

IDW POSITION PAPER

+++ CONVENIENCE TRANSLATION OF THE EXECUTIVE SUMMARY +++

THE FUTURE FOR COMBATING MONEY LAUNDERING AND TERRORIST FINANCING



AS OF 19.11.2020



EXECUTIVE SUMMARY

Current measures for combating money laundering and terrorist financing (hereinafter referred to as AML/CFT) are under scrutiny worldwide. Essential areas of action have recently been highlighted, in particular, in the German Federal Ministry of Finance's first National Risk Analysis (NRA), the EU Commission's second Supranational Risk Analysis, various sector-specific status reports as well as action and strategy plans at a(n) (inter)national level. The press reports concerning suspected money laundering in the Wirecard case and the publication of the FinCEN files have fueled the debates on strengthening money laundering prevention measures.

Germany's NRA classifies the national money laundering threat as medium-high (second highest level on a five-level scale). The Federal Republic of Germany is facing a new assessment from the Financial Action Task Force (FATF) monitoring exercise in 2020/2021. This monitoring exercise will focus on the effectiveness of the anti-money laundering system in Germany. The last FATF report in 2010 revealed numerous deficiencies. Many measures have already been implemented, further measures are underway, yet current developments indicate that there is a need for further action.

In its position paper, the IDW comments on the measures currently planned, from the perspective of the auditing profession, and presents its own calls for developing the fight against money laundering and terrorist financing further (ML/TF). The IDW's principal demands are as follows:

- Creation of a single AML&CFT supervisory authority at both European and national level
- Further harmonization of the European legal framework for combating ML/TF by means of a Money Laundering Regulation and a revision of the Money Laundering Directive
- Improving cross-border cooperation, including a uniform standard for handling SARs and exchanging information
- Clear allocation of responsibilities of the supervisory authorities within Germany
- Improving the coordination and exchange of information between national supervisory authorities
- Conducting subnational risk analyses in the non-financial sector, analogous to the BaFin's subnational risk analyses in the financial sector

- Increased use of independent auditors to perform assurance engagements on compliance with anti-money laundering requirements in the non-financial sector
- Broader access by the FIU to data held by tax and law enforcement authorities
- Uniform level of regulation for conventional and new financial products (e.g. cryptocurrencies, virtual accounts).

The IDW position paper builds on the [German language] IDW Knowledge Paper published in April 2020, which outlined the current developments in money laundering prevention. After providing a brief overview of the organisation and classification of German money laundering prevention in the European context, this IDW position paper outlines different areas of action and discusses various proposals.

In publishing these papers, the IDW would like to support the discussions that are essential in improving and strengthening the fight against money laundering and terrorist financing.

IMPORTANT NOTICE: This document is a convenience translation of the executive summary of the IDW Position Paper on the future for combating money laundering and the terrorist financing. The [German language] Position Paper was published on the IDW homepage on 30 November 2020 and is available at: <https://www.idw.de/blob/127666/f18ae867ae45a5e-40d438492a087e67f/down-positionspapier-geldwaesche-data.pdf?blobdata=127666%2Ff18ae867ae45a5e-40d438492a087e67f%2Fdown-positionspapier-geldwaesche-data.pdf> (idw.de). Solely the German original is authoritative. The IDW does not accept any responsibility whatsoever for this English language translation.

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