juvenile Justice Act (age of the accused) — 2

Accordingly, about 95% of all reported dismissals were ordered in accordance with Section 170 (2) of the Code of Criminal Procedure.

The lacking relevance to analysis is due to the fact that – apart from the reasons given on the basis of the Code of Criminal Procedure – no further essential information was supplied in most of the cases.

The absolute and percentage distribution of the dismissals by German state is depicted in the following table.

¹⁴ Dismissals pursuant to Section 154 (1) of the Code of Criminal Procedure are mainly explained by the fact that sentences for other offences are being anticipated so that penalties for the money laundering charges would be of little significance or are excluded.

¹⁵ Dismissals pursuant to Section 205 of the Code of Criminal Procedure mainly concern cases in which the proceedings have to be discontinued provisionally due to the absence of the accused (mostly due to a permanent stay abroad).



Table 11: Dismissal rates by German states¹⁶

	Number of all follow-up responses	Number of dismissals	Dismissal rate 2007	Dismissal rate 2006
BW	533	502	94%	93%
BY	611	505	83%	74%
BE	613	571	93%	82%
BB	206	176	85%	80%
HB	76	71	93%	97%
HH	0	0	-	67%
HE	574	570	99%	95%
MV	32	30	94%	88%
NI	325	301	93%	88%
NW	672	584	87%	85%
RP	74	73	99%	97%
SL	52	49	94%	83%
SN	119	116	97%	92%
ST	106	105	99%	89%
SH	3	0	0%	25%
TH	111	96	86%	94%
Total	4,107	3,749	91%	87%

In ten German states, the dismissal rate is between 90% and 99%, with no statement being possible for one German state (Hamburg). Only in Bremen, Schleswig-Holstein and Thuringia, the percentage of dismissals decreased. Compared to the 2006 reporting year, the number of dismissals in the other German states increased.

4.2.2 Follow-up responses relevant to analysis

Compared to 3,749 follow-up responses not relevant to analysis, there are only 358 follow-up responses relevant to analysis (about 9%).

The follow-up responses relevant to analysis refer to cases in which an investigation was initiated on the basis of a suspicious transaction report, which resulted in the delivery of either a bill of indictment, a penalty order or a judgement. In addition, cases have been included which resulted in the initiation of further investigations within the scope of the intelligence gathering process, or in which the suspicious transaction reports were integrated into ongoing investigations.

¹⁶ The numbers exclusively refer to the follow-up responses submitted to the FIU by the public prosecutors' offices and not to the absolute number of suspicious transaction reports filed.

The 358 responses relevant to analysis have been classified as follows:

Bills of indictment, judgements and penalty orders

203 follow-up responses relevant to analysis referred to a bill of indictment, a penalty order and a judgement. This share thus constitutes more than half (57%) of all reports relevant to analysis – a considerable increase compared to 2006 (22%).

58 of these 203 responses relevant to analysis concerned bills of indictment in which the outcome of the proceedings was not (yet) known by the end of the year, either because the actual results were no longer reported or the proceedings were not yet concluded. Besides, 130 penalty orders and 15 judgements were transmitted.

The consideration of offences resulting in an indictment or in a judgement led to the following overview:

Table 12: List of bills of indictment, penalty orders and judgements¹⁷

Offences (multiple entries possible)	Bills of indictment	Penalty orders / judgements
Money laundering	36	105
Fraud (incl. computer fraud, capital investment fraud, evading payment for services obtained, breach of trust)	24	33
Violation of the Banking Act in connection with financial transfer services	15	35
Direct-debit fraud	1	2
Forgery of documents	2	2
Breach of trust	1	1
Insolvency offences	2	0
Violation of the Trademarks Act	3	0
Other (e.g. bribery, keeping lost property, handling stolen goods, usury, drugs offences)	6	3

¹⁷ Since indictments / judgements were delivered for more than one offence in many of the cases, multiple entries are recorded in this table.

Of the 203 bills of indictment / penalty orders / judgements, 154 cases referred to facts in which the accused person had acted as a “financial agent”. In 2006, this number was as little as 47. Nowadays, the law enforcement authorities and the courts more and more find that, in most of the cases, judgements in most of the cases for (at least petty offences of) money laundering – in 89 cases judgements were passed solely for money laundering and in 21 cases for money laundering in conjunction with violation of the Banking Act and / or fraud and / or computer fraud. Eleven cases were found to constitute mere violations of the Banking Act. Judgements passed merely for fraud and / or computer fraud in connection with activities as “financial agents” are hardly ever reported any more now. Consequently, a “financial agent” can meanwhile assume that he will be convicted of money laundering and will at least be fined if, due to the tempting commissions, he places his account at the disposal of foreign companies or individuals and re-transfers the funds received.

Integration into pending proceedings

In 37 cases (10%), the information obtained in connection with proceedings initiated on the basis of a suspicious transaction report was integrated into pending investigations that had been initiated for another offence. In 2006, 74 cases (18%) were reported.

Initiation of new proceedings

In 118 cases (33%), a new investigation was initiated on suspicion of other offences on the basis of the information gathered from the money laundering investigation. In these cases, the investigation initiated on suspicion of money laundering was discontinued pursuant to Section 170 (2) of the Code of Criminal Procedure. In 2006, this number still amounted to 238 (60%), so that the further development will be monitored by the FIU.

There is a broad spectrum of offences identified in this regard. In 41 cases, new proceedings were initiated for various fraud offences (also in connection with forgery of documents, fraudulent account opening etc.), tax offences were identified in eleven cases, and proceedings were also initiated for violation of the Narcotic Drugs Act, violation of the Trademark Act, insolvency offences and other offences. Of the mentioned proceedings, 43 alone were initiated by the Cologne Public Prosecutor’s Office for money laundering and were later transferred to the department handling “phishing” cases.

4.2.3 Reference to a certain type of crime

The following references to the various types of crime were revealed during the analysis of all 358 follow-up responses by public prosecutors' offices which were relevant to analysis:

Table 13: Types of crime mentioned in follow-up responses pursuant to Section 11 (9) of the Money Laundering Act

Types of crime	2007
Money laundering only	101
Fraud (incl. computer fraud, capital investment fraud, evading payment for services obtained, breach of trust)	72
Other offences (keeping lost property, bribery, granting of loans, child pornography, transferral to the "phishing" department etc.)	64
Money laundering in conjunction with (computer) fraud and / or violation of the Banking Act	42
Violation of the Banking Act	12
Tax offences	11
Computer fraud in conjunction with violation of the Banking Act	10
Document forgery (also in conjunction with fraud)	10
Drugs offences	9
Insolvency offences	5
Theft / misappropriation	5
Violation of the Trademarks Act	5
Fraud in conjunction with the operation of unauthorised transfer businesses / direct-debit fraud	4
Fraud in conjunction with other offences (insolvency and Banking Act, false affirmation in lieu of an oath, forgery and misappropriation)	3
Breach of trust, document forgery	3
Commercial fraud in conjunction with money laundering	1
Handling stolen goods in connection with money laundering	1
Total number of follow-up responses relevant to analysis	358



In 40% (143) of the reports classified as relevant, the initial suspicion of money laundering was corroborated. In all other cases, the courts held that, at least inter alia, an offence of money laundering was involved. In the cases relayed to the “phishing” departments, no conclusive information has been obtained but it is believed that, here as well, a large number of the courts held that, at least inter alia, money laundering offences were involved since activities as “financial agents” are increasingly classified as money laundering activities. It is noticeable that the percentage of cases with suspected fraud as the underlying offence has dropped to 25%. In 2006, this share was as high as 47%. This significant switch from fraud to money laundering offences obviously reflects the reaction of the public prosecutors’ offices and / or the courts to the increased number of suspicious transaction reports filed pursuant to the Money Laundering Act concerning the “financial agent” (and occasionally “phishing”) phenomenon and its meanwhile modified legal assessment.

4.3 Use of the form “Reporting pursuant to Section 11 (9) of the Money Laundering Act, Sections 482 and 475 of the Code of Criminal Procedure”

The existing possibilities of using the response form and the advantages for the public prosecutors’ offices and the FIU relating to its use (forensic added value due to improved information situation) were already explained in the 2005 and 2006 Annual Reports. The use of the form especially helped the public prosecutors’ offices pass on parallel information without any great additional effort to the parties required to report pursuant to the MLA. It was established, when recording the response forms, that they were regularly used by only one public prosecutor’s office and at least to a limited extent by a second one.

4.4 Assessment

The further increase in the number of follow-up reports by 36% during the 2007 reporting year – especially against the background of the slightly decreasing number of suspicious transactions reports filed pursuant to the Money Laundering Act – substantiates the positive trend in the response reporting practice of the public prosecutors’ offices. The fact that the number of follow-up responses which only contain dismissal orders increases constantly and already represents about 91% of all responses received this year from public prosecutors’ offices about the outcome of proceedings is to be regarded as critical. The reasons for this development are believed to be multi-faceted. Moreover, a problem in this context is that follow-up responses regarding the further development of the case are not communicated. Thus, the FIU still loses important information on the ultimate outcome of those investigations which are transferred to other prosecutors’ departments or even to totally different public prosecutor’s offices due to the information identified on the underlying offences or suspected involvement in the predicate offence. The actual success of the original suspicious transaction report can therefore not be assessed reliably. There is still potential for optimisation concerning the completeness of the data supplied in the follow-up responses. The use of the standardised response form plays an important role in this context. Unfortunately, the form was hardly used, so that the expected simplification, structuredness and completeness of the information were not ensured.

5 National co-operation

5.1 Introduction

In 2007 again, the Central Office for Suspicious Transaction Reports at the BKA was in close contact with numerous agencies involved in the prevention and suppression of money laundering. It consciously and deliberately continued its chosen way of acting as the national central office for all questions involving money laundering.

The Central Office for Suspicious Transaction Reports was contacted via its telephone hotline with many individual questions and requests which were then handled by the FIU.

Moreover, in 2007 again, FIU staff members attended on-the-job training in compliance sections of banks and at security authorities in 2007 again. To a limited extent, staff members of the institutions were also given the opportunity to get an insight into the tasks and main objectives of the FIU. The reciprocal visits for exchanging information mainly aimed at gaining an understanding of the handling of each other's tasks so that all necessary aspects can be taken into consideration when handling the different jobs.

FIU staff members held lectures at numerous ministries and mainly at institutions required to report, with national and international participants. The lectures concerned the tasks, responsibilities, processes, legal aspects, problem fields as well as the possibilities and limits in the fight against money laundering.

The FIU also provided support to national investigative authorities (police, customs, tax investigation offices etc.) in operational matters and in the form of presentations at special courses or at conferences in the field of financial and economic investigations.

The following are some outstanding activities of the Central Unit for Suspicious Transaction Reports as well as examples of the co-operation with agencies that are decisively engaged in the suppression of money laundering.

5.2 National investigative agencies

In 2007 again, co-operation in the field of international correspondence exchanged with foreign FIUs was a focal point of co-operation with the national investigative authorities. In exercising their function as clearing offices for suspicious transaction reports, the Joint Police / Customs Financial Investigation Groups of the state criminal police offices as well as the state security agencies and the tax investigation offices are the main co-operation partners of the FIU in respect of reports filed pursuant to Section 31b of the Fiscal Code. The FIU addresses enquiries to foreign FIUs on behalf of the mentioned national authorities or, if information is available at regional level, passes on enquiries by foreign partner offices to the local authorities. This information is also exchanged with the local investigative authorities (police, public prosecutor's office, customs etc.).

In response to requests for information both to and from foreign FIUs, it was possible to initiate such measures as, for example, seizures of assets and to combine investigative complexes in the field of common and organized (economic) crime, for the national investigative authorities in a very timely manner.

Besides, an abundance of substantial financial information, which would have been obtained through police or judicial channels only with considerable effort and delay, was obtained from foreign FIUs and – as long as the legal requirements were fulfilled – was passed on to the German investigative authorities.

The FIU information channel has meanwhile become well-established as an additional central channel besides Europol, Interpol and the network of liaison officers.



5.3 Special analyses by the FIU

In 2007, in addition to operational information, the FIU also conveyed the results of strategic analyses to the national investigative authorities. This was done both for specific cases and in the framework of working groups. These products of the work of the FIU were posted in a secure police information portal to which national investigative authorities have access.

The special analysis on “Possible Money Laundering Activities in Connection with Payment Cards” can be mentioned here as an important strategic special analysis conducted in 2007. It was conducted by the FIU due to the increased number of STRs filed for money laundering in which the use of payment cards (credit cards, charge cards, debit cards and pre-paid cards) played a role.

It aimed at describing and assessing the potential of misuse of payment cards with regard to money laundering activities and at identifying new methods of money laundering.

The results of the special analysis were presented in great detail in the 5th Newsletter published by the FIU and provided to the parties required to report pursuant to the MLA (see 5.5).

5.4 Parties required to report pursuant to the Money Laundering Act

While co-operation between the parties required to report pursuant to the Money Laundering Act and the FIU, set up in August 2002, had to be improved permanently during the first couple of years, it has now become established and proven. This assessment, inter alia, results from the number of direct contacts that further increased in 2007. It has been established here that the FIU now serves as a routine central point of contact for all money laundering-related, sometimes extremely complex issues and specific questions.

Besides the so-called “legal advisors” (such as lawyers, notaries, auditors, tax consultants etc.), the “other business persons” (Section 3 (1) sentence. 2 MLA) are also considered a rather problematic group of persons required to report in view of the small number of STRs filed.

According to the MLA, “other business persons” are those who carry out a trade and are not subject to the identification obligation pursuant to Section 2 of the Money Laundering Act, i.e. no institutions as defined in Section 1 of the Money Laundering Act and no lawyers, patent lawyers, notaries, tax consultants, agents in tax matters, qualified auditors, certified accountants, real estate brokers or gambling casinos. Consequently, they include all legal or natural persons who carry out a trade and who are not explicitly mentioned in the Money Laundering Act.

From August 2002 until the end of 2006, only ten reports in total were filed by “other business persons”.

In order to improve the reporting behaviour, the FIU published a “sensitisation letter” on its website to raise the awareness of “other business persons” in which, inter alia, the relevant regulations are outlined once again. Moreover, the awareness of these “other business persons” was raised by providing examples of specific cases of possible involvement in money laundering activities (and the corresponding risk of punishment for involvement in these activities). This letter was published as enclosure 2 to the 2006 Annual Report.

During the 2007 calendar year, the “other business persons” filed a total of eleven suspicious transaction reports. Although this means an increase compared to the reporting behaviour in previous years, the FIU, with its awareness raising campaign, had hoped for a much stronger reaction in the form of reports.

The authorities responsible under federal and state law are obliged to supervise that the Money Laundering Act is implemented in the field of the “other business persons” (Section 16 (4) of the Money Laundering Act). The authorities at regional level that have to actually exercise this function still have not been clearly defined yet or do not fulfil their duties appropriately. A central supervisory authority – like the Federal Agency for the Supervision of Financial Services for the institutions – does not exist in the field of “other business persons”.

5.5 The FIU Newsletter

With the Newsletter, the FIU informs all parties required to report pursuant to the Money Laundering Act about current developments in the field of combating money laundering and the financing of terrorism. It thus serves as a means to continuously improve concerted action. At the same time, the expectations linked to this medium to further optimise communication between the FIU and the parties required to report have been met.

The 4th issue (February 2007) and 5th issue (July 2007) of the “Newsletter” were posted in a password-secured section on the website of the BKA. The umbrella associations representing the occupational groups required to report and other parties engaged in the suppression of money laundering were notified immediately after publication about the Newsletters’ posting on the Internet.

The 4th Newsletter, published in February 2007, in addition to the indicator paper, focused on cases relating to concealment methods of money laundering. Furthermore, it contained information about the legal situation and the procedures that have to be applied by the parties required to report in case of a hit for suspected terrorist financing due to an identified match with persons and companies on the EU sanction lists.

The 5th issue of the Newsletter, published in July 2007, exclusively dealt with the special analysis on “Possible Money Laundering Activities in Connection with Payment Cards”.

As currently planned, the topics “Status of Implementation of the Electronic Suspicious Transaction Report”, “Implementation of the Third EU Money Laundering Directive in National Law” and “Case Constellations” recently revealed shall be the subject of Newsletters published in 2008.

5.6 Case collection

One of the main tasks assigned to the FIU in its function as the Central Office for Suspicious Transaction Reports arises from Section 5 of the MLA. Accordingly, the “parties required to report pursuant to the MLA are to be informed regularly about typologies and methods of money laundering and the financing of terrorism”. So far, a target-oriented analysis of new, newsworthy or outstanding *modi operandi* of money laundering activities and concealment methods has not been made at all or only rudimentarily and not nation-wide. For implementing this statutory obligation, it was decided to set up a case collection at the FIU.

Against this background, the FIU Germany has set itself the task of identifying, assessing and analysing relevant cases and of subsequently passing them on – through the various media such as the FIU Newsletter – to the parties required to report.

The case collection includes cases of money laundering with *modi operandi* worth reporting – i. e. concealment activities regarding cash flows and money transactions, unusual asset disposals as well as transactions which could serve the purpose of financing terrorism.

Its aim is the detailed description of the actual concealment methods. The predicate offence is to be mentioned as an aside only.



In order to achieve this aim and to fulfil the statutory obligation comprehensively and at a high quality level, the required active information gathering has as broad a foundation as possible. The joint financial investigation groups at the state criminal police offices were asked to participate here, especially by supplying the appropriate cases. The specialised offices for combating organised crime at the state criminal police offices, at the Bundeskriminalamt, at the Federal Police and at the Central Office of the Customs Investigation Service have also been involved.

Thus, the intended gathering of relevant case facts, both from investigations that are “independent” of proceedings (joint financial investigation groups) and from those “integrated” into proceedings (organised crime agencies), has been achieved.

Cases with links to state security offences were generated from the regular reports received at the State Security Division of the Bundeskriminalamt from the state criminal police offices.

The third component of active information gathering is represented by the close coupling with the specialised FIU task areas “monitoring of suspicious transaction reports” (see No. 3) and “analysis of follow-up responses from public prosecutors’ offices pursuant to Section 11 (9) of the MLA” (see No. 4). The described approach resulted in 209 cases to be analysed by organised crime agencies, 53 investigations initiated by Joint Financial Investigation Groups, seven cases revealed through the monitoring of STRs and seven cases from follow-up responses by public prosecutors’ offices.

Cases presented in international bodies (Egmont Group, FATF etc.) have also been considered and analysed for possibly relevant facts. However, due to the – in our opinion – too strong focus on the respective predicate offence and the only rudimentary description of the concealment activity, no cases from this field have been entered in the case collection.

As an essential result of the case collection, the law enforcement authorities and the parties required to report pursuant to the MLA are informed of cases identified as new or worth reporting. In this way, the law enforcement authorities may glean new insight for suppression approaches or priorities from these new methods.

For the parties required to report pursuant to the MLA, the case collection is to raise their awareness for certain phenomena and methods. Moreover, the publication of new concealment methods is to result in using updated indicators of suspicious circumstances.

To meet this statutory obligation, the FIU already presented adequate cases in its Annual Reports and in the first two issues of the FIU Newsletter. The 4th FIU Newsletter focused on facts recorded in the case collection.

In the future, the FIU will continue to present current and important facts compiled in the case collection (mainly through the Newsletters but also through lectures). It is currently planned to publish a Newsletter with cases recorded in the case collection within the first half of 2008.

5.7 Implementation of the “Third EU Money Laundering Directive”

Through the so-called Third EU Money Laundering Directive (Directive 2005/60/EC, issued by the European Parliament and the Council on 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) and a so-called Implementing Directive (Directive 2006/70/EC, issued by the Commission on 01 August 2006), the EU legal basis for the national laws on the suppression of money laundering and the financing of terrorism has been re-structured and expanded. The Third EU Money Laundering Directive replaces the previous EU directives and provides for a comprehensive new ruling (harmonisation) of the member states' obligation to combat money laundering.

The Act amending the Money Laundering Suppression Act, passed by the German Parliament on 19 June 2008, which is to implement the two directives in Germany, re-structures the German money laundering legislation, following the approach of the Third EU Money Laundering Directive. The previous Money Laundering Act (MLA) was completely revised. In respect of the special legal provisions relating to money laundering, amendments and supplements have been included in the German Banking Act (Kreditwesengesetz, KWG) and the Insurance Industry Supervision Act (Versicherungsaufsichtsgesetz, VAG). Moreover, the criminal offence of money laundering was modified accordingly in the German Penal Code. The Customs Administration Act, the Investment Act and three legal regulations were also modified. One accompanying fee-related adaptation was made in the Financial Services Supervision Act.

The new Money Laundering Act is closely oriented towards the principle of one-to-one implementation. The possibilities of relief and exemption from the rules, left to the discretion of the national legislators, have been fully used here.

Compared to the laws previously in force – apart from the expansion of the instruments developed for the suppression of money laundering to also cover the suppression of financing of terrorism (and the expansion of the respective reporting obligations to all parties required to report pursuant to the MLA), as specified in the Third EU Money Laundering Directive – it is a priority of the new law to introduce a more flexible definition of the customer-due diligence (CDD), which the parties required to report have to meet. In view of the potential risk involved in the respective transaction, the central concerns here are the structuring and balancing of a general, simplified and increased customer due diligence, considering, however, that, despite their different business structures and risk profiles, the reporting parties can meet these requirements without unreasonable effort or cost, adequately in relation to the risk and in a practical manner.

5.8 The Working Party of Banks and Chambers

In previous years, the FIU hosted the annual conference of representatives of bank associations, professional associations, money laundering experts from major German banks, the state criminal police offices, the Customs Criminal Investigation Office and experts of the BKA.

The most urgent issue for the participants was the implementation of the Third EU Money Laundering Directive in national law and the subsequent discussion on the resulting consequences for money laundering. Since the process of legislation had not advanced sufficiently in the course of the reporting year to enable a well-founded discussion on the basis of concrete formulations, the meeting of the Working Party of Banks and Chambers was postponed to March 2008.



5.9 Internet presentation of the FIU

With its establishment in August 2002, the FIU decided to do active public relations work with a view to communicating its essential working results to all agencies involved in the prevention and suppression of money laundering and the financing of terrorism and, in this way, enabling a permanent dialogue. This is the main purpose of the information posted by the FIU on the website of the Bundeskriminalamt (www.bka.de). Please see appendix 3 for a graphic description of the structure, path and contents of the Internet site.

5.10 The “electronic suspicious transaction report (eVA)” project

In the future, it shall also be possible to send suspicious transaction reports filed pursuant to the MLA through an electronic transmission process. Thus, the Bundeskriminalamt meets the demand placed by the parties required to report pursuant to the MLA which currently have to submit a paper copy of the report filed for a suspicious transaction. This project, which helps increase efficiency and reduce costs and thus serves the reduction of bureaucracy, was integrated in the “eGovernment 2.0 Implementation Plan 2007”¹⁸ of the Federal Government.

In co-operation with industry, the associations, the Federal Agency for Supervision of the Financial Services Sector and the state criminal police offices, a refined technical concept is currently being elaborated under the leadership of the Bundeskriminalamt which has first to be submitted for approval to the competent bodies before starting the operational stage of the “eVA”.

Thanks to the great commitment shown by all parties involved in the development process, the implementation of this major IT project is expected to be realised within the near future. It is planned to put the project into operation still in 2008.

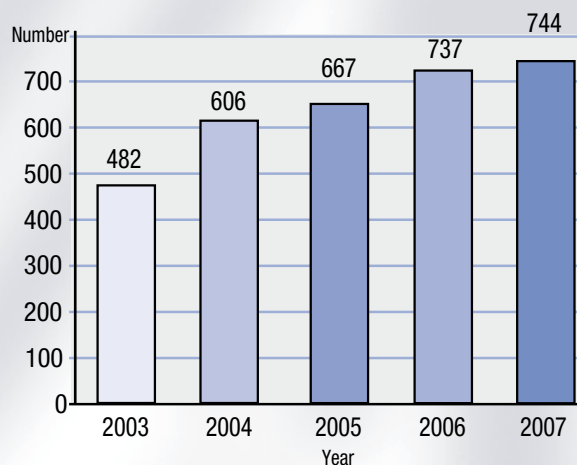
6 International co-operation

6.1 Exchange of intelligence with other FIUs

The FIU Germany is an important and central point of contact for the global information exchange between the 107 FIUs now organised within the Egmont Group.

In 2007, information was exchanged with 71 foreign FIUs on a total of 744 case-specific facts. This means an increase of 4% over the preceding year. Thus, last years’ trend continues in the form of a permanent increase in the number of cases reported. This is to be seen as proof of the increasing significance of the global FIU information network.

Graph 7: Development of the case numbers of the FIU information exchange



¹⁸ See also for further information on the eGovernment initiative of the Federal Government.

A look at the distribution of the cases by country produces the following picture:

Table 14: Correspondence with foreign FIUs (Top 20)

Country	Number		Changes
	2007	2006	
Luxembourg	92	71	30%
Belgium	77	58	33%
Switzerland	59	59	0%
United Kingdom	42	8	425%
France	34	37	-8%
Russia	33	27	22%
Romania	33	5	560%
Bulgaria	30	24	25%
Hungary	27	14	93%
Liechtenstein	23	21	10%
Ukraine	21	10	110%
Poland	19	14	36%
Netherlands	18	101	-82%
Spain	15	20	-25%
Austria	14	11	27%
Portugal	12	13	-8%
Denmark	12	4	200%
USA	11	6	83%
Finland	10	16	-38%
Jersey	9	8	13%
Other	153	210	-27%
Total	744	737	4%

The number of countries with which the FIU Germany exchanged information in 2007 has increased to 71 from 62 (in 2006).

The tendency that the contacts focus primarily on co-operation with the FIUs in Germany's neighbouring countries and the major European finance centres was confirmed during the reporting year.

Looking at the 2006 trends, it can also be seen that the activities of the East European FIUs have intensified again and there have been more and more occasions in which Germany addressed enquiries to these countries.

The noteworthy decrease in the number of cases recorded for "other" countries suggests an increasing focus of the FIU information exchange on the "top 20 countries".

The fact that 170 enquiries contained not only vague suspicious circumstances but concrete information on criminal offences can be regarded as an indication of the constantly high quality of the enquiries. In almost half of these cases, the information referred to fraud offences.

Of the 653 enquiries received from foreign FIUs, the mere query of the databases revealed links to investigations conducted in Germany in 113 cases. A look at the types of crime or crime phenomena, as in previous years, shows a concentration on fraud (47%), money laundering (21%) and drug offences (15%).

Compared to the number of enquiries received from abroad, 91 requests for information were addressed to the FIU Germany by local investigative authorities for onward transmission to foreign FIUs. Thus, the number of enquiries received from foreign FIUs is seven times higher than the number of requests made by national authorities.



The field “suppression of money laundering” affects almost all offences described in the Penal Code and the supplementary penal statutes. Accordingly, the spectrum of the FIU’s activities is very wide. It includes cases of suspected financing of terrorism and targeted search cases in the field of economic crime, ranging up to measures for confiscation of assets abroad in the different fields of crime.

It is often difficult to give a clear picture of the central agencies’ or service offices’ exact success. Nevertheless, the following examples are given in an effort to illustrate the successful work done by the FIU Germany in 2007:

- The analysis work of the FIU resulted in linking suspicious assets to pending investigations and in initiating the provisional confiscation of these assets in Germany and abroad.
- After information routing by the FIU Germany, investigations were initiated by prosecutors’ offices abroad in several cases.
- The information status in some crime phenomena has been improved both under operational (e.g. compilation of intelligence) and strategic aspects (e.g. identification of modi operandi). The problems involving the permanently emerging issue of “financial agents” (and occasionally “phishing”) are given here as an example.
- Various noteworthy investigations conducted by the BKA and the state police forces have been supported by valuable information through the use of the global FIU communication network. Among them are investigative complexes like “Heros” and “meat scandal”, major cases of extortion of large-scale companies and other investigations initiated into public figures from politics and industry.

6.2 Memorandum of Understanding (MoU)

In recent years, the FIU Germany signed a Memorandum of Understanding (MoU) with the FIU Poland, the FIU of the Russian Federation and the FIU Canada. They were signed upon the request of the foreign co-operation partners since they need an MoU for the information exchange due to their national laws. The national laws in Germany enable the FIU Germany to exchange intelligence with any foreign FIU without requiring an MoU to be signed by the German party. After lengthy negotiations, a common basis for the contents of the MoU text was elaborated with the FIU Australia (AUS-TRAC) in 2007. It is likely that the MoU will be signed before the end of the year.

After transformation from an administrative FIU to a police FIU, discussions were resumed with the FIU Japan regarding the contents of an MoU text. Here as well, the negotiations and discussions have advanced. We succeeded in developing a common draft.

Moreover, the FIU of the Dutch Antilles and the FIU Moldova submitted requests to the FIU Germany for concluding a Memorandum of Understanding. Since there had been no co-operation with the two countries in the past, their requests were answered by offering co-operation in individual cases.

6.3 FIU.Net

FIU.Net is a network for the secure exchange of information between the FIUs at EU level. So far, 16 EU states have joined the network, another five are to follow until the summer of 2008. The FIU Germany has been participating in the FIU.Net since 25 April 2005.

In its current version, the FIU.Net, which was originally developed for the concerns of the administrative FIUs, is still user-unfriendly in part. For this reason, the network is to be improved significantly over the next two years with the financial support of the EU Commission and the member states. The leadership of this project involving 2.5 million euros in total (starting on 01 November 2008) has been taken over by the Dutch Ministry of Justice.

Since September 2007, the FIU at the BKA has been a member of the Board of Partners which, as the decision-making body, is one of the bodies responsible for the development of the further steps to optimise the network. In this way, the FIU Germany has been and is making a considerable contribution to a user-friendly structure of the network.

6.4 Financial Action Task Force on Money Laundering (FATF)

The FATF is the leading international body for the suppression of money laundering and the financing of terrorism. It has been setting the appropriate standards for years.

An especially significant field of the FATF's activities is their typology work. The central FATF typology meeting is held every year. Its topics are handled in workshops and its working results are published in the FATF's typology reports.

The following topics were on the agenda of the 2007 typology meeting in which also BKA representatives participated:

Topic 1: Money Laundering Threat Analysis Strategies

A FATF working group discusses the approach of drawing up multi-agency high level threat / risk assessments for improving the suppression of money laundering and the financing of terrorism.

Topic 2: Proliferation financing

This project aims at identifying financial activities in connection with proliferation and at preventing them (preventive effect) and supporting their prosecution. Existing measures are to be analysed and new (counter-) measures are to be recommended, if necessary.

Topic 3: Vulnerabilities in the gaming and casinos sector

The gaming and casinos sector is apparently expanding especially in economically weak or poor countries in Asia in which there is no or only little supervision by the authorities. According to the FATF, a special characteristic is the organisation of games on vessels in international waters.

Topic 4: Money laundering und terrorist financing vulnerabilities of online commercial sites

The aim of this project is to examine whether and how commercial Internet sites offering goods as well as their payment systems can be misused for money laundering and the financing of terrorism.

Once the typology reports have been completed by the FATF, they will, as in previous years, be published on the website of the FIU at the BKA. The FATF report on "VAT carousel fraud", for instance, was posted on the FIU's website immediately after having been published.



6.5 EU project carried out in co-operation with the Albanian FIU

Germany and Albania are jointly working on an EU project from October 2007 until September 2009 which mainly aims at improving the suppression of money laundering in Albania. It focuses on the improvement of the Albanian FIU's work.

In connection with this project, measures are implemented mainly in Albania but also in Germany. The measures handled by the FIU are summarised in appendix 2 of the Annual Report.

The FIU is, inter alia, supported by members of the clearing office at the Baden-Wuerttemberg State Criminal Police Office, by compliance officers of some major German banks and a financial service provider, by the BaFin, by public prosecutors' offices, customs and tax authorities and the professional associations.

The experiences the German FIU gleaned in connection with this project with regard to the suppression of money laundering in another European state can be profitably used for the future international co-operation. Last but not least, other foreign FIUs and international bodies see and appreciate the enormous amount of efforts invested by the German FIU.

It can also be expected that, initiated by the project, the number of bilateral contacts and occasions of information exchange between the German and the Albanian FIU will increase.

7 Financing of terrorism

7.1 General remarks

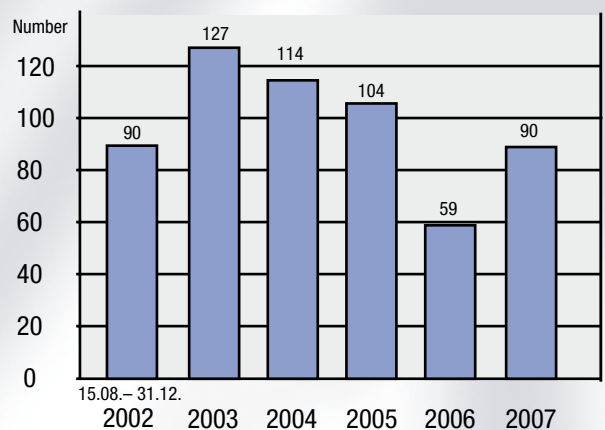
Financial investigations as well as the disclosure of financial structures are a key element of the security authorities' daily work. Suspicious transaction reports filed pursuant to the Money Laundering Act (MLA) for suspected financing of terrorism have become a permanent part of the fight against terrorism.

7.2 The national situation

7.2.1 Quantitative development of suspicious transaction reports pursuant to the Money Laundering Act relating to the financing of terrorism

The following statistics comprise suspicious transaction reports filed by the reporting parties on suspicion of financing of terrorism.

Graph 8: Suspicious transaction reports filed for suspected involvement in the financing of terrorism



Compared to the previous year, the number of these suspicious transaction reports increased to 90 from 59 in 2007. This is an increase of more than 50%.

Table 15: Statistical distribution of suspicious transaction reports relating to the "financing of terrorism"

	15.08.- 31.12.02	2003	2004	2005	2006	2007
Total number of suspicious transaction reports (STRs) filed pursuant to the Money Laundering Act	2,271	6,602	8,062	8,241	10,051	9,080
of them, STRs checked by the BKA's State Security Division (recorded statistically since 2005)	---	---	---	358	376	384
Percentage share of the total number of STRs	---	---	---	4.3%	3.7%	4.2%
STRs filed by the parties required to report for suspected "financing of terrorism"	90	127	114	104	59	90
Percentage share of the total number of STRs	4%	2%	1.4%	1.3%	0.6%	0.9%
of them number of cases with (suspected) list match	49	83	68	58	21	25
Percentage share of the number of STRs filed for suspected financing of terrorism	54.4%	65.4%	59.6%	55.7%	35.6%	27.8%
Percentage share of the total number of STRs	2.2%	1.3%	0.8%	0.7%	0.2%	0.3%
of them, number of cases without list match (Other cases)	41	44	46	46	38	65
Percentage share of the number of STRs filed for suspected financing of terrorism	45.6%	34.6%	40.4%	44.3%	64.4%	72.2%
Percentage share of the total number of STRs	1.8%	0.7%	0.6%	0.6%	0.4%	0.7%



The percentage share of STRs filed for suspected financing of terrorism is 0.9% of all suspicious transaction reports filed.

This small rate can be explained by the fact that suspicious circumstances in the field of terrorism financing are hard to identify. This problem was mentioned regularly in the past. Of the 90 suspicious transaction reports filed in 2007 for suspected involvement in the financing of terrorism, 25 reports were filed on the grounds of possible matches with embargo lists issued by the UN and the EU (Regulations (EC) No. 2580/01 and 881/02). An actual match with persons listed was established in none of the cases¹⁹. Although there were hits concerning the name (fore- and family name), further checks revealed that the persons were not identical with the persons listed. This is due to the partly imprecise personal details in the relevant lists.

The number of reports with possible matches with the relevant lists has declined since 2003. As in the previous year, the percentage of these STRs is about a third of the total.

65 of the 90 STRs were filed for other suspicious circumstances, such as

- unusual account transactions,
- unusual transaction volumes or
- other suspicious behaviour patterns.

In 24 of the 90 cases, a follow-up response was received from public prosecutors' offices pursuant to Section 11 (9) of the MLA.

The respective investigations were discontinued for lack of sufficient suspicion pursuant to Section 170 (2) of the Code of Criminal Procedure. The Bundeskriminalamt did not receive any follow-up responses on the outcome of the other 66 cases. In 2006, the FIU received nine follow-up responses regarding the 59 suspicious transaction reports filed in total for suspected financing of terrorism.

In 2007, the State Security Division (ST) at the Bundeskriminalamt checked 384 of the total of 9,080 STRs in respect of possible links to the financing of terrorism.²⁰

Initial suspicion has arisen in 37 cases. Almost half of these cases (18) were based on STRs filed for suspected financing of terrorism.

Due to pending state security investigations and the resulting special protection of this information, no further details can be provided on these STRs. Reference is made here to the examples published regularly by the Central Office for Suspicious Transaction Reports in its Annual Reports and Newsletters in which important characteristics and modi operandi are described.

7.2.2 Quality of suspicious transaction reports pursuant to the Money Laundering Act relating to the financing of terrorism

The difficulties that parties required to report have experienced in an effort to identify potential involvement in terrorism on the basis of observations of account activity and transactions alone, as described in the previous FIU Annual Reports, continue to exist. The fact that 18 of the 37 STRs in which clear state security links were identified had been filed for suspected financing of terrorism has to be given special emphasis here.

Despite the relatively small number of hits, the analysis of all STRs with regard to their relevance to state security remains a useful instrument in the fight against the financing of terrorism.

¹⁹ For details about non-European sanction measures (such as the so-called OFAC list), please see previous Annual Reports (FIU's 2006 Annual Report, p. 48, and 2005 Annual Report, p. 38).

²⁰ For the sake of completeness it has to be mentioned that all STRs are checked by the competent state security offices in the German states with regard to the financing of terrorism.

The reporting behaviour exhibited in 2007 continues to document the functional viability of the monitoring systems. This is exemplified by the following suspicious transaction reports:

Case:

Transactions in favour of associations linked to extremist organisations are revealed through suspicious transaction reports again and again. In 2007, this also concerned the Philippine and Indonesian regional offices of Islamic Relief. Pursuant to Regulation (EC) No. 881/2002, financial sanctions have been imposed on the mentioned parts of the Islamic Relief organisation since 14 November 2006.

Similar cases, revealed over the years, show that banned organisations and their supporters are still active.

Case:

Due to an enquiry made in connection with a former customer, who had been sentenced in France in 2006 for membership of a terrorist organisation, a credit institution filed an STR against another customer who had made transactions with the convict in 2000/2001. More detailed checks of the account of the now reported customer showed a transaction behaviour that did not correspond to the customer's profile. Taking into account all known circumstances, the credit institution filed a suspicious transaction report for money laundering. In connection with an investigation conducted into this customer in the field of politically motivated crime, very useful additional information has been revealed in this way.

This case shows that, by way of suspicious transaction reports and incident-related retrograde checks over longer periods of time, it is possible to establish contacts between terrorists and individuals whose extremist potential is revealed on that occasion only.

Due to

- the increasing data basis of suspicious cases,
- the high level of information the parties required to report have on terrorist threats through the publications of the FIU (indicator paper, annual reports and newsletters) and through their own research (Internet, constitutional protection reports etc.), and
- the constant quality improvement in the reporting behaviour

intelligence is gathered in individual cases by way of retrograde checks which would not have been established if such a suspicious case was only checked once.

7.2.3 Current trends concerning measures relating to the freezing of assets pursuant to Regulations (EC) No. 2580/2001 and No. 881/2002

In general, the UN / EU sanction lists with the related measures are regarded as a suitable means for suppressing the financing of terrorism. The measures adopted under international law aim, inter alia, at freezing the financial resources of the persons listed. In this connection, some individual issues regarding the implementation of financial sanctions and measures aiming at the freezing of assets were specified in 2007 through two judgements passed by German courts and one passed by the European Court of Justice:



Case:

On 25 June 2007, an Iraqi national was sentenced to three years' and three months' imprisonment by the 6th criminal division of Munich Higher Regional Court for support of a foreign terrorist association (Sections 129 a and b of the German Penal Code) coinciding with violation of the Foreign Trade and Payments Act (Section 34) and fraud in four cases. The court ruled that the transfer of EUR 140 was a clear act in support of the terrorist organisation Ansar Al Islam (AAI). According to the court, the purchasing power of this money was many times higher in Iraq and thus represented a "significant support" of Ansar Al Islam.

This judgement is trendsetting, not only because the significant support was found to be based on the difference in the purchasing power but also because it specified the facts necessary to prove that the provision ban imposed by the EC regulations was circumvented. It is sufficient to prove that the funds have reached the listed organisation's power of disposal (violation of Section 34 of the Foreign Trade and Payments Act). The actual use of the funds is irrelevant in this context.

The parties required to report pursuant to the Money Laundering Act play a prominent role here since they can help detect any such transactions by filing suspicious transaction reports.

Case:

According to a judgement passed by the European Court of Justice on 11 October 2007, "listed" individuals and organisations are not allowed to purchase real property within the EU. The European Court of Justice hereby confirmed the decision taken by the Berlin Land Register to refuse transfer of ownership to a "listed" buyer. Accordingly, real property is an economic resource and falls under the provisions of the EC regulations to freeze the whole assets of an individual on the terrorist list.

The case was brought to court by the owners of a property in Berlin-Neukölln. They had concluded a contract with three buyers in 2000, none of whom had been on the "terrorist list" at that time. In May 2001, the purchase price of DEM 2.4 million was transferred and the property was left to the buyers. The transfer of ownership in the land register was delayed for formal reasons and was refused by the land registry office in April 2005 since one of the three buyers had been put on the list in the meantime pursuant to Regulation (EC) 881/2002 for suspected links to Al Qaeda.

The judgement passed by the European Court of Justice leaves open how the void sales contract can be rescinded. The re-transfer of the purchase price already paid would be in violation of Section 34 of the Foreign Trade and Payments Act.

Case:

According to Section 6a of the Banking Act, the BaFin (Federal Agency for the Supervision of the Financial Services Sector) ordered a major bank to freeze the account of an accused in an investigation initiated in accordance with Section 129 a and b of the Penal Code and not to open any new accounts in his name. The accused filed an action against this decision and a subsequently modified order issued by the BaFin with which the BaFin authorised the bank to execute transactions of the accused of up to EUR 660.00 per month for his living. Frankfurt am Main Administrative Court dismissed the case.

The court stated that the BaFin reacts if facts are on hand which suggest the financing of terrorist associations. Usually, this is already the case when the holder of an account is an individual who is on the UN / EU sanction lists. The list of these individuals is, however, not conclusive. According to the court, there are sufficient grounds to freeze assets if the competent law enforcement authority investigates an individual for suspected membership of a terrorist organisation. This allows the conclusion that the account is somehow used – even if only indirectly through the individual in question – for the terrorist activities of an organisation. To come to this conclusion, an individual contribution to the financing of a terrorist organisation is no requirement if a respective investigation is pending.

7.3 The international situation

7.3.1 FIU correspondence

In respect of enquiries made to the FIU Germany by foreign FIUs during the year under review, the State Security Division of the Bundeskriminalamt has been regularly involved with checks for possible state security links. Aspects relevant to state security were established in 20 cases.

Since most of the foreign FIUs are not attached to the law enforcement authorities, experience has shown that only few cases relating to state security matters are communicated.

The statement made in the 2006 FIU Annual Report that it is possible to obtain information relevant to state security through the information exchange within the international FIU network and that this information may have an added-value when establishing the facts of the case in pending investigations, is still fully valid.



Case:

A financial transfer service provider filed two STRs against Rwandan nationals who had attempted to transfer euros in the four-digit range in several portions to two west European and three central African countries. The reports were based on Internet queries which revealed that the two individuals had allegedly been involved in genocide offences in Central Africa. In parallel, a foreign FIU requested information on one of these Rwandan nationals, whose personal particulars are listed in Council Regulation (EC) 1183/2005 (Council Regulation dated 18 July 2005 imposing certain restrictive measures directed against persons acting in violation of the arms embargo with regard to the Democratic Republic of the Congo). Checks of police files regarding the individuals reported brought to light that they are leading officials of the successor organisation of a central African militia who are responsible for the genocide committed in Rwanda in 1994 and for other crimes committed to the detriment of the civilian population in the Congo in the years afterwards.

The above example documents the effective co-operation between the FIUs in Germany and abroad in the field of state-security matters.

7.3.2 The FATF's typology work and its implementation in Germany

In 2007, the "Working Group on Typologies" (WGTYP) of the FATF prepared the draft of a "Terrorist Financing Report" in which the intelligence gathered from the projects "Terrorist Financing Typologies" and "Money Laundering and Terrorist Financing Trends and Indicators" – both started in 2005 – brought together. The list of indicators for early detection of the financing of terrorism, announced in last year's report, is now part of the typology paper.

The report focuses on the development of an international uniform suppression strategy in the form of so-called "best practices". In addition, the report deals with various methods of terrorist financing and places great emphasis on the procurement and channelling of financial means to terrorist organisations, with special consideration of money transfer systems and cash couriers. The first draft was presented during the typology meeting of the FATF in Bangkok, Thailand, in November 2007.

The tools and instruments recommended in the draft for monitoring and combating the financing of terrorism have already proved their value in Germany. A nation-wide uniform reporting service for politically-motivated crime was established in Germany in 2004. This enables a uniform and systematic collation of statistical data. Moreover, the BKA, in co-operation with the financial sector, each prepared their own indicator papers relating to money laundering and the financing of terrorism.

Like the FATF, Germany has also been aware for quite some time that, in the field of terrorist financing, all methods of fundraising and transfer have to be taken into consideration and that the “know-your-customer-principle” is essential for identifying suspicious circumstances, especially in the field of financial service providers.

The “Terrorist Financing Report” was adopted by the FATF plenary in its February 2008 meeting in Paris.

7.4 Assessment

Compared to the previous year, an increase of more than 50% in the number of suspicious transaction reports filed for suspected financing of terrorism was recorded in 2007. However, the number of such STRs is still rather small compared to the total number of suspicious transaction reports. Referring to the existing indicator paper²¹, the State Security Division of the Bundeskriminalamt is currently making reinforced efforts, in dialogue with the parties required to report pursuant to the Money Laundering Act, to increase the number of STRs filed for suspected terrorist financing. In 2007, it was established that retrograde checks of suspicious transactions or cases over a longer period of time as well as comparisons with STRs recently filed developed important information on individuals having an extremist potential as well as additional interconnections. Any such networked checks in individual cases are believed to gain in importance in the future. Without the high standards set in the reporting behaviour of the parties required to report, the collection of this information would not be imaginable.

The trusting co-operation between the German police and the parties required to report pursuant to the MLA is an essential part of the holistic suppression of terrorist financing. Together with the international efforts to collect information on financing forms and modi operandi of terrorist financing and to derive qualified indicators from them, the good co-operation with our international partners and the parties required to report pursuant to the MLA guarantees that Germany continues to work at a very high level regarding the suppression of terrorist financing.

²¹ See the information published by the FIU on the website of the BKA (further details at 5.9 and in appendix 3).



8 Conclusions and Outlook

At first sight, it was for the first time during the 2007 reporting year that a decrease in the absolute number of suspicious transaction reports filed pursuant to the Money Laundering Act was established. However, a more differentiated consideration of the figures revealed that, after deduction of the STRs filed for “phishing” between 2005 and 2007 (which means pure fraud cases), the constant upward trend of reports filed for money laundering or terrorist financing continued. Moreover, the repeated increase in the number of cases reported on the “financial agent” phenomenon seems to be worth mentioning. The fact that the number of reports filed on other cases of suspected money laundering decreases significantly should be viewed critically.

Absolutely new typologies of money laundering have not been identified, but an increasing use of modern information and communication systems for preparing, co-ordinating or carrying out the transfer of (incriminated) funds has been established.

The results of case handling are pleasing here. The number of cases handled successfully remained constant at a high level over the past four years. This is also a proof of the quality of the suspicious transaction reports filed.

Although one good thing to note is the significant increase in the number of follow-up responses by public prosecutors’ offices pursuant to Section 11 (9) of the Money Laundering Act, they mainly refer to dismissals. As a result, the actual success of the STRs on which the follow-up responses are based is not more exactly measurable and no reliable conclusions can consequently be drawn from this information on the actual situation of money laundering suppression in Germany.

All in all, during the 2007 reporting year, the spectrum of the FIU Germany’s working areas has again expanded. Moreover, an increase in terms of quantity has been established in almost all of these areas. Besides handling operational cases, the FIU staff members unfolded a wide range of activities in the field of national and international co-operation. The presentations made at numerous conferences and training courses held in Germany and abroad, the arrangement of working visits, the involvement in IT projects and the professional advice given in connection with amendments to law or strategic analysis projects are mentioned here as examples.

For 2008, especially through the implementation of the 3rd EU Money Laundering Directive into national law, a broadening of the information basis is expected for the FIU Germany with hopefully very positive effects on the analysis products. A focus of the FIU’s activities in the field of international co-operation will be the implementation of its measures (see appendix 2) in connection with the EU CARDS Twinning Project in Albania.

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9 Appendices

Appendix 1: List of Egmont Group members

Appendix 2: Overview of the measures handled by
the FIU in connection with the EU CARDS
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Appendix 3: Internet presentation of the Central
Office for Suspicious Transaction Reports /
Financial Intelligence Unit (FIU)

Appendix 1: List of Egmont Group members²²

Country	FIU Name	Type	Location
Albania	DBLKPP	Administrative	Ministry of Finance
Andorra	UPB	Administrative	Independent
Anguilla	MLRA	Administrative	Independent
Antigua & Barbuda	ONDCP	Administrative / Police	Independent
Argentina	UIF	Administrative	Ministry of Justice (Independent)
Armenia		Administrative	
Aruba	MOT-Aruba	Administrative	Ministry of Finance
Australia	AUSTRAC	Administrative	Attorney General's Dept.
Austria	A-FIU	Police	Ministry of Internal Affairs
Bahamas	FIU	Administrative	Independent
Bahrain	AMLU	Police	Anti-Economic Crimes Directorate
Barbados	FIU	Administrative	Office of the Attorney General
Belarus		Administrative	
Belgium	CTIF-CFI	Administrative	Independent
Belize	FIU	Administrative / Police / Judicial	Independent
Bermuda	BPSFIU	Police	Police
Bolivia	UIF-Bolivia	Administrative	Superintendancy of Banks
Bosnia & Herzegovina		Police	
Brazil	COAF	Administrative	Ministry of Finance
Bulgaria	FIA	Administrative	Ministry of Finance
BVI	Financial Investigation Agency	Police	Financial Services Commission
Canada	FINTRAC / CANAFE	Administrative	Independent
Cayman Islands	CAYFIN	Administrative / Police	Attorney General
Chile	CDE	Judicial	Presidential Office
Colombia	UIAF	Administrative	Ministry of Finance
Cook Islands	CIFIU	Administrative	Independent
Costa Rica	CICAD / UAF	Administrative	Presidential Office
Croatia	AMLĐ	Administrative	Ministry of Finance
Cyprus	MO.K.A.S.	Judicial	Attorney General's Office
Czech Republic	FAU-CR	Administrative	Ministry of Finance
Denmark	HVIDVASK	Judicial / Police	Public Prosecutor's Office
Dominica	FIU	Police	Independent
Dominican Rep.	UIF-Dom Rep	Administrative	Superintendancy of Bank
Egypt	EMLCU	Administrative	Independent
El Salvador	UIF-El Salvador	Administrative	Attorney General's Office
Estonia	FIU	Police	Estonian National Police
Finland	RAP	Police	Police

²² Highlighted: FIUs that joined the Egmont Group in 2007. Updated to June 2007.

Appendix 1: List of Egmont Group members (Part 2 and 3)²²

Country	FIU Name	Type	Location
France	TRACFIN	Administrative	Ministry of Finance
Georgia	FMS	Administrative	Independent
Germany	FIU	Police	Federal Criminal Police Office
Gibraltar	GCID GFIU	Customs / Police	
Greece	Committee / Art 7	Administrative	Independent
Grenada	FIU	Police	Independent
Guatemala	IVE	Administrative	Superintendency of Banks of Guatemala
Guernsey	FIS	Customs / Police	Independent Service Authority
Honduras		Administrative	
Hong Kong	JFIU	Customs / Police	Police Headquarters
Hungary	ORFK	Police	National Police Directorate
Iceland	RLS	Police	National Icelandic Police
India		Administrative	
Indonesia	PPATK	Administrative	Independent
Ireland	MLIU	Police	An Garda Síógana
Isle of Man	FCU-IOM	Police	Police
Israel	IMPA	Administrative	Ministry of Justice
Italy	UIC (S.A.R.)	Administrative	Central Bank
Japan	JAFIO	Administrative	Financial Services Authority
Jersey	FCU-Jersey	Customs / Police	Police
Korea (South)	KoFIU	Administrative	Ministry of Finance / Economy
Latvia	KD	Administrative	Prosecutor's Office
Lebanon	SICCFIN	Administrative	Central Bank
Liechtenstein	EFFI	Administrative	Ministry of Finance
Lithuania	MDP prie VRM	Police	Ministry of the Interior
Luxembourg	CRF	Judicial	Prosecutor's Office
Macedonia	MLPD	Administrative	Ministry of Finance
Malaysia	FIU / UPW	Administrative	Central Bank of Malaysia
Malta	FIAU	Administrative	Independent
Marshall Isles	DFIU	Administrative	Banking Commission
Mauritius	FIU	Administrative	Independent
Mexico	DGAIO / UIF	Administrative	Ministry of Finance
Monaco	SICCFIN	Administrative	Ministry of Finance
Montenegro		Administrative	
Netherlands	MOT	Administrative	Ministry of Justice

²² **Highlighted:** FIUs that joined the Egmont Group in 2007. Updated to June 2007.

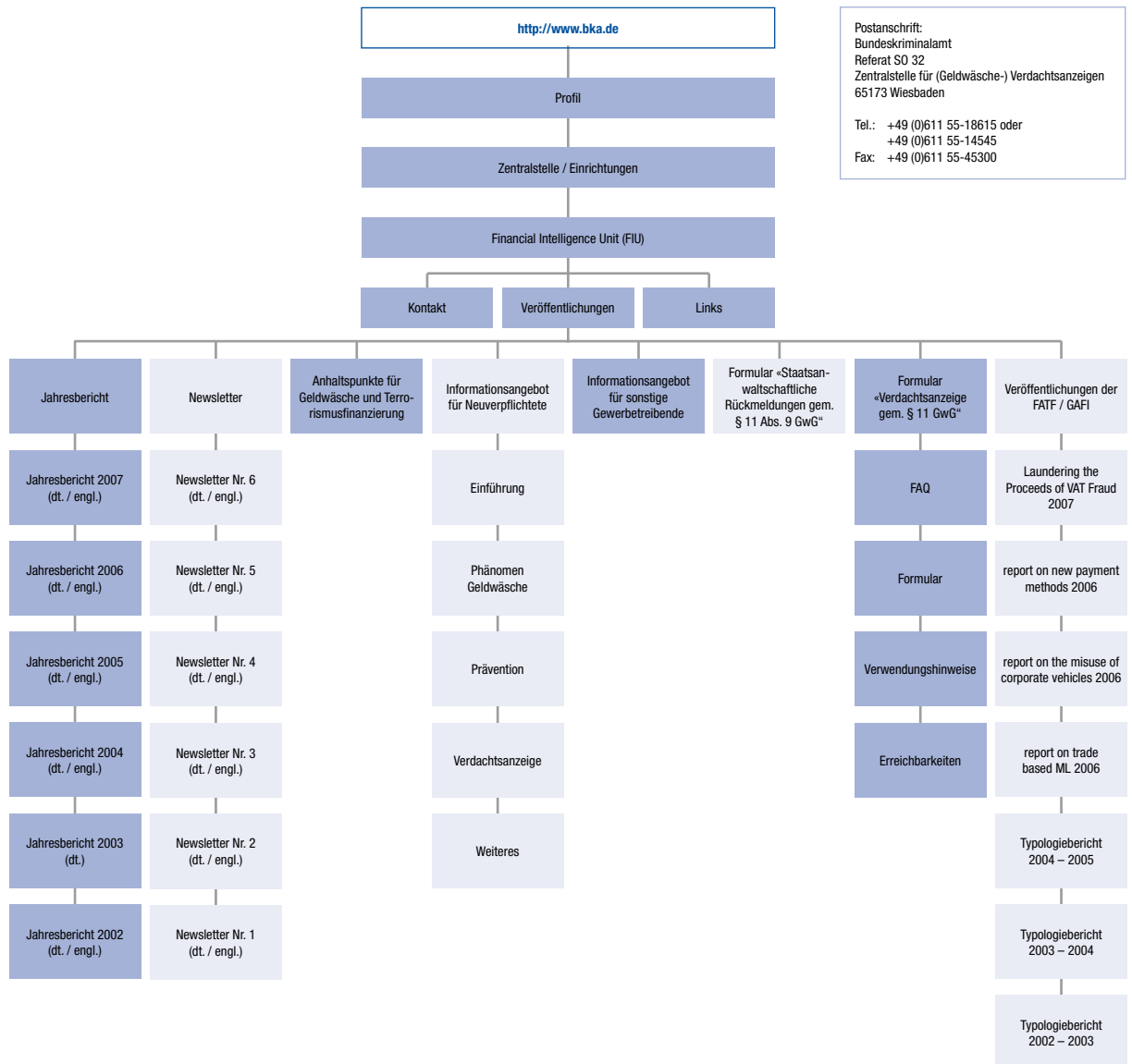
Country	FIU Name	Type	Location
New Zealand	NZ Police	Police	Police
Nigeria		Administrative	
Niue		Administrative	
NL Antilles	MOT-AN	Administrative	Ministry of Finance
Norway	ØKOKRIM	Police / Judicial	Police
Panama	UAF-Panama	Administrative	National Security Council
Paraguay	UAF-Paraguay	Administrative	Presidential Office
Peru		Administrative	
Philippines		Administrative	
Poland	GIIF	Administrative	Ministry of Finance
Portugal	FIU	Police	Police
Qatar		Administrative	
Romania	ONPCSB	Administrative	Independent
Russia	FMC	Administrative	Independent
San Marino		Administrative	
Serbia	FCPML	Administrative	Independent
Singapore	STRO	Police	Police
Slovakia	OFIS ÚFP	Police	Ministry of Interior
Slovenia	OMLP	Administrative	Ministry of Finance
South Africa	FIC	Police	Independent
Spain	SEPBLAC	Administrative	Central Bank
St Vincent & the Grenadines	FIU	Administrative	Independent
St. Kitts & Nevis	FIU	Administrative	Independent
Sweden	NFIS	Police	Police
Switzerland	MROS	Administrative	Federal Office of Police
Syria		Administrative	
Taiwan	MLPC	Law Enforcement	Ministry of Justice
Thailand	AMLO	Police / Administrative	Independent
Turkey	MSK-FCIB	Administrative	Ministry of Finance
UAE	AMLSCU	Administrative	Central Bank
Ukraine	SDFM	Administrative	Ministry of Finance
United Kingdom	FID / NCIS	Police	Police
United States	FinCEN	Administrative	Ministry of Finance
Vanuatu	FIU	Administrative	State Law Office
Venezuela	UNIF	Administrative	Superintendancy of Banks

Appendix 2: Overview of the measures handled by the FIU in connection with the EU CARDS Twinning Project with Albania

Measure	Scheduled for	Days	Experts
Assessment of the Albanian FIU	Late November 2007	5	FIU Germany
Suspicious Transaction Reports filed pursuant to the Money Laundering Act in Germany	Early December 2007	3	FIU Germany
The FIU's tasks and activities in the field of strategic analysis	Mid December 2007	5	FIU Germany
The FIU's public relations work	Mid January 2008	5	FIU Germany
Exchanging correspondence in the field of money laundering (FIU / INTERPOL)	Late February 2008	5	Bundeskriminalamt (INTERPOL – ML section) and FIU Germany
Information gathering by the IZA	Early April 2008	2	Central Information Agency for Foreign Tax Affairs (IZA)
Introduction into methods and techniques of operational analysis	Mid April 2008	3	Bundeskriminalamt (analysis projects, investigation / analysis service unit)
Operational analysis / consolidation of intelligence / training of analysts	Early May 2008	5	Bundeskriminalamt (ML analysis unit) and FIU Germany
Clearing process regarding STRs and follow-up investigations	Mid May 2008	5	ML clearing office, LKA Baden-Württemberg
Public prosecutors' offices' tasks and activities (STRs and money laundering cases)	Mid June 2008	9	Frankfurt am Main Prosecutor General's Office and Public Prosecutor's Office
Suspicious circumstances revealed by the fiscal authorities pursuant to section 31b of the Fiscal Code	Late July 2008	5	Essen Tax Investigation Office and Koblenz Regional Finance Office

Measure	Scheduled for	Days	Experts
Tasks and activities of the agency for supervision of banks, financial service providers and insurance companies	Early August 2008	5	Federal Agency for Supervision of the Financial Services Sector (BaFin – ML section)
Further training of the Albanian supervisory agency's staff	Mid August 2008	5	Federal Agency for Supervision of the Financial Services Sector (BaFin – ML section)
Cash controls at the borders	Late September 2008	5	Zollkriminalamt (central office of the German customs investigation service) and Nürnberg Regional Finance Office
Specimen STR and electronic STR	Early December 2008	3	FIU Germany and Bundeskriminalamt
Structure, tasks and activities of a compliance section of a major German bank I	Early February 2009	3	Compliance unit, Deutsche Bank AG
Structure, tasks and activities of a compliance section of a major German bank II	Early February 2009	3	Compliance unit, Commerzbank AG
Compliance of a financial transfer service provider acting in Germany	Mid February 2009	2	Compliance unit, Western Union Financial Services GmbH
Improvement of the reporting behaviour among the legal advisors	Early April 2009	5	Chamber of Certified Business Auditors, National Chamber of Tax Consultants and National Chamber of Attorneys
Implementation of the Third Money Laundering Directive into national law	Early May 2009	3	Federal Ministry of the Interior and Bundeskriminalamt
Co-operation with the FATF (Financial Action Task Force on ML)	Late May 2009	2	FIU Germany and Bundeskriminalamt
Co-operation within the EGMONT group	Mid June 2009	2	FIU Germany and Bundeskriminalamt

Appendix 3: Internet presentation of the Central Office
for Suspicious Transaction Reports / Financial Intelligence Unit (FIU)



Postanschrift:
Bundeskriminalamt
Referat SO 32
Zentralstelle für (Geldwäsche-) Verdachtsanzeigen
65173 Wiesbaden

Tel.: +49 (0)611 55-18615 oder
+49 (0)611 55-14545
Fax: +49 (0)611 55-45300

²³The blocks highlighted in the dark-blue indicate content intended exclusively for money laundering officers. These sources are accordingly password-secured.



Bundeskriminalamt