



Germany - AML KYC Regulations

Document History

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Disclaimer: Neither Shufti Pro nor the authors of this document shall be held responsible, liable or accountable for the contents of this document. The responsibility to comply with AML - KYC regulations lies with the Client. Achieving full compliance with legal obligations requires a thorough analysis of the specific situation, organizational requirements, and regulatory practices. The information provided in this document should be seen as an overview of requirements and measures towards conducting proper and satisfactory Identity Verification procedures. This document suggests general measures in line with recommendations, resources, or procedures provided by relevant laws and authorities to support identity verification requirements. The mere reference to or reliance placed on this document alone does not constitute a warranty of any system nor does it guarantee legal compliance. It remains the sole responsibility of the Client to comply with its legal obligations.

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1. Introduction

The Federal Financial Supervisory Authority (BaFin) introduced its framework on anti-money laundering and countering the financing of terrorism to criminalize anti-money laundering and lay down appropriate safeguards and guidelines. These regulations regulate the rights and obligations of legal persons and natural persons in preventing and detecting money laundering and terrorist financing. These regulations also contain provisions regarding customer screening, identification, and verification of customers.

2. Scope

The 'Germany - AML KYC Regulations' report may be used as a reference to highlight information from the German '*The Law on Protection Against Money Laundering and Protection Against Terrorist Financing*' (Geldwäschegesetz – GwG) and the 'Circular 3/2017 (GW) - Video Identification Procedures'.

Under the guidelines of BaFin and the aforementioned act(s), this document highlights the necessary requirements for AML and KYC procedures, in particular, Identity Verification required in Germany. These requirements are approximated from relevant information/laws/directives from the aforementioned document.

3. Definitions

- **Client**: Shufti Pro's customer is referred to as the Client.
- **Customer**: The Client's customer who is subject to the KYC - AML checks.
- **End-user**: The Client's customer is referred to as the end-user but from Shufti Pro's perspective.
- **Document Verification**: The process of verifying the authenticity of a government-issued identity document.
- **Identification Expert**: An individual specifically trained in the manual verification of photo-based identity documents by examining key human biometric features and document characteristics.
- **Identity Verification**: The process of verifying the identity of the Client's customers.
- **Proof of Identity**: Any government-issued identity document that can be used to identify an individual (natural person).
- **EDD**: Enhanced Due Diligence (EDD) is a process that executes a greater level of scrutiny related to potential business relationships.

- **Third-Party Diligence**: Outsourcing of the due diligence process to an external party by the Client who is originally responsible for carrying out due diligence activities.
- **PEP**: Politically Exposed Person (PEP) is a person with a higher risk for potential involvement in bribery/corruption.
- **Due Diligence**: Refers to the measures taken to mitigate risk before entering into an agreement or carrying out a financial transaction with another party.

4. References

- [Geldwäschegesetz – Money Laundering Act-English](#)
- [Geldwäschegesetz – Money Laundering Act- Original](#)
- [Circular 3/2017 \(GW\) - Video Identification Procedures](#)
- [Interpretation and Application Guidance on the German Money Laundering Act \(Geldwäschegesetz – GwG\)](#)

5. Due Diligence Requirements

5.1. Identity Verification Requirements

As per the requirements of the German regulations, these are the following ID attributes required for the purpose of identifying a natural person (individual) from official documents.

- First name and surname;
- Place of birth;
- Date of birth;
- Nationality;
- Address.

5.2. Compliant CDD Methods

We (Shufti Pro) may apply one or more of the following measures at the request of the Client to perform Identity Verification on its behalf. Where an End-user is an individual, who does not present himself to the Client for verification in physical presence.

- 5.2.1. Shufti Pro shall perform verification of the End-user's identity on the basis of independent sourced documents that are highlighted in 5.3. These documents provide reasonable reliability to the confirmation of the identity in Germany. Shufti Pro shall ensure that the documents being utilized are photo-based biometric identification documents that suffice the requirements for Identity Verification.

- 5.2.2. Shufti Pro can also perform verification of the End-user's identity through a real-time audio-video transmission, where a live, interactive video session is carried out between an Identification Expert and the End-user. During this session, the End-user will be asked to show their identity documents. The End-user will also

be asked to perform some random gestures as a part of a liveness check. An obliged entity would have the liberty to substitute the Identification Expert to be one of their own rather than using Shufti Pro's Identification Expert. (For detailed guidance, refer to [Circular 3/2017 \(GW\)](#)).

- 5.2.3. For the purpose of verifying the End-user's identity, Shufti Pro shall also verify the documents that are submitted. We utilize our specialized Document Verification service to perform checks on the authenticity of the document. This includes checks on security features such as holograms, tapered/crumpled edges, doctored elements, form inconsistencies, document expiration, MRZ, reflected colors and microprinting.
- 5.2.4. In the case of verification of the identity of legal persons or partnerships, Shufti Pro shall extract the information from the commercial register or a comparable official register through its process (KYB).

5.3. Documents Required for Verification

The following documents are considered in Germany as Proof of Identity:

Identity Verification

- Identity Card (Personalausweis);
- Passport.

Address Verification

The following documents are considered in Germany as proof of address:

- Meldebescheinigung (Registration Certificate);
- Utility bills;
- Bank statement (not older than 3 months).

5.4. Timing of Verification

Identity Verification is not limited to a one-time, one-instance process. In fact, it is required in multiple instances as per regulations. The application and choice of when to deploy

Identity Verification procedures depend on your requirements and their conveyance to Shufti Pro.

You are to pursue Identity Verification when you onboard a new Customer. If you are dealing with transaction data, you should apply Identity Verification as per the monetary thresholds defined in German regulations. In other instances, Identity Verification becomes more important to employ if you face higher risks from your Customers. A high-risk situation would be any instance where an Individual might represent above-normal exposure of money laundering related threats to you.

6. Politically Exposed Persons and EDD Measures

As per the Enhanced Due Diligence requirements under German regulations, you are required to determine if your Customer is a Politically Exposed Person, holds a public office, or exhibits a higher risk profile. In order to fulfill your obligations, Shufti Pro provides you its *AML Screening service*. The service screens an individual's selected ID attributes of *Name* and *DOB* against watchlists of global regulatory authorities, foreign and domestic databases, compromised PEPs and sanctioned individuals.

The service highlights the category of the PEP based on the degree of risks they pose and also any immediate family member, or a close associate of the PEP.

You may utilize such services as per your requirements. This includes before or after establishing a relationship with your Customer.

7. Reliance on External Services

Germany's regulations state that you may seek the services of a third party to apply measures of due diligence. Regulations also require you to collect all such data (Diligence Information) from the third party, without undue delay. In this scenario, Shufti Pro will be the external third-party service provider to you.

German law states that you, regardless of reliance on a third party, remain liable for maintaining all such compliance and fulfilling AML and KYC obligations.

8. Record Retention

As per Germany's Act, you are required to retain data for not less than five (5) years.¹ These are a part of your AML and KYC obligations for due diligence. In the case where this information is processed, collected, and managed by a relevant third-party, you are liable to collect all such necessary information (Due Diligence Data) from the third party without undue delay.

¹ [Geldwäschegesetz – Money Laundering Act](#)