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1 Foreword

A drastic event in 2008 was the financial crisis. In the nearer future, an important task for the law enforcement authorities and for those dealing with the suppression of money laundering and terrorist financing and required to report pursuant to the Money Laundering Act (MLA) will be to identify possible effects of this crisis on criminal activities and develop adequate action strategies.

In particular, it has to be clarified how individuals involved in money laundering and terrorist financing reacted or react to the financial crisis. Have any new *modi operandi* or ethnic or regional shifts been observed?

This question and many others need to be tackled jointly in order to find adequate answers in the interest of an effective and efficient prosecution of financial crime.

Another important event in 2008 was, from the FIU's perspective, the entry into force of the Act amending the Money Laundering Suppression Act (GwBekErgG) by which Germany has incorporated the Third EU Money Laundering Directive and the related Implementing Directive into national law.

One of the most important contents of the GwBekErgG is the structuring and risk-oriented balancing of the due diligence which the parties required to report have to meet vis-à-vis their clients. The GwBekErgG strengthens the personal responsibility of the parties required to report and permits them to meet the legal requirements without unreasonable effort, adequately in relation to the risk and in a practical manner.

The FIU Germany would again like to take this opportunity to express its thanks to all co-operation partners for the excellent support and constructive co-operation offered during the reporting period.

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". Exceptions are graph 4 (results of processing by clearing offices of the state criminal police offices) and graph 5 (connections to types of crime identified by clearing offices in cases forwarded to other investigative agencies). The figures shown in the graphs were taken from the "Money Laundering" data network in which the state criminal police offices responsible for handling suspicious transaction reports (clearing) enter the appropriate information.

Since the Money Laundering Act was amended as late as August 2008 and since the comparability of figures of a complete calendar year with those of the previous years is considered advantageous, the FIU refrained in this Annual Report from compiling the figures on the basis of the new Money Laundering Act.

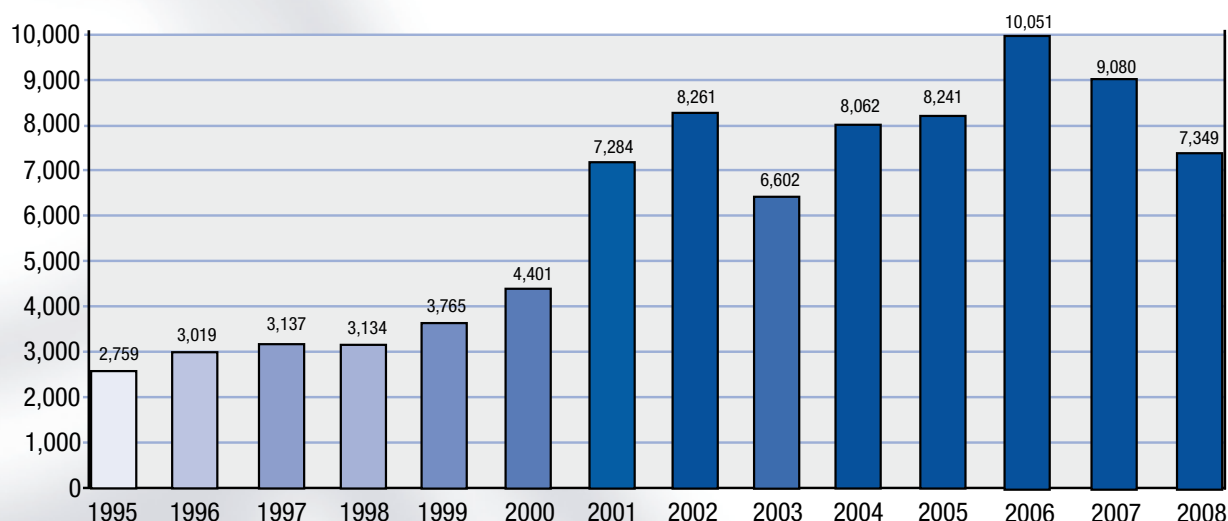
2.1 Nationwide case statistics for 2008

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

In 2008, a total of 7,349 suspicious transaction reports were filed pursuant to the Money Laundering Act. Compared to the previous year (9,080 suspicious transaction reports), this is a decrease by 1,731 suspicious transaction reports or 19%.

The following overview illustrates the development of the suspicious transaction reports filed pursuant to the Money Laundering Act between 1995 and 2008. 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 MLA, 1995 – 2008¹



After a continuous increase² between 1995 and 2006 with a peak of 10,051 suspicious transaction reports reached in 2006, a decrease by 2,702 suspicious transaction reports has since been recorded. This means a decrease in the number of suspicious transaction reports by approx. 27% within 24 months. The decrease in the number of suspicious transaction reports is still observed when deducting the special "phishing/financial agents" phenomenon³ from the numbers recorded during the past two years.

The declining overall development regarding the suspicious transaction reports filed between 2006 and 2008 also results in a decline in the number of cases listed in other statistics in this chapter.

¹ The figures from 2003 onwards have been taken from the "FIU database" and may therefore differ from those recorded in the "Money Laundering" data network.

² "Deviating values" are recorded for the years 2001 and 2002 with the special factors "terrorist attacks of 11 September 2001 in the United States" and "introduction of the EURO" in 2002.

³ Suspicious transaction reports filed in connection with "phishing/financial agents" sporadically summed up to 25% of all suspicious transaction reports. In 2008, the number of these reports dropped sharply. For further information on "financial agents", please see 3.2.1.



The following overview of the number of suspicious transaction reports filed by the parties required to report pursuant to the Money Laundering Act produces first information on the causes of the decline in the number of suspicious transaction reports:

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

			2008	2007	2006
Suspicious transaction reports pursuant to the Money Laundering Act (initial reports)	Banks	Credit banks	2,102	2,147	2,882
		Saving banks and state central banks	2,495	2,810	3,072
		Credit unions and co-operatives	1,407	1,993	1,632
		Deutsche Bundesbank and main branches	14	15	49
		Other	334	328	508
		Total	6,352	7,293	8,143
	Insurance companies	Life assurance policies	30	28	14
		of which: report by insurance agent	---	---	---
		Accident insurance policies	---	3	1
		Other	7	8	20
		Total	37	39	35
	Financial service providers	Financial transfer services	838	1,670	1,779
		Currency services	---	2	2
		Credit cards	82	24	4
		Traveller's cheques	---	---	---
		Other	---	5	53
		Total	920	1,701	1,838
	Investment companies				
		Total	---	2	1
	Financing companies	Factoring	---	---	---
		Leasing	3	4	1
		Other	---	4	2
		Total	3	8	3

		2008	2007	2006
Suspicious transaction reports pursuant to the Money Laundering Act (initial reports)	Casinos			
	Total	4	7	4
	Government authorities (Sec. 14 and 16 of the Money Laundering Act)			
	Federal Ministry of Finance	---	---	---
	BaFin (regulatory authority for financial services pursuant to the Credit Act)	1	---	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	1	---	8
	Other parties required to report			
	Lawyers	9	5	3
	Legal aid providers	---	---	---
	Patent attorneys	---	---	---
	Notaries	5	1	---
	Qualified auditors	3	3	2
	Certified accountants	---	---	---
	Tax consultants	5	3	2
	Agents in tax matters	---	---	---
	Real-estate brokers	---	---	1
	Other business persons	9	11	2
	Asset managers	1	1	---
	Other parties required to report (Sect. 3 (1) MLA)	---	---	3
	Total	32	24	13
	Other reports filed pursuant to the Money Laundering Act			
	Total	---	6	6
	Total	7,349	9,080	10,051



During the year under review, credit institutions filed 6,352 suspicious transaction reports pursuant to the MLA. Thus, the number of STRs filed by this group of parties required to report decreased by 941 (= 13%) compared to 2007 and by 1,791 (= 22%) compared to 2006. According to the FIU, the following factors primarily influenced this decline⁴:

- **More complex forms of money laundering**
Money laundering activities are increasingly complex and covered up by commercial transactions or commodity trade. Consequently, it is more difficult to detect cases of suspected money laundering activity.
- **Improved security systems for online banking**
The "i-TAN", "e-TAN" and "HBCI" procedures⁵ have made it much more difficult to spy out and misuse bank accounts for criminal purposes.
- **Increased use of "electronic payment systems"**⁶
Potential "money launderers" use the "electronic payment systems" offered on the Internet for national and international transactions which are often subjected to financial supervision to a limited extent only. For analysing this phenomenon, the FIU has been conducting a "Trend Monitoring" since the second quarter of 2008.⁷

The decrease in the number of suspicious transaction reports filed by financial service providers is even more significant. Referring to 2007, the decrease amounted to approx. 50%. This is probably due to the variety of security features introduced by a major financial transfer service provider in recent years. As an example of the security measures introduced, the lowering of limiting values should be mentioned. If the limit is exceeded, the financial transfer service provider demands detailed information/documents from the customer about the background of the transfer and the relationship between the customer and the recipient. These intensified security measures have apparently prevented potential "money launderers" and "terrorist financiers" from transacting via financial transfer service providers. Moreover, individuals clearly linked to misuse of transfer services (remitters and recipients) are consistently blocked by the providers and cannot use the service any more. It must be feared that drifts - also to other countries - are a consequence of this which could also result in an increase in the level of undetected crime.

The number of reports filed by insurance companies (37 reports) remained more or less unchanged.

In contrast, the number of reports filed by "other parties required to report", such as notaries (5), lawyers (9), auditors (3), tax consultants (5), asset managers (1) and "other business persons" (9) increased to 32 in 2008 from 13 in 2006. This is probably also due to the intensive measures taken by the FIU to raise the awareness of this group of parties required to report.

⁴ As to the possible causes for the decrease in the number of STRs, see also 2.3.2.

⁵ HBCI stands for Home Banking Computer Interface. This is a national standard developed by the Central Credit Committee of the German credit sector which ensures secure online banking between the customer systems and the bank computers. Thanks to the use of modern cryptographic functions and chip cards, the HBCI standard allows secure communication through the Internet.

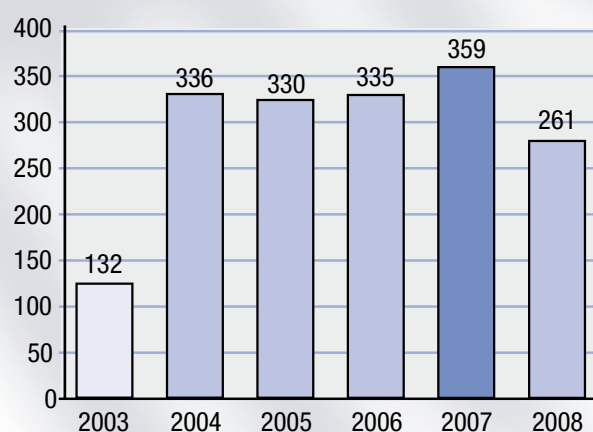
⁶ The term "electronic payment systems" includes all systems and procedures to make payments electronically and especially via the Internet. Encoded, digital money, so-called "electronic money" (e-money) is used as means of payment. Institutions issuing means of payment in the form of "electronic money" are called "e-money institutes". "E-money institutes" are, for example, "PayPal", "Moneybookers", "e-gold" and "Webmoney".

⁷ See 3.2.3.

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

In 2008, in addition to the STRs filed pursuant to the Money Laundering Act, the FIU received 261 reports indicating money laundering and one indicating terrorist financing⁸ which were filed by the tax authorities pursuant to Section 31 b of the Fiscal Code. The number of these reports decreased by approx. 25% compared to the total number of reports filed in 2007. The reasons for this decline are not yet identifiable. The causes mentioned for the decline in the number of STRs (see 2.1.1.) cannot be used to explain this development. Therefore, the FIU intends to establish the causes in co-operation with the competent tax authorities.

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



2.1.3 References to possible criminal offences (from the reporting parties' perspective)

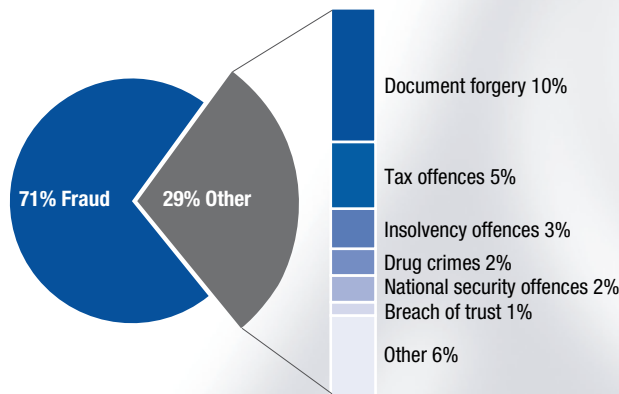
Besides references to Section 261 of the Penal Code, the suspicious transaction reports filed pursuant to the MLA and the reports filed pursuant to Section 31 b of the Fiscal Code, forwarded to the FIU in 2008, contained a total of 2,197 references to other possible criminal offences (2007: 3,933, 2006: 3,490), with the listing of multiple offences in a single report already taken into account. This is a decrease by approx. 44 % compared to the last two years.

The decrease in the number of references to criminal offences is mainly due to the decrease in the number of STRs filed in connection with "Financial Agents" (drop by 62%), which contain a disproportionately large number of references to the type of offence.

The following graph shows the percentage of reports referring to fraud and the percentage of reports referring to other offences against the total number of suspicious transaction reports with references to criminal offences. The number of reports with references to possible fraud offences with 1,566 listings (2007: 3,248, 2006: 2,789) decreased by approx. 52% compared to the previous year. This development is a consequence of the decline in the number of STRs filed in connection with "Financial Agents" (cf. above). The increase in the number of reports with references to other offences from 17% to 29% is mainly due to the increase in the number of reports indicating document forgery and tax offences by 3% each and insolvency offences by 2%.

⁸ Extension of Section 31b Fiscal Code with regard to terrorist financing by virtue of section 7a of the Act amending the Money Laundering Suppression Act of 13 August 2008 (Federal Law Gazette "BGBl" I p. 1690).

Graph 3: References to possible criminal offences from the perspective of the reporting parties⁹



2.1.4 Suspects

In 2008, 13,490 suspects in total¹⁰ were listed (2007: 19,012, 2006: 18,735). This means a decrease by approx. 28% compared to the two previous years. The drop in the number of suspects mainly results from the drop in the total number of STRs filed pursuant to the MLA.

Nationality

The share of German nationals among the suspects whose nationality was known amounted to approx. 50% in 2008 (2007: 59%, 2006: 57%).

While the number of German suspects had been dominant over the last few years, the percentage of non-German suspects was equally high for the first time in 2008.

The decrease in the number of Russian and Polish suspects by 60% or 33% respectively is striking. This development can be explained by the declining number of STRs filed in connection with "financial agents" which often referred to suspects of this nationality.

Table 2: Nationalities of the suspects (top 10)

Nationality of the suspects	Number		
	2008	2007	2006
German	4,756	8,533	8,049
Turkish	416	738	681
Russian	270	682	608
Rumanian	180	86	54
Polish	155	232	214
Chinese	151	177	247
Iranian	123	226	197
Italian	121	224	243
Bulgarian	80	38	24
Nigerian	76	176	200
Other	3,122	3,325	3,588
unclear/unknown	4,040	4,575	4,630
Total	13,490	19,012	18,735

⁹ In STRs filed pursuant to the MLA and reports filed pursuant to section 31 b of the Fiscal Code

¹⁰ The figures for suspects are based on suspicious transaction reports filed pursuant to the MLA and reports filed pursuant to Section 31 b of the Fiscal Code.

2.1.5 Corporate headquarters

In the year under review, 3,189 (2007: 4,392, 2006: 4,191) suspicious companies¹¹ were reported and for 2,082 of them the country where the companies are seated was mentioned. 1,068 of them (51%) had their corporate headquarters in Germany (2007: 1,815 = 60%, 2006: 2,439 = 83%). Thus, in 2008, about half of the "suspicious companies" had their corporate headquarters abroad. Over the past years, a continuous "shift" of suspicious companies abroad (87 countries in total) can thus be observed.

The increase in the number of STRs referring to companies abroad might be explained by the reporting parties' raised awareness towards foreign companies, especially if no information on their business activities and background is available.

The observed decrease in the number of reports referring to the headquarters of suspicious companies corresponds to the decrease in the overall number of suspicious transaction reports.

Table 3: Headquarters of suspicious companies (top 10)

Countries where "suspicious companies" are seated	Number		
	2008	2007	2006
Germany	1,068	1,815	2,439
Switzerland	85	62	75
United Kingdom	71	119	62
British Virgin Islands	45	58	44
Cyprus	43	38	30
USA	42	73	59
Russia	28	89	43
Austria	19	33	22
Spain	17	30	28
Netherlands	16	54	47
Other	648	644	302
Unknown/no information	1,107	1,377	1,040
Total	3,189	4,392	4,191

2.1.6 Grounds for suspicion

The term "grounds for suspicion" refers to the reasons cited by reporting parties for filing a report. The following distribution has been recorded for the reporting year, with multiple entries being possible in a given report and being the rule rather than the exception:¹²

¹¹ The figures are based on suspicious transaction reports filed pursuant to the MLA and reports pursuant to Section 31b of the Fiscal Code.

¹² As in previous Annual Reports, the various grounds for suspicion have been summarised in categories.



Table 4: Grounds for suspicion indicated by the parties required to report

Category	Grounds for suspicion	Number		
		2008	2007	2006
Special hints/ links to known cases	Transfer fraud	1,068	2,616	1,674
	Link to known investigation	531	682	698
	Internet transactions	214	213	490
	Games of chance/bets	43	41	86
	Press releases/Open source information	38	37	41
	Region involved	30	43	165
	Fraudulent offers	20	46	68
	Social security fraud	20	19	35
	Direct debit fraud	10	16	46
	BaFin circulars	---	4	3
	Other (special) hints/links to known cases	5	25	75
	Total	1,979	3,742	3,381
Document/certificate/ identification	Document forgery	182	198	242
	Difficulties in/refusal of identification	114	48	26
	"Smurfing" ¹³	110	174	133
	Other (document/certificate/identification)	8	8	31
	Total	414	428	432
Company	Business activity	105	77	186
	Structure/network of companies	58	58	30
	Fictitious/letter-box company	51	38	83
	Persons involved/business partners	27	20	14
	Payment of commissions/bribes	23	24	17
	Company foundation	5	5	13
	Others (Company)	15	36	54
	Total	285	258	397
Kind of business ("how")	Cash	1,388	1,771	2,455
	Non-Cash	339	519	827
	Credit	184	239	223
	Barter	126	182	191
	Insurance	37	39	33
	Capital investment	21	20	56
	Other (kind of business)	7	4	4
	Total	2,102	2,774	3,789

¹³ "Smurfing" is a form of money laundering in which large deposits to bank accounts are concealed. This is done by dividing the amount into many smaller increments, which are transferred in multiple transaction. In this way, an amount that is unusually large for a given account does not attract attention when deposited in a number of smaller increments.

Category	Grounds for suspicion	Number		
		2008	2007	2006
Business purpose ("what")	Cheque	207	312	390
	Real Estate	181	253	232
	Vehicle	94	171	304
	Securities	50	59	38
	Precious metals	33	35	27
	Building and construction	26	32	54
	Catering sector	8	5	13
	Counselling/brokerage	3	1	10
	Expensive goods (other)	3	4	6
	Services	1	2	6
	Precious stones	2	5	6
	Electronics	2	2	6
	Other (business purpose)	3	1	15
	Total	611	885	1,113
Account opening / account keeping	Account use	2,209	2,487	3,204
	Economic background	1,633	1,844	1,063
	Transactions	791	1,123	1,242
	Economic authorisation	158	107	227
	Transfers through uneconomic/indirect channels	25	36	72
	Financial (transfer) transaction without required authorisation	8	18	27
	Onlinebanking	5	4	1
	E-money	1	5	1
	Other (account opening/keeping)	4	9	8
	Total	4,834	5,633	5,845
Product/customer	Customer behaviour	560	791	786
	Safe deposit box	32	32	54
	Type of account	18	11	24
	Conditions	11	17	26
	Cash dispensers	9	2	26
	Persons in prominent political and/or economic positions	---	2	3
	Other (product/customer)	8	9	33
	Total	638	864	952
Financing of terrorism	criminal association/organisation	9	21	10
	Matches with listed persons	22	28	21
	Other (financing of terrorism)	34	53	28
	Total	65	102	59
Other (financing of terrorism)	No specific grounds for suspicion	17	83	49
	Total	17	83	49
Total		10,945	14,769	16,017



The considerable increase in the number of cases where the ground for suspicion was given as "difficulties in/ refusal of identification" is worth mentioning here, which suggests a raised awareness of the reporting parties in identifying their contracting parties. Apart from this fact and the sharp drop in the ground for suspicion "transfer fraud", no significant changes have been revealed compared to the last two years as to the grounds for suspicion mentioned by the reporting parties.

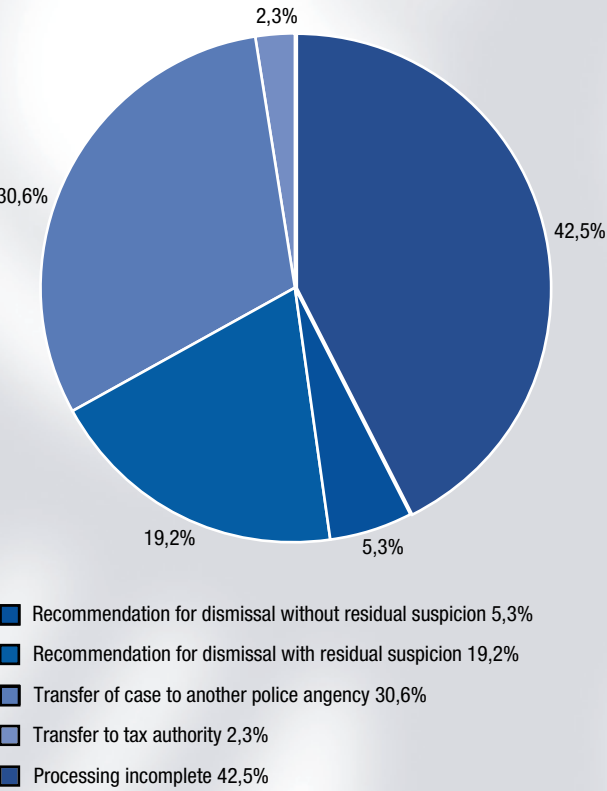
2.2 Results of processing

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

In 2008, about five percent of the investigations (clearing) regarding the 7,349 suspicious transaction reports filed pursuant to the MLA were closed without residual suspicion. In about 19% of all cases, investigations were closed despite the existence of residual suspicion from the police perspective. In about 43% of all cases, processing by the clearing offices of the state criminal police offices had not been completed by year's end. In approximately 31% of all cases, the suspicion of money laundering or another criminal offence was supported to the extent that the cases were forwarded to an appropriate police investigation office for further investigation. 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 33% of these cases, the suspicion of a criminal offence was corroborated (2007: 38%, 2006: 34%).

The figures show that - as in previous years - the law enforcement authorities again obtained a large amount of important information through the suspicious transaction reports filed in 2008.

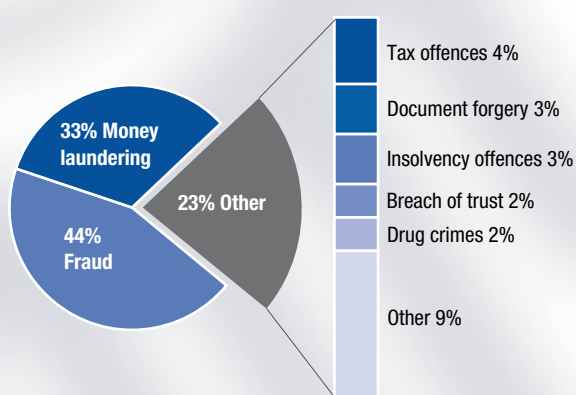
Graph 4: Results of processing by the money laundering clearing offices of the state criminal police offices



2.2.2 Connections to types of crime in cases forwarded to other investigative agencies

In these cases, connections to the following types of crime were identified (multiple entries in a single report were considered):

Graph 5: Connections to types of crime identified by clearing offices in cases forwarded to other investigative agencies



With 44% of the total number of cases (2007: 43%, 2006: 49%), the clearing offices most frequently identified connections to "fraud" as type of crime. This percentage remained relatively constant compared to the two previous years. The decrease in the number of money laundering cases forwarded to other investigative authorities by the clearing offices (2008: 33%, 2007: 37%, 2006: 28%) is due to the decrease in the number of STRs filed in connection with "financial agents"¹⁴ which are recorded as cases of money laundering by the clearing offices. No significant changes were established with regard to the other types of crime.

¹⁴ For further information, see 3.2.1

2.3 Summary of report volume:

2.3.1 Fundamental Results

- In 2008, a total of 7,349 suspicious transaction reports were filed pursuant to the MLA. Compared to the previous year (9,080 suspicious transaction reports), this is a decrease by 1,731 suspicious transaction reports or 19%. In comparison to 2006 (10,051 STRs), this even corresponds to a decrease by approx. 27%. This development also resulted in a decline of the figures in other statistics presented in this chapter. The enormous decrease is largely due to the decrease in the number of STRs filed in connection with the "financial agents" phenomenon. But even without the special "financial agents" phenomenon, a decline in suspicious transaction reports has been recorded in comparison to 2007 (decline of approx. 3%).
- In 2008, 261 reports were filed by the tax authorities pursuant to Section 31b of the Fiscal Code (2007: 359, 2006: 335). This is a decline of approx. 25% in comparison to 2007. The percentage of the decline is thus similar to the decline in the number of STRs filed pursuant to the MLA.
- The number of STRs filed during the period under review with references to possible criminal offences dropped by 44% in comparison to the two previous years.
- While, in the past two years, the number of German suspects had always been higher than the number of suspects of other nationalities, the percentage share of German and non-German suspects was, for the first time, equally high in 2008.

- The "shift" of the corporate headquarters of suspicious companies to foreign countries, which has been apparent for quite some time already, was continuously recorded in 2008. This development is an indication of the growing internationalisation of money laundering activities. It was for the first time in 2008 that the share of suspicious companies which had their headquarters in Germany equalled the share of suspicious companies which had their headquarters abroad.
- In the reporting year, the ground for suspicion "account keeping/opening" (unclear economic background, unusual transactions) was mentioned most frequently (66% of the cases; 2007: 38%, 2006: 37%), followed by the ground for suspicion "transfer fraud" in connection with "financial agents" (13% of the cases; 2007: 18%, 2006: 10%).
- As the results from processing by the money laundering clearing offices at the state criminal police offices show, the suspicion of an offence was corroborated in about a third of the cases (2007: 38%, 2006: 34%). This confirms that the law enforcement authorities again gleaned a large amount of important information through the suspicious transaction reports in 2008.

2.3.2 Possible causes for the decrease in suspicious transaction reports

According to the FIU's assessment, the following developments are particularly responsible for the decrease in the number of STRs filed in 2008 compared to the two previous years:

- Decrease in the number of suspicious transaction reports filed by financial service providers by 50% (due, inter alia, to new provisions applied by the largest provider¹⁵);
- Drop in the number of STRs filed by savings banks and state banks (11%) and by cooperative banks (29%);
- Decrease in the number of STRs filed in connection with "financial agents" by 62%¹⁶;
- Increased use of "electronic payment systems" (like "webmoney", "e-gold", "moneybookers");
- Improvement of the security systems for online banking (e.g. i-TAN, e-TAN);
- Use of more complex forms of money laundering (which is also reflected in the fact that an increasing number of international criminal organisations and companies with headquarters abroad are the subject of suspicious transaction reports).

¹⁵ See also 2.1.1.

¹⁶ See also 3.2.1.

3 Monitoring of suspicious transaction reports

During the period under review, the following information was gleaned from the monitoring of suspicious transaction reports filed pursuant to the MLA and reports filed pursuant to Section 31 b of the Fiscal Code:

3.1 Noteworthy cases

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

Of the 7,610 initial reports on money laundering received in 2008 (7,349 STRs pursuant to the MLA and 261 reports pursuant to Section 31 b of the Fiscal Code), the FIU classified 94 reports as "noteworthy cases" (2007: 88, 2006: 42). The FIU obtained the current status of such cases from the competent law enforcement authorities and, if relevant, initiated or actively offered additional measures (by sending requests to foreign FIUs, for example).

70 of these suspicious transaction reports referred to transactions exceeding three million euros each (2007: 64; 2006: 23). STRs were filed against prominent political figures in seven cases (2007: eleven, 2006: ten) and against other prominent persons in two cases (2007: six, 2006: three). 17 STRs (2007: seven, 2006: six) were filed after coverage in the media.

3.2 Monitoring of trends

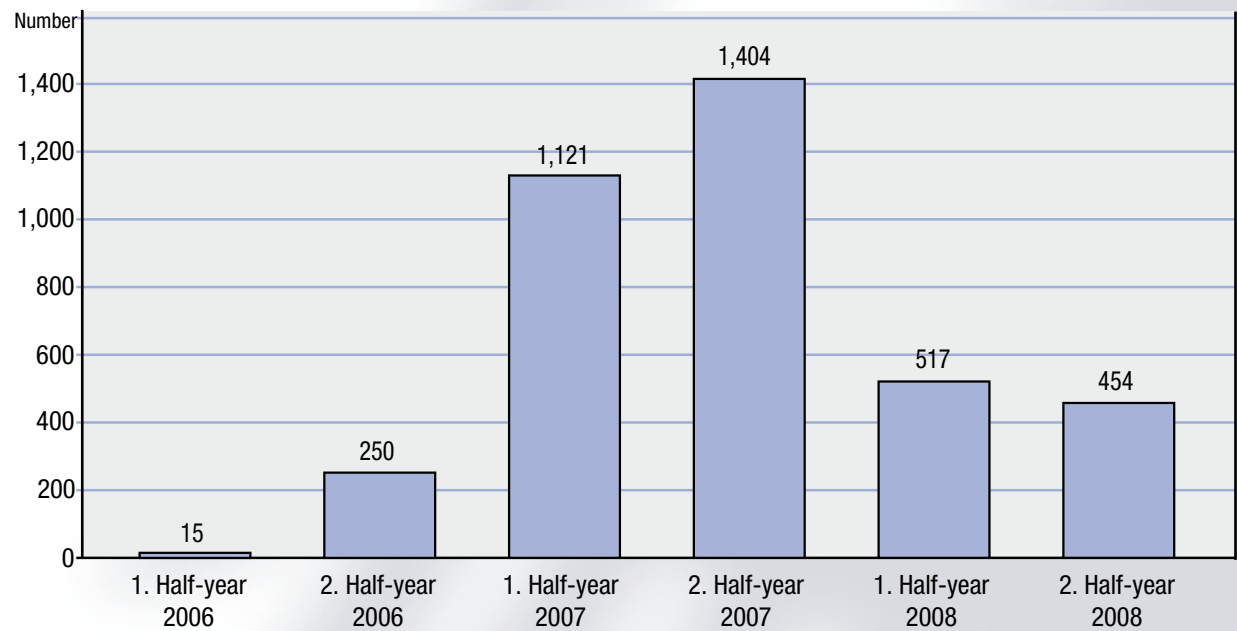
If the monitoring reveals indications of new trends with regard to phenomena of money laundering and terrorist financing that are relevant to analysis or investigation (such as an unusual accumulation of similar grounds for suspicion, case-specific facts or the like), this trend is monitored with a view to obtaining further information on the phenomenon. In 2008, four such trends were monitored.

3.2.1 "Financial Agents"

In 2008, 971 STRs were filed in connection with the "financial agents" phenomenon. This represents a decrease of about 62% compared to the previous year (2,525 reports). The following table reflects the semi-annual development of the number of reports filed since 2006.



Graph 6: Number of STRs filed in connection with the "Financial Agents" phenomenon since 2006



While, in 2007, the share of STRs filed in connection with "financial agents" still was 28% of the total number of STRs, it dropped to approx. 13% in 2008. According to the FIU's assessment, the sharp drop of the number of STRs filed in connection with "financial agents" since 2007 is mainly due to the increased awareness raised among the population for this phenomenon through media reports and warnings published by the police and banks. It has been observed

that, due to the difficulties the perpetrators had to recruit financial agents because of this awareness campaign, they often used alternative methods to misuse account holders as "financial agents" without their knowledge. The FIU established new methods in the course of a trend monitoring conducted in 2008 which have been conveyed to the reporting parties through the FIU Newsletters, expert discussions on an incidence-related basis and presentations at seminars and conferences. It was thus possible to initiate target-oriented countermeasures.

3.2.2 "Security transactions"

In 2008, rather evenly distributed over the year, seven STRs were filed which contained information on fraud on a commercial basis in connection with the manipulation of share prices as the predicate offence to money laundering. The reports are based on the following action pattern:

The perpetrators list a joint-stock company on a stock exchange in Germany. They influence the market trend by ad hoc press releases and force up the share price by regular publications of positive reports and capital increases. In addition, alleged "lockup agreements" are concluded in which the shareholders undertake towards the company not to sell shares of the company for a specified period of time. Contrary to the "lockup agreement", however, the perpetrators sell their own shares through other companies they own and transfer the profits abroad through transit accounts.

3.2.3 "Electronic payment systems"

An increasing number of reports were established in the first quarter of 2008 in which the suspects used Internet-based payment systems for making national and international transactions. Thus, the FIU has been conducting an "electronic payment systems" trend monitoring since the second quarter of 2008 so that the actual extent and the problems posed by such payment systems "(e.g. "webmoney", "e-gold", "ukash", "moneybookers") with regard to money laundering and terrorist financing can be assessed. By the end of 2008, 26 cases were established in which the suspects used an Internet-based online payment system for committing money laundering activities. The analysis so far revealed that electronic payment systems, due to their

flexibility with regard to the introduction of incriminated funds into the legal financial system and their suitability for concealment, offer a wide range of opportunities for committing money laundering offences.

Parallel to the mentioned trend monitoring, the FIU is currently involved in a Federation-State project group of the Organised Crime Commission which aims at establishing the actual extent of the "electronic payment systems" phenomenon and elaborating possible counter-strategies.

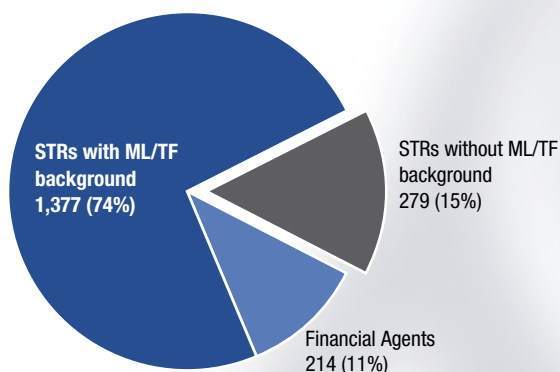
3.2.4 Suspicious transaction reports without recognisable money laundering or terrorist financing background

As early as in the fourth quarter of 2007, the FIU established, through its monitoring of STRs, that a large number of reports had no apparent money laundering or terrorist financing background. A subsequent three-month trend monitoring revealed that approx. ten percent of all STRs had no recognisable money laundering or terrorist financing background. To be able to judge the current situation with regard to the quality of the reports, another three-month monitoring of this trend was conducted as of September 2008.

Between September and November 2008, the FIU received a total of 1,870 suspicious transaction reports filed pursuant to the MLA. 214 STRs were filed in connection with "financial agents", 1,377 STRs were filed for other suspicious circumstances indicating money laundering or terrorist financing. 279 STRs - 15% of the total number of STRs - had no money laundering or terrorist financing background. This represents an increase of five percent compared to the fourth quarter of 2007.



Graph 7: Categories of suspicious transaction reports



The results of the trend monitoring primarily serve to raise awareness among the parties required to report pursuant to the MLA in order to avoid the filing of STRs without money laundering or terrorist financing background in future. The aim is to get a more detailed picture of the potential money laundering or terrorist financing backgrounds from the suspicious transaction reports filed. For this reason, the first partial results of the trend monitoring were already published in "Newsletter No. 7" of December 2008 with explicit reference to Section 11 subsection 1 of the MLA. According to this section, an STR shall only be filed if there is evidence suggesting that an offence as defined in Section 261 of the Criminal Code or terrorist financing has been or will be committed or attempted. In cases with exclusive references to other offences, the case-specific details have to be reported to the competent law enforcement authority.

The FIU will continue to actively monitor the reporting behaviour and will conduct another three-month trend monitoring in the course of 2009.

3.3 Typologies

The monitoring of STRs especially revealed the following new typologies in 2008:

3.3.1 Online gambling

The analysis of several suspicious transaction reports brought to light that a conglomerate of domestic and foreign companies and the most different business accounts were used for money laundering through Internet games of chance. Illegally obtained funds were declared as wagers and stakes and transferred to the accounts of online casinos. Those who run the online casinos mixed the incriminated funds with legal wagers and gross stakes. The resulting million amounts were then re-transferred to the perpetrators' accounts through offshore companies.

3.3.2 Gold separation plants

The following typology was established on the basis of several STRs filed in connection with gold separation plants: A group of perpetrators purchased large quantities of gold jewellery, dental gold and old gold VAT-free on the black market with funds obtained through crimes, smelt it and cast it in impure gold bars. They subsequently issued fictitious invoices, faking the taxable purchase of impure gold in the million ranges. For this purpose, the group purposefully founded or bought up companies. Submitting the fictitious invoices, the perpetrators supplied the impure gold to a gold separation plant for purchase liable to VAT. The separation

plant processed the gold into pure bars and paid out the current gold price plus 19% VAT to the perpetrators on the basis of the fictitious invoices produced. The money obtained in this way was re-invested in further similar transactions or was channelled back to the capital providers. The described method gives rise to the suspicion of fraud and money laundering.

3.4 Assessment

3.4.1 Noteworthy cases

The monitoring of these particularly explosive and significant facts ensures that the awareness of the Bundeskriminalamt (BKA) as a central criminal police office can be raised with regard to these cases.

For the period under review, it is worth mentioning here in particular that the number of "noteworthy cases" has almost doubled since 2006, with the number of STRs involving transactions of large sums having tripled. This rapid increase is considered as an indication that the reporting parties increasingly file STRs with more complex case-specific details and especially cases in which transactions amounting to millions play a role.

3.4.2 Trends

In 2008, besides the increased use of "electronic payment systems" for money laundering activities, it was mainly observed that, despite the identified decrease in the number of suspicious transaction reports filed, the number of STRs with no apparent money laundering or terrorist financing background increased to 15% in the fourth quarter of 2008 from 10% in the fourth quarter of 2007. This increase of five percent means that almost every seventh STR shows at least no apparent reference to money laundering or terrorist financing¹⁷.

3.4.3 Typologies

Suspicious transaction reports, in combination with the various FIU information sources, offer an additional option to identify typologies of money laundering and terrorist financing. Therefore, the references to possible typologies established through the monitoring are checked by the FIU against other information and can thus be assessed more easily. If new typologies of money laundering or terrorist financing are identified, a feedback is provided to the reporting parties by publications in the FIU Newsletter or the FIU Annual Report.

¹⁷ See also 3.2.4.



3.5 Conclusion

The monitoring of STRs has proved its value as an analysis method for identifying significant money laundering and terrorist financing developments and their causes. The examination of STRs in connection with the analysis of all information available provides essential approaches for identifying suspicious transactions and so far "unknown" money laundering and terrorist financing methods as well as new trends.

Through the monitoring, the FIU is always up-to date, i.e. offensively gaining, processing and disseminating information and thus in a position to provide a well-founded assessment of the current threat situation and initiate countermeasures in a timely manner.

4 Follow-up responses by public prosecutors' offices pursuant to Section 11 subsection 8 of the Money Laundering Act

4.1 Background

In connection with the amendments to the Money Laundering Act in August 2008, the obligation for the public prosecutors' offices to provide follow-up responses to the FIU has been expanded. Pursuant to Section 11 subsection 8 of the new MLA, the public prosecutors' offices are obliged to provide follow-up responses to the FIU not only in criminal proceedings based on an STR filed pursuant to the MLA but also in criminal proceedings based on an offence punishable pursuant to Section 261 of the Criminal Code and in criminal proceedings based on investigations for suspected terrorist financing pursuant to Section 1 subsection 2 of the MLA. The analysis of these additional follow-up responses about the outcome of proceedings is a further information source for the FIU in order to identify new methods of money laundering and terrorist financing.

In accordance with the provisions of Section 11 subsection 8 of the new MLA, the reports about the commencement of public legal proceedings and the outcome of the proceedings (including dismissal orders) shall be transmitted to the Bundeskriminalamt without request. The report shall include a copy of the charge sheet, the dismissal order indicating the reasons for the dismissal or the judgement.

4.2 Statistical analysis

4.2.1 Follow-up responses relating to suspicious transaction reports filed pursuant to the MLA

In 2008, 3,850 follow-up responses by public prosecutors' offices pursuant to Section 11 (8) of the MLA were recorded. A decrease in the absolute numbers of follow-up reports by approx. six percent was established here for the first time. These 3,850 follow-up responses were received from public prosecutors' offices after a total number of 7,349 suspicious transaction reports had been filed pursuant to the MLA. The following development of the response reporting practice of the prosecutors' offices has been ascertained since 2003:

Table 5: Response reporting practice of the public prosecutors' offices 2003 – 2008

Year	Number of follow-up responses	Number of STRs pursuant to MLA	Difference	Quote in %
2003	13	6,017	6,004	0,2
2004	518	8,062	7,544	6
2005	1,680	8,241	6,561	20
2006	3,018	10,051	7,033	30
2007	4,107	9,080	4,973	45
2008	3,850	7,349	3,499	52

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. A trend comparison is, however, possible since this "distortion" can probably be put into perspective by the monitoring over several years.

The share of the follow-up responses about the outcome of proceedings sent to the FIU by the public prosecutors' offices exceeded 50% in 2008 for the first time. Considering the quantity, this is a positive development.

For approx. 11% of the follow-up responses, it was, however, not possible to link them to the original suspicious transaction reports due to the fact that the data were incomplete.

4.2.2 Follow-up responses about cases in which no suspicious transaction reports had been filed pursuant to the MLA

In six cases between August and the end of 2008, follow-up responses about money laundering cases or proceedings conducted for suspected terrorist financing were transmitted which had not been initiated on the basis of an STR filed pursuant to the MLA. As it is believed that clearly more than six of such cases have been concluded in Germany, it has to be assumed that the public prosecutors' offices are not yet fully aware of this new reporting obligation (cf. 4.4).



4.3 Analysis of contents

4.3.1 Follow-up responses relating to suspicious transaction reports filed pursuant to the MLA not relevant to analysis

Of the 3,850 follow-up responses transmitted to the FIU by public prosecutors' offices, approx. 90% (3,507 cases) referred to orders which led to the dismissal of proceedings.

In these cases, no information - other than the reasons pursuant to the Code of Criminal Procedure - was supplied. Moreover, no case-specific reasons for dismissal were given which would have allowed a more detailed analysis.

4.3.2 Follow-up responses relating to suspicious transaction reports filed pursuant to the MLA and relevant to analysis

Of all follow-up responses, 343 were classified as relevant to analysis.

The follow-up responses relevant to analysis refer to cases in which an investigation was initiated on the basis of a suspicious transaction report pursuant to the MLA and either a bill of indictment (42 cases, 2007: 58 cases), a penalty order (138 cases, 2007: 130 cases) or a judgement (31 cases, 2007: 15 cases) was transmitted. In addition, follow-up responses were relevant to analysis in cases in which the information gathered from the money laundering investigation led to the initiation of new investigations on suspicion of other offences (99 cases, 2007: 118 cases) or the integration of STRs in pending investigations (33 cases, 2007: 37 cases).

4.4 Follow-up response form pursuant to Section 11(8) of the MLA and Sections 482 and 475 of the Code of Criminal Procedure

In accordance with the amendment in Section 11 subsection 8 MLA regarding the obligation for the public prosecutors' offices to provide follow-up responses, the follow-up response form, which had been developed by the FIU, was revised and adapted to the new requirements.

Furthermore, the form can now also be used for reports about the outcome of proceedings initiated for violation of Section 261 of the Penal Code or for suspected terrorist financing as defined in Section 1 (2) MLA.

The public prosecutors' offices are requested to routinely use the form since all information needed by the FIU for further analysis can be recorded with little effort in this one form.

4.5 Conclusion

Although the number of follow-up reports increased to more than 50% during the 2008 reporting year, a further increase of the reports both from the quantitative and the qualitative aspect is needed for a well-founded analysis of the judicial authorities' case handling.

So far, only a very small number of follow-up responses have been transmitted to the FIU on the basis of the new legal situation (additional follow-up reporting obligation apart from STRs filed pursuant to the MLA). Thus, the FIU still loses important information on the outcome of those investigations which are transferred to other prosecutors' departments or even to totally different public prosecutor's offices due to the recognised links to predicate offences of money laundering or suspected involvement in the predicate offence. Thus, we are unable to make a reliable statement on the actual success of the underlying STRs filed pursuant to the MLA.

5 National co-operation

5.1 Introduction

In 2008, the Central Office for Suspicious Transaction Reports (FIU) at the BKA was frequently contacted by the institutions involved in the suppression of money laundering and terrorist financing. The FIU is an important point of contact, especially for the parties required to report pursuant to the MLA, but also for the national authorities, on all questions involving the suppression of money laundering and terrorist financing. The particular importance of the FIU in the scope of national co-operation can also be seen from the increased number and detailed contents of the questions and wishes the FIU is approached with every day through its phone hotline, by e-mail or fax.

This positive development is also believed to be a consequence of the persistent public relations work done for years and the FIU's offer to be available as a contact point at any time, as repeatedly published through its own information media (Newsletter, Internet presentation, Annual Reports).

5.2 National investigative agencies

In 2008, the FIU again addressed enquiries to foreign FIUs on behalf of the national authorities and passed on enquiries from foreign partner offices to the local authorities. As in the previous years, organising and conducting information exchange with foreign FIUs was one of the FIU's focal points of activities.

The FIU's main co-operation partners at national level are the Joint Financial Investigation Groups of the police and the customs located at the 16 state criminal police offices. An information exchange is, however, also conducted with the local investigative authorities (police and public prosecutors' offices) and, when necessary, with other specialised authorities like state security, customs authorities and fiscal investigation offices.

In 2008, the close co-operation between the FIU and the national security authorities also contributed considerably to the seizure of incriminated funds and the linking of separate investigations in the most different case complexes and fields of criminal activity.

Since the FIU receives many more enquiries from abroad than national requests for information to foreign authorities, every effort is made to increase the number of national requests for information to other countries. Thus, the national investigative authorities could use the possibility of obtaining (financial) information through FIU channels even more intensively than in the past.



5.3 Parties required to report pursuant to the Money Laundering Act

The amendments to the Money Laundering Act were the main reason for the reporting parties to contact the FIU in 2008.

In addition, FIU staff members held lectures with the reporting parties on the tasks, responsibilities, processes, legal aspects, problem fields, as well as chances and limits in the fight against money laundering and terrorist financing.

Due to other priorities it has not been possible to consistently continue the chosen way of mutual on-the-job training (e.g. in compliance sections of banks and with security authorities) in 2008. It is planned to intensify the on-the-job training again as of mid 2009.

5.4 The FIU Newsletter

With its Newsletter, the FIU keeps all parties required to report pursuant to the MLA updated about current developments and typologies in the field of combating money laundering and terrorist financing. It thus serves as a means to continuously improve concerted action.

The sixth FIU Newsletter was published in May 2008 and the seventh Newsletter was published in December 2008 in the password-secure section of the BKA's website. Through the umbrella associations representing the occupational groups required to report and other parties engaged in the suppression of money laundering and terrorist financing, attention was drawn to the new postings on the Internet immediately after their publication.

In the sixth Newsletter, published in May 2008, cases/case constellations from the FIU's areas of responsibility

- monitoring of suspicious transaction reports,
- case collection
- analysis of follow-up responses from public prosecutors' offices and
- exchange of intelligence with foreign FIUs

were presented as a further supplement to the indicator paper¹⁸.

The seventh issue, published in December 2008, focused on the development of the number of STRs filed during the first nine months of 2008. The reason for the premature publication of the case figures was the decrease in the cases reported, established by the FIU in connection with its monitoring (as to the annual development, cf. chapters 2 and 3).

5.5 Case collection

Pursuant to Section 10 Subsection 1 No. 5 of the MLA, the FIU is meeting its statutory obligation to regularly inform parties required to report pursuant to the MLA about money laundering and terrorist financing typologies and methods. Through a case collection, the FIU collects, assesses and analyses the contents of case-specific details in order to subsequently pass them on - through the various media such as the FIU Newsletter - to the parties required to report, suited to the needs of the target groups. The case collection includes cases of money laundering with modi operandi worth reporting - i. e. unusual concealment activi-

¹⁸ This indicator paper contains a catalogue of indicators which are to assist the parties required to report in recognizing cases of relevance to money laundering and suspected financing of terrorism. The indicator paper can be accessed with a password at <http://www.bka.de/profil/zentralstellen/geldwaesche/veroeffentlichung.html>.

ties 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 activities.

Back in autumn 2006, 280 cases to be checked for money-laundering cases to be checked had been worked out from data collected at the state criminal police offices, the Federal Police and the central office of the German customs investigation service. 15 of them were finally included in the case collection after intensive checking, assessment and processing.

In 2008, active information gathering was continued by new queries made with the above-mentioned investigative authorities. The filtering of the data obtained revealed a total of another 170 cases with a money laundering background to be checked. Other interesting methods of concealment have become apparent which are being processed for publication at present.

In the field of terrorist financing, the case-specific details for the FIU case collection have been gathered from the state criminal police offices in quarterly queries since 2007 and are checked for state-security relevance by the State Security Division of the Bundeskriminalamt. In this way, four case-specific facts were generated in 2007 and reported to the FIU for inclusion in the case collection. In addition, another four cases with a terrorist financing background were recorded for the 2008 reporting year.

The case collection will be continued in 2009.

5.6 Act amending the Money Laundering Suppression Act enters into force

On 21 August 2008, the law amending the suppression of money laundering and terrorist financing (Act amending the Money Laundering Suppression Act) entered into force. Through the Act amending the Money Laundering Suppression Act, the Third EU Money Laundering Directive (Directive 2005/60/EC of the European Parliament and the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) and the so-called Implementing Directive (Directive 2006/70/EC of the Commission of 01 August 2006) issued in this context, were incorporated into national law. One of the most important features of the Act amending the Money Laundering Suppression Act was the substitution of the former Money Laundering Act dated 1993 by a revised one. In addition, special legal provisions relating to money laundering were amended/supplemented in the German Banking Act (*Kreditwesengesetz*, KWG: inclusion of a new subsection with specialised provisions for institutions), in the Insurance Industry Supervision Act (*Versicherungsaufsichtsgesetz*, VAG: inclusion of a new subsection with special provisions for insurance companies) and in the Criminal Code (extension of the list of predicate offences for money laundering, Section 261 Criminal Code, to include the offences of "causing another to make false official entries" and "false certification in public office"). Follow-up amendments have also been made in the Customs Administration Act (*Zollverwaltungsgesetz*, ZollVG) and the Investment Act (*Investmentgesetz*).



The key elements of the revised Money Laundering Act are the following:

- differentiation of customer due diligence of the reporting companies and persons (Section 2 Subsection 1 of the MLA) in accordance with the principle of risk-orientation (i.e. increased diligence in cases with a higher risk of money laundering or terrorist financing, simplified diligence in cases with a lower risk of money laundering or terrorist financing),
- stricter identification obligations for the reporting parties with regard to the beneficial owner (behind a contracting partner),
- intensification of customer due diligence with regard to transactions/business relations with politically exposed persons from foreign countries,
- increased integrity and transparency standards to prevent money laundering and the financing of terrorism for legal persons,
- extension of the existing instruments for money laundering suppression to terrorist financing suppression and
- the introduction of a legal definition of terrorist financing. This definition comprises both the provision and the collection of financial means, knowing that they shall, at least in part, serve the commission of, or participation in, certain offences (Section 1 subsection 2 of the MLA).

5.7 The Working Party of Banks and Chambers

In spring 2008, the legislative procedure for incorporating the Third EU Money Laundering Directive into national law had reached a stage where constructive and more detailed discussions on the "incorporation of the Third EU Money Laundering Directive into national law" within the Working Party of Banks and Chambers were possible.

To present the contents of the draft of the Federal Government on the Act amending the Money Laundering Suppression Act as well as the resulting needs for action, speakers from the Federal Ministry of the Interior and the Federal Agency for the Supervision of the Financial Services Sector have been recruited.

As in the previous years, besides experts of the BKA, representatives of the state criminal police offices, the Customs Criminal Investigation Office, the bank associations, professional associations and money laundering experts from major German banks attended the conference. A representative of the financial authorities was present for the first time.

5.8 Internet presentation of the FIU

With the entry into force of the new Money Laundering Act, the contents of the FIU Internet presentation had to be adapted. The sample form for filing suspicious transaction reports pursuant to the MLA has been slightly modified, for example. However, the FIU considered it important in this connection to maintain the originally chosen structure of the Internet presentation.

As to the contents of the Internet presentation, reference is made to the detailed description published in the 2006 Annual Report (chapter 6.6).

The FIU will continue to publish significant information in the FIU part of the BKA's website (www.bka.de). Appendix 2 illustrates the structure and the path of the Internet offer.

6 International co-operation

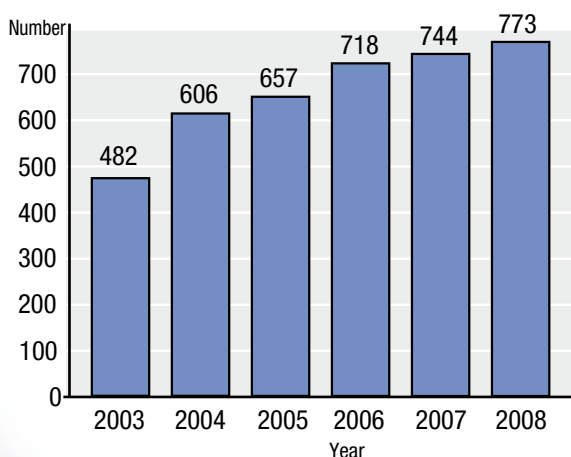
6.1 Exchange of intelligence with other FIUs

Since the Act amending the Money Laundering Suppression Act entered into force on 21 August 2008, Section 10 subsection 2 of the MLA is the legal basis for the co-operation between the FIU at the Bundeskriminalamt and the central offices responsible for the prevention and prosecution of money laundering and terrorist financing in other countries. Furthermore, in the scope of international co-operation, the FIU has to meet the requirements set in EU law and bi-/multilateral agreements, such as the "EU Council Decision of 17 October 2000 on arrangements for co-operation between FIUs of the Member States in respect of exchanging information".

The number of members of the Egmont Group and, thus, the potential direct co-operation partners of the FIU Germany increased to 108 countries through the accession of further countries (Moldavia and Turks & Caicos Islands) in 2008.

During the 2008 reporting year, the FIU recorded 773 cases in total in which information was exchanged with foreign FIUs. This represents an increase of approx. 4% over the preceding year.

Graph 8: Development of the case numbers of the FIU information exchange



The German law enforcement authorities sent only 96 enquiries to foreign FIUs through the secure communication channels. The FIU Germany therefore constantly endeavours to increase the number of national requests for information to foreign countries.

The following table shows the FIU correspondence, sorted by requesting party. This produces the following picture as to the top 20:

Table 6: Correspondence with foreign FIUs (Top 20)

Country	Number		Changes
	2008	2007	
Belgium	100	77	30%
Luxembourg	82	92	-11%
Switzerland	80	59	36%
United Kingdom	46	42	10%
Liechtenstein	36	23	56%
France	31	34	-9%
Romania	27	33	-18%
Spain	24	15	60%
Russia	23	33	-30%
USA	22	11	100%
Netherlands	20	18	11%
Poland	19	19	0%
Ukraine	18	21	-14%
Turkey	15	9	67%
Bulgaria	14	30	-53%
Slovakia	13	9	33%
Denmark	12	12	0%
Croatia	11	6	83%
Ireland	11	7	57%
Hungary	9	27	-66%
Other	160	167	-6%
Total	773	744	4%

During the reporting year, the FIU Germany exchanged information with 75 different FIUs worldwide. Thus, with regard to the previous years (2007: 71 and 2006: 62), the circle of co-operation partners has continuously increased.

From the above table, the following points seem to be worth mentioning:

- The information exchange with the European financial centres Switzerland, Luxembourg and Liechtenstein has become stable at a high level or shows noteworthy rates of increase. This fact corroborates the willingness of their FIUs to co-operate, which is considered positive in view of the great importance these countries have on the financial market.
- It is striking that - in contrast to the previous years - the numbers of requests from several Eastern European FIUs have decreased. This could be due to the drop in the number of cases (the number of STRs) recorded in these countries. This aspect will be examined when the Annual Reports of these FIUs have been received. We will also directly approach the FIUs concerned for research into the causes.
- The information exchange with the FIUs in "other countries" continued to drop in 2008. A consequence is that the focus of the FIU information exchanges more and more shifts to the "top 20 countries".

It can be stated for the 2008 reporting year that the domestic and foreign institutions dealing with the suppression of money laundering and the financing of terrorism have been supplied with valuable information through the analytical work of the FIU and the national/international correspondence exchanged as a result. Thus, as in the previous years, investigations were initiated and supported in Germany and abroad on the basis of the FIU information and it was possible to link identified suspicious assets to pending investigations and to initiate the provisional confiscation of assets.

6.2 Participation in international events/international activities

Representatives of the FIU Germany participated in numerous events of the most different bodies and institutions, among them

- the plenary meeting of the EGMONT group
- the typology meeting of the FATF
- the meetings of the "EU-FIU platform"
- working meetings and management meetings of the FIU.Net project
- active support of a one-week workshop organised for the Asian FIU in New Delhi
- presentations at international meetings organised by German authorities/institutions

In addition, a large number of foreign trainees and visitor groups were looked after.

The active participation in the Card Twinning project with Albania was again given high priority in 2008 in view of the importance of the project and the related high personnel expenditure for the FIU. Since 01 October 2007 already, Germany and Albania have been jointly carrying out a two-year EU project named "Tackling Money Laundering and Financial Crime" which focuses on the improvement of the Albanian FIU's work. In this context, more than 80 individual measures, 22 of them initiated by the FIU Germany, are implemented over these two years.

The FIU Germany expresses its appreciation to all the German experts involved in the implementation of these measures. The EU project, which will be running until October 2009, can already be considered a success.

Besides continuing the above-mentioned activities, a targeted intensification of co-operation with prioritised FIUs is planned for 2009.



7 Financing of terrorism

7.1 General remarks

Suspicious transaction reports filed pursuant to the Money Laundering Act - especially for suspected financing of terrorism - are a common and reliable instrument for the security authorities to generate suspicion.

7.2 STRs filed pursuant to the MLA for suspected "financing of terrorism"

The following table shows the percentage of STRs filed for suspected terrorist financing among the total amount of STRs filed by the reporting parties pursuant to the MLA. The financial authorities reported one case of suspected terrorist financing pursuant to Section 31 b of the Fiscal Code.¹⁹

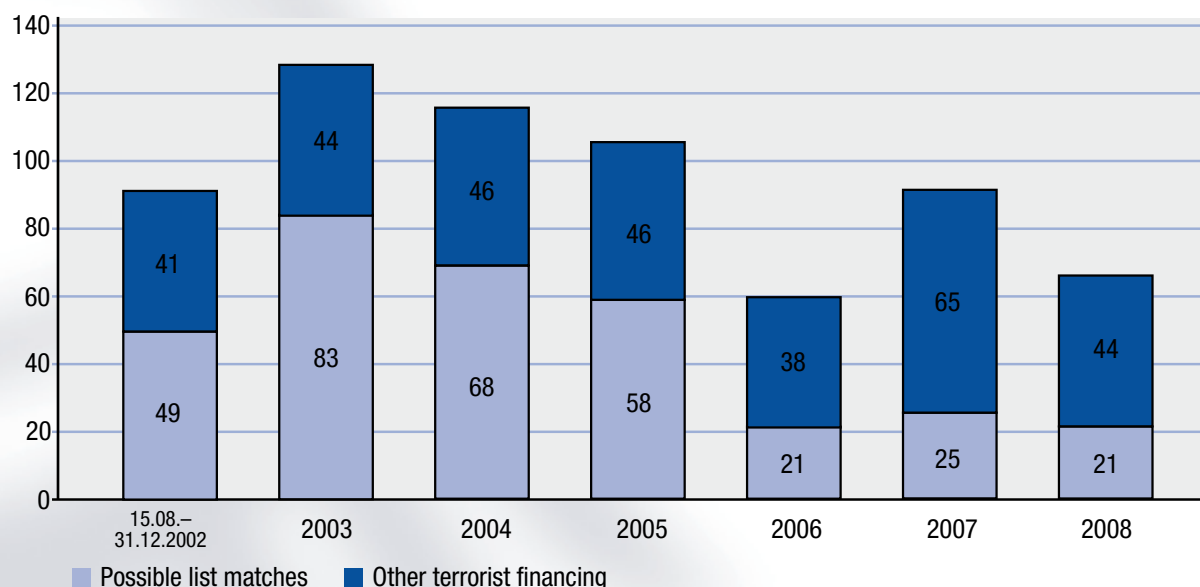
Table 7: Suspicious transaction reports filed for suspected involvement in the financing of terrorism

	15.08.- 31.12.02	2003	2004	2005	2006	2007	2008
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	7,349
of them, STRs checked by the BKA's State Security Division (recorded statistically since 2005)	---	---	---	358	376	384	281
Percentage share of the total number of STRs	---	---	---	4.3%	3.7%	4.2%	3.8%
STRs filed by the parties required to report for suspected "financing of terrorism"	90	127	114	104	59	90	65
Percentage share of the total number of STRs	4%	2%	1.4%	1.3%	0.6%	0.9%	0.9%

The figures show a relatively small but - in relation to the total number of STRs filed pursuant to the MLA in the last four years - constant number of STRs filed for suspected terrorist financing (0.9% on average).

¹⁹Extension of Section 31b Fiscal Code to terrorist financing by virtue of Section 7a of the Act amending the Money Laundering Suppression Act of 13 August 2008 (Federal Law Gazette "BGBl" I p. 1690).

Graph 9: Distribution of STRs filed for suspected terrorist financing



Suspicious transaction reports with possible list matches

Of the 21 STRs filed for suspected matches with the Regulations (EC) No. 2580/2001 and (EC) No. 881/2002 (so-called list matches), no matches with listed persons were established in the end. With 21 of 65 reports, the share of STRs filed for possible list matches is about one third, as in the previous year.

Follow-up responses by public prosecutors' offices

In 24 of the 65 cases, a follow-up response was received from public prosecutors' offices pursuant to Section 11 (8) of the MLA. The respective investigations were discontinued pursuant to Section 170 (2) of the Code of Criminal Procedure for lack of sufficient suspicion. Of these 24 follow-up responses, nine concerned STRs filed for possible list matches and 15 follow-up responses concerned STRs without list matches. The Bundeskriminalamt did not receive any follow-up responses on the outcome of the other 41 cases.

Checks of STRs for possible links to the financing of terrorism

In addition to standard checks of all STRs by the state criminal police offices, the State Security Division of the BKA thoroughly checked a total of 281 STRs in 2008 which had been forwarded by the state security offices at the state criminal police offices and the FIU for possible links to terrorist financing.

In 28 cases, a relevance to state security was established. Half of these cases (14) were based on STRs filed for suspected "financing of terrorism".

Important information obtained from the examination of STRs for links to terrorist financing is regularly disseminated to the parties required to report pursuant to the MLA in the FIU-Newsletter²⁰.

²⁰ As to the Newsletter, see 5.4.

7.3 FIU correspondence

During the reporting year, 677 enquiries were made to the FIU Germany by foreign FIUs. In 22 cases, aspects relevant to terrorist financing have been revealed. In the end, three requests for information were confirmed as being relevant to state security.

Although only three requests for information by foreign FIUs showed an actual link to politically motivated crime, the processing and analysis of these requests with a view to obtaining information relevant to state security may have an added value for the case research in pending investigations.

7.4 Conclusion

A statement as to how the reporting behaviour by parties required to report will change after the implementation of the Third EU Money Laundering Directive²¹ through the new Money Laundering Act which entered into force in 2008 is not yet possible.

The introduction of the new Money Laundering Act also resulted in important changes in the field of suppression of terrorist financing. Besides the introduction of a legal definition of terrorist financing in Section 1 Subsection 2 of the MLA, the circle of those required to report pursuant to Section 2 of the MLA has also significantly increased. Thus, financial authorities, for example, are now also obliged to file STRs for suspected terrorist financing (pursuant to Section 31 b of the Fiscal Code) as well as asset managers, debt collection companies and individuals commercially trading in goods.

The considerable difficulties described in the previous FIU Annual Reports, and actually experienced in practice by the reporting parties, to identify possible methods of terrorist financing merely by monitoring account management and transactions, require an evaluation of the previous indicators for the detection of terrorist financing, especially against the background of the increased circle of parties required to report pursuant to the new Money Laundering Act. A detailed description of the different modi operandi was presented by the "Working Group on Typologies" (WGTYP) of the FATF in its last Terrorist Financing Report dated 29 February 2008.²²

The FIU continuously strives to support the parties required to report pursuant to the MLA in their efforts to improve their monitoring with a view to unveiling cases of terrorist financing.

²¹ Directive 2005/60/EC, issued on 26 October 2005 by the European Parliament and the Council, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

²² In this context, reference is made to the 2007 FIU Annual Report. The Terrorist Financing Report can be accessed at www.fatf-gafi.org.

8 Action taken against the Islamic Republic of Iran

To reduce the efforts aimed at enhancing the Iranian nuclear development programme, Regulation (EC) No. 423/2007 of 19 April 2007 provides for sanction measures against the Islamic Republic of Iran²³. The financial sanctions against certain individuals and organisations contained in these measures were extended by amending Regulation (EC) 1110/2008 of 10 November 2008. Thus, by including Art. 11a, especially the vigilance requirements which the credit and financial institutions already have to meet were again increased.

The federal institutions concerned reached the following agreement with regard to the implementation of Art. 11a paragraph 1d) of Regulation (EC) No. 1110/2008:

- The BKA is designated as the competent German authority for receiving STRs filed pursuant to Regulation (EC) 423/2007 and its successor Regulations.
- The Central Office for Suspicious Transaction Reports at the BKA (FIU Germany) receives the STRs, transmits the relevant STRs to the law enforcement authorities and conducts the information exchange at European level.
- Moreover, responsibilities have been defined at an inter-agency level, especially with regard to checks of the STRs for links to money laundering and terrorist financing. The central office of the German customs investigation service performs the analysis of the STRs received and prepares analytical situation reports. The BKA brings in its own information. Other authorities with expert knowledge in this field - such as the Federal Office of Economics and Export Control (BAFA) - are involved in the analysis in a suitable form.

²³ Implementing the Resolution of the Security Council of the United Nations UNSCR 1737(2006) of 23 December 2006, the Common Position 2007/140/GASP was adopted at EU level on 27 February 2007 on the basis of which the Council issued Regulation (EC) 423/2007.



9 Final conclusions and outlook

An important observation made regarding the reporting behaviour of the parties required to report pursuant to the MLA was the **decrease in the number of suspicious transaction reports by more than 25% over the past two years**. It is important to monitor this development and establish the causes in co-operation with all parties concerned. It remains to be seen in future analyses which impact the changed legal situation will have on the reporting behaviour of those required to report pursuant to the MLA.

The monitoring of suspicious transaction reports by the FIU also revealed an **increased use of electronic payment systems** by the suspects as well as the "online gambling" phenomenon as a new trend. These two examples suggest an increased use of modern (communication) technologies also in the field of financial crime. In order to be able to adequately counter this development, co-ordinated and resolute action must be taken by the law enforcement authorities all over the world.

When looking at the investigative results obtained by the specialised units at the state criminal police offices, it should be positively highlighted that the suspicion of an offence was corroborated in one third of all reports. This suggests that **the law enforcement authorities again gleaned a high degree of valuable information through the suspicious transaction reports filed in 2008**. It should also be mentioned that the number of STRs filed in connection with "noteworthy cases" has more than doubled since 2006. In 2009, an important event for the FIU Germany will be the examination of Germany as a Financial Centre by the FATF. In this connection, the FIU Germany will be evaluated, too. The FIU Germany's activities in 2009 will focus on the further intensified awareness raising of individual parties required to report pursuant to the MLA with regard to money laundering and terrorist financing cases, the successful conclusion of the EU Twinning Project with Albania and the intensification of co-operation with selected foreign FIUs.

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10 Appendices

Appendix 1: List of Egmont Group members

**Appendix 2: Internet presentation of the FIU Germany
on the website of the BKA**

Appendix 1: List of Egmont Group members (Part 1)

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
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

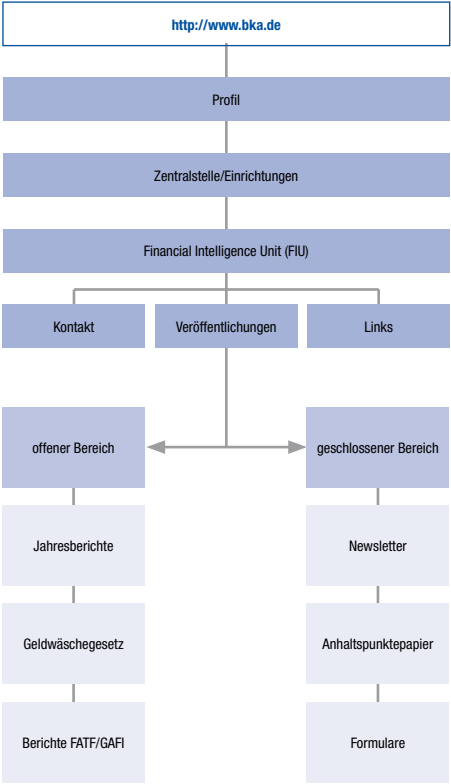
Appendix 1: List of Egmont Group members (Part 2 and 3)

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
Moldova	OPCML		
Monaco	SICCFIN	Administrative	Ministry of Finance
Montenegro		Administrative	

Highlighted: FIUs that joined the Egmont Group in 2008. Updated to May 2008.

Country	FIU Name	Type	Location
Netherlands	MOT	Administrative	Ministry of Justice
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	GIF	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
Turks & Caicos	FCU	Police	
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: Internet presentation of the FIU Germany on the website of the BKA



Postanschrift:
Bundeskriminalamt
Referat SO 32
Zentralstelle für Verdachtsanzeigen/
Financial Intelligence Unit (FIU)
65173 Wiesbaden

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



Bundeskriminalamt