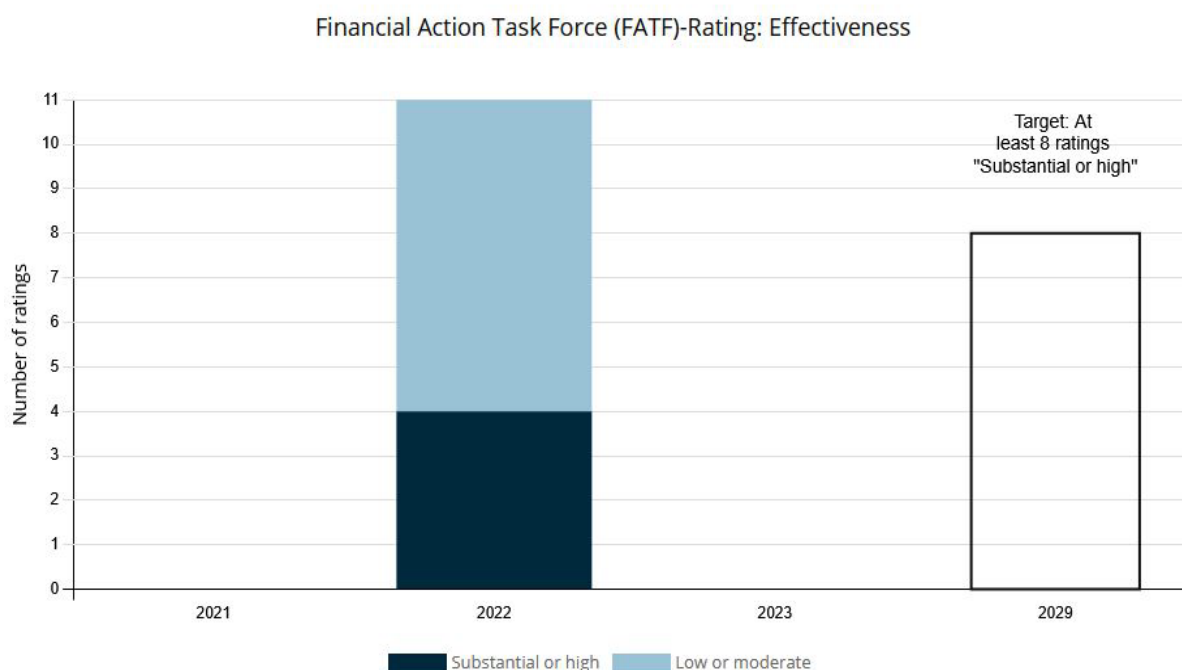




Financial crime – Prevent negative effects on the political order, the rule of law, the economy and society

16.4 Financial Action Task Force (FATF) rating effectiveness



Data source(s):
Financial Action Task Force

Definition

The indicator represents the number of substantial or high ratings in 11 categories (Immediate Outcomes) in the Financial Action Task Force's (FATF) review of the effectiveness of national efforts to combat money laundering and terrorist financing (Rating Effectiveness).

Intention

Money laundering undermines the integrity of the financial system, promotes organised crime and weakens trust in state institutions. Terrorist financing also jeopardises security and stability – both fundamental prerequisites for sustainable economic activity and social justice.

Target

Improvement to at least 8 out of 11 possible points by 2029

Content and progress

The Financial Action Task Force (FATF) is an international organisation established in 1989 to support the fight against money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. It has issued a framework of standards to



which more than 200 countries worldwide have committed. The FATF standards comprise 40 Recommendations, which form a key part of international efforts to ensure the integrity and security of the global financial system and serve as the basis for national legislation in many member states.

The FATF conducts regular evaluations in member countries, during which both the technical implementation of the recommendations (Technical Compliance) and their practical effectiveness (Effectiveness) are assessed and reviewed. The most recent evaluation of Germany as part of the FATF assessment process took place from autumn 2020 to June 2022. The assessment procedure included an on-site visit by FATF evaluators. During this visit, interviews were conducted with stakeholders from both the public sector (such as the Federal Ministry of Finance (BMF), the judiciary, law enforcement authorities, the Financial Intelligence Unit (FIU), the Federal Financial Supervisory Authority (BaFin), and state supervisory authorities) and the private sector (including banks and financial service providers, as well as professions such as notaries, tax advisors, lawyers, and auditors). The evaluation process highlights both the complexity and the importance of cooperation in combating financial crime under the FATF review. The overall coordination of the Germany assessment was the responsibility of the BMF within the federal government.

The assessment of effectiveness is based on eleven intermediate objectives, known as Immediate Outcomes (IOs), which cover various aspects of combating financial crime. These are:

Cross-cutting

- IO 1: Risk understanding and coordination
- IO 2: International cooperation

Preventing misuse (Prevention)

- IO 3: Supervision
- IO 4: Preventive measures by obliged entities
- IO 5: Beneficial ownership

Combating and prosecuting (Repression)

- IO 6: Financial intelligence and investigations
- IO 7: Money laundering investigations and prosecution
- IO 8: Confiscation of assets in money laundering cases
- IO 9: Terrorist financing investigations and prosecution
- IO 10: Financial sanctions; non-profit organisations (NPOs)
- IO 11: Proliferation financing

Each intermediate objective is rated on a scale ranging from low to moderate, substantial, and high. For the purposes of this indicator, the total number of intermediate objectives rated as substantial or high is recorded. Changes, whether positive or negative, between the categories low and moderate or between substantial and high for individual outcomes are therefore not reflected in this indicator in the following reporting year.

In the 2022 evaluation of Germany, four of the eleven intermediate outcomes (IO 1, IO 2, IO 8, and IO 9) were assessed as substantial and thus considered passed. The remaining



seven intermediate outcomes (IO 3, IO 4, IO 5, IO 6, IO 7, IO 10, and IO 11) were rated moderate and are therefore considered not passed. The politically defined goal for the next Germany assessment in 2029 is to achieve a positive rating in at least eight of the eleven intermediate outcomes.

In terms of FATF's technical requirements (Technical Compliance), Germany was assessed as having largely implemented the international standards. None of the 40 FATF Recommendations were assessed as not implemented during the 2022 review. Only five recommendations were considered partially implemented. In response to this assessment, improvements were made, and in the 2023 follow-up report, two of these five were upgraded to largely implemented. The three remaining partially implemented recommendations concern the areas of Correspondent banking, Transparency and beneficial ownership of legal persons, and Statistics. As of 2023, 37 of the FATF Recommendations were classified as either largely implemented (20) or implemented (17).

Type of target

Target with specific target value

Assessment

The number of categories in the effectiveness assessment of the Financial Action Task Force rated as substantial or high should be increased to at least 8 by 2029.

An assessment of indicator 16.4 is not possible. Too few data points.