

FATF/GAFI

Attn. Dr Marcus Pleyer

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Dr. Marcus Pleyer – Ministerialdirigent im BMF

Bundesministerium der Finanzen

Wilhelmstraße 97

10117 Berlin

Vienna, July 29th, 2020

Reference: EU-Cybercrime threat and Money-Laundering Challenge

Esteemed President,

Dear Dr Pleyer

1. We - a consumer-oriented initiative to combat cybercrime - would like to congratulate you on taking over the Presidency of the Financial Action Task Force (FATF) at the beginning of July 2020.
2. We are convinced that the German Presidency of the FATF - the most important international body for combating and preventing money laundering and terrorist financing - will be of immense importance in combating illegal money flows in Europe and especially in Germany.

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3. We were pleased to note that the issue of digitisation in the financial sector will be one of the main topics of the German Presidency of the FATF.
4. The increasing digitisation of society in general and the associated virtualisation of money in particular bring with them a new, massive threat to consumers - transnational cybercrime. The combination of state-of-the-art technologies with new marketing methods and a massive disparity in the technology affinity of Internet users are creating an unprecedented ecosphere for criminals.
5. Transnational cybercrime generates trillions of illegal funds on an annual basis. But it is only by using the existing global financial system that criminal organisations are able to access the illegally acquired funds. Money laundering on a large scale is therefore an absolute core of every criminal organisation.
6. The utmost necessity of the fight against and prevention of money laundering in the area of cybercrime is therefore obvious and is also one of our most important goals.
7. On the occasion of your commission to office and also on the occasion of the forthcoming on-site evaluation of the FATF in Germany with regard to compliance with the existing statutory money laundering provisions in autumn 2020, we would now like to take the opportunity to inform you about the results of our evaluation of the financial transfers of 822 victims of fraudulent online trading websites ("investment scams"). In this respect, we directly acknowledge the headline on the main FATF webpage, *'Money laundering is not a victimless crime'*.
8. In the years 2016, 2017, 2018, 2019 and 2020, these 822 aggrieved parties transferred a total of more than EUR 34.7 million of their life savings via various European financial service providers to various owners of fraudulent websites.
 - Of the total EUR 34.7 million of this 822 European consumers' money, EUR 25 million (72.5%) was transferred to cybercriminals via online bank transfers and EUR 6.9 million (20.2%) via credit card transfers, i.e. using the traditional financial system. Only EUR 2.5 million (7.3%) went to the fraudsters by means of direct transfer of crypto currencies (purchased by the consumer without involvement of the fraudsters).
 - Of the total EUR 25 million in bank transfers, EUR 11.1 million (44.4%), were handled by German banks. Here, the DB/Postbank with a total of EUR 4.5 million (40.9%) and Wirecard AG with a total of EUR 3 million (27%) have taken a leading role over the years. At Wirecard AG, it was mainly the fraudsters themselves who maintained the bank accounts for receiving and forwarding illegal money flows. In

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the case of DB/Postbank, it was via an unbelievable number of accounts of illegal payment service providers (so-called money mules) by means of which the stolen funds were collected and forwarded.

- For a summary of our findings, please refer to Appendix 1: Follow the Money evaluation of the EFRI initiative.
9. The activities of the German Wirecard Group in the illegal sector have been known since the company was founded in 1999. In 2017, a comprehensive report on the Group's money laundering activities was published and submitted to the competent German authorities (Zatarra Report). Again, and again – during the years there have been indications of massive money laundering activities of the company and accounting irregularities of the DAX-Company. On February 1, 2020, the EFRI-Initiative submitted a money laundering report with extensive enclosures (Appendix 2) to BAFIN and the responsible Public Prosecutor's Office in Munich.
 10. Deutsche Bank also has a long list of convictions for money laundering (see also items 21.1 to 21.6 of the enclosed money laundering report (Appendix 3) we submitted to BAFIN and the Frankfurt Public Prosecutor's Office on 27 March 2020.
 11. The shell companies, which have been enabled by both Wirecard AG and the various Postbank branches to transfer millions upon millions of illegal funds, all meet the following criteria:
 - No physical branch in Germany (registered letters sent to the addresses listed in the commercial register were returned as undeliverable).
 - All of these shell companies have Eastern European managing directors without German residence, and no information on any of these managing directors can be found even through an extensive search on the Internet.
 - None of these companies had employees.
 - The business purpose according to the commercial register of these companies does not correspond to the exclusive activity of these companies (illegal money collection agencies).
 - The majority of these companies were newly founded shortly before receiving the payments or were shelf companies acquired shortly before.
 - None of these companies has or had an online presence, even though the majority of the companies has an "alleged" business activity according to the company register, which can be described as having an affinity for the internet.

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- The money transferred to the accounts of the money collection agencies – amounting in the millions within a very short time were transferred abroad at regular, but above all within very short-term intervals, and mostly offshore.
- 12. It is particularly blatant that the public warnings and prohibitions on individual fraudulent companies issued by the European financial market supervisory authorities are not taken into account in any way by German financial service providers when opening accounts or maintaining account connections. There were warnings from foreign supervisory authorities that were ignored by the German banks in offering accounts for fraudulent companies.
- 13. The fact that even warnings by the German supervisory authority (BAFIN) are also regularly ignored by the German banks is demonstrated by the example of GRENKE Bank, which maintained an account of FinTech Services GmbH and enabled the acceptance of illegal funds, despite the prohibition of the business activities of Fintech Services GmbH as early as 8 May 2019.
- 14. BAFIN has not commented on our money laundering report on Wirecard Bank AG nor on the money laundering report on Deutsche Bank/Postbank. Based on media reports we know, we learn that BAFIN has simply felt not responsible for WIRECARD – and evidently not even for the Bank.
- 15. Thousands of desperate European consumers, who are victims of investment fraud (boiler-room-fraud, binary options fraud, forex fraud and other forms of online fraud), and who for many years have been seeking help from BAFIN and other financial oversight authorities after the crime committed against them had been realized, have also been kindly but firmly rejected. It is therefore our view that BAFIN has fallen far short in its supervisory role.
- 16. The evident negligence of German banks, which is apparently also known to the fraudsters, has led to Germany becoming the most popular "financial transfer country for online trading platforms" in Europe, according to our whistleblowers. This is at the expense of thousands of "innocent" small European investors who, trusting in a regulated and secure German financial market, have transferred their life savings to the accounts of German banks.
- 17. Based on the available analysis of financial transfers from "only" 820 victims of such fraud systems and with the knowledge that thousands and thousands of victims of such fraud systems have deposited their stolen funds into German accounts, it can be assumed that millions if not billions of euros in illegal funds have flowed through German accounts in the years 2016 to 2020 and continue to do so.

18. According to the German Ministry of Justice, the upcoming on-site audit in Germany is of enormous relevance, as the results of the audit will influence the economic and political reputation of the Federal Republic of Germany.
19. In the meantime, Wirecard has turned out to be an even bigger financial scandal than envisaged at the beginning of 2020, and the obvious "difficulties" in implementing financial supervision in Germany are now known to everyone.
20. With regard to the abuses in the supervision of money laundering in Germany, we would also urge you to refer to the media on the subject of FIU – there are numerous articles addressing the non-functioning of this organization. We do not believe that further explanations on our part are necessary here.
21. In our analysis, we found that a number of banks in Germany - above all DB/Postbank and Wirecard Bank AG – have not at all carried out any or only inadequate due diligence procedures on new customers, thus making a major contribution to the immense daily fraud perpetrated on consumers by cyber criminals. In our opinion, these banks are guilty of money laundering by not complying with the statutory compliance rules.
22. Please be aware, uncovering abuses in compliance with the money laundering regulations of German banks and in the supervision of money laundering during the on-site audit of the FATF in Germany, an immense contribution on your part will be made to ending day-to-day crimes against European consumers and a not inconsiderable contribution will be made to the fight against terrorism.

Sincerely,

Elfriede Sixt Nigel Kimberley
(Board of the EFRI-Initiative)

Appendix 1: Follow the Money evaluation of the EFRI-Initiative

Appendix 2: WIRECARD Geldwäscheanzeige vom 1. Februar 2020 (german)

Appendix 3: Deutsche Bank/Postbank Geldwäscheanzeige vom 28. April 2020 (german)

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