

The Challenges of Combatting Extremist Financing in Germany



Dr. Hans-Jakob Schindler

Report n. 34, January 2023

The Challenges of Combatting Extremist Financing in Germany

About the author:

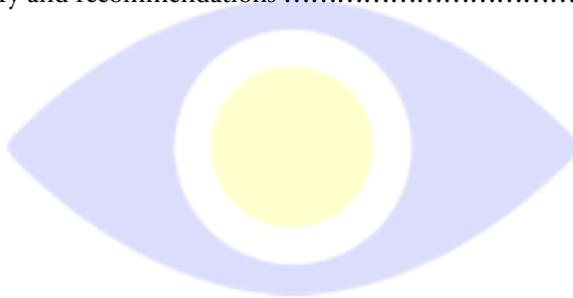
Dr. Hans-Jakob Schindler is a Senior Director at the Counter Extremism Project (CEP). An experienced diplomat, working in the Middle East and Europe, Dr. Schindler is an analyst with extensive experience in international affairs, sanctions policy, crisis management, government-private sector liaising, and geopolitical security. He specializes on the Gulf states, the Middle East, and Central Asian affairs

Cover image credit:

'Newsroom PGG II-Ukraine: Training to improve terrorist financing detection and investigation in Ukraine', 30 April 2021, [Council of Europe](#).

Contents Page

	<i>Page</i>
Introduction and Executive Summary	4
Challenge One: Legal Basis and Mechanisms to Combat the Financing of Terrorism, Violent Extremism, and Extremism in Germany	7
Challenge Two: Financial Transparency and Data Distribution	10
Challenge Three: Capacity, Coordination, and Investigative Priority	12
Illustrative Example: Lack of Information Concerning Financial Operations of Muslim Brotherhood-linked Entities in Germany	14
Summary and recommendations	17



European
Eye on
Radicalization

Introduction and Executive Summary

Terrorist and extremist organizations depend on finances to plan, prepare, and execute their activities. This is particularly the case when this relates to a hierarchically organized, geographically dispersed group that undertakes a range of activities and operations. Therefore, disruption of such an entity's financial income streams concentrates on a bottleneck that presents a weakness which can be exploited to hinder its activities and mitigate risks emanating from them. This requires a particular set of legal instruments and administrative structures that enable transparency and early detection if funds are used for malign purposes. Despite this being an obvious truism, there is a regular issue of terrorism financing, as well as the financing of violent extremism and extremism, not being addressed as a priority, but rather a sideline of investigations focusing on individual culpability for violent acts or wider operational activities.

Furthermore, it is of course important to tailor executive instruments designed to mitigate such risks according to the nature of the threat to safeguard against undue infringement of fundamental rights. However, if such safeguards are combined with a significant lack of overall financial transparency and a wide distribution of relevant data, the balance begins to tip significantly in favor of potential perpetrators and shielding their financial activities from necessary scrutiny. Consequently, a potential rebalancing should be contemplated.

An illustrative example in this regard is the current structure design to combat terrorism financing and mitigate risks of violent extremism and extremism in Germany, which will be the focus of this report. German efforts to mitigate these risks are currently encountering challenges in three distinct areas. First, the legal basis on which executive action in Germany is based has several safeguards built in that complicate investigative work. To pursue terrorism financing charges, an evidentiary link needs to be established between the specific funds in question and specific terrorist actions. Given that funds transferred to support terrorist activities are rarely clearly earmarked for a particular operation, this is a significant hurdle and likely explains the relatively low success rate of terrorism financing prosecutions in Germany. A mechanism comparable to the U.S. clause of "material support" that would allow the prosecution of funds sent for general support of a terrorist group does not exist in Germany. Furthermore, while violent extremism and extremism are not concepts enshrined in German criminal law, administrative practice defined in laws that govern German domestic intelligence authorities allow for intelligence gathering and analysis concerning individuals, associations, groups, networks, and organizations that are judged to be working actively to undermine the basic tenets of the democratic system in Germany. This is an advantage for German security authorities. In many other democratic systems, only a binary choice is possible: executive action is only allowed if individuals, associations, groups, networks, or organizations are officially classified as terrorist. However, as far as investigations into the financial activities of such extremist phenomena are concerned, the German mechanism distinguishes between violent and non-violent extremist tendencies. Structural investigations into the financial activities are only possible in cases of violent extremism. This means that although individuals, associations, groups, networks or organizations are judged as actively undermining the democratic order, as long as they are unconnected to violence, their financial activities are largely protected. A restructuring of these legal mechanisms could significantly increase investigative and prosecutorial opportunities.

The second challenge encountered in Germany relates to existing gaps in financial transparency, in particular as far as associations and non-profit entities are concerned. A difference with other countries, such as for example the United Kingdom or the United States, is that such organizations do not have to publicly disclose their

financial structures, income, or spending flows. Furthermore, due to the current administrative structures governing the non-government sector in Germany, data relating to such organizations is geographically dispersed and housed in several registries. With a new central registry, the German government plans to rectify this from 2024 onwards.

This registry will include basic data for such entities, including bank account numbers. However, this registry will not include financial information. This data will remain with the local tax authorities and therefore continues to be protected by tax secrecy. Furthermore, local authorities will report data to this registry and are solely responsible for data quality. This presents a quality management and capacity challenge. Therefore, the impact of this new central registry on the ability to monitor and disrupt funding for malign extremist activities remains to be seen.

The third challenge pertains to questions of capacity, coordination, and investigative priorities. Investigative capabilities within German security authorities tends to be a centralized function that is also responsible for investigating large-scale financial crimes. While extremist and violent extremist activities are dealt with through structures targeting so-called “politically motivated” crimes. Given that the malign financial activities of organized criminal groups are generally larger in scale, this presents a challenge for the allocation of investigative resources. Furthermore, local tax authorities, which have access to the financial information of extremist associations and non-profit entities can only begin an investigation on their own behalf if they have clear indications that tax fraud is committed. Both the new action plan of the federal government against Right-wing extremism, as well as the planned new federal authority for combating financial crime, could lead to a rebalancing in this respect. However, since investigations into the financial activities of extremist individuals, associations, groups, networks, and organizations requires significant expertise, including at the local level, greater cooperation and coordination between various authorities, rather than a further centralization of financial investigative capacities, may have a greater effect in this regard.

The near total absence of publicly available detailed information concerning the financial activities of Muslim Brotherhood networks in Germany is an illustrative example of these challenges. Mirroring their operations in other countries, the Muslim Brotherhood does not act openly in Germany and its members usually deny any connections to the global network, even if such connections are obvious. German security authorities classify these networks as “legalistic Islamism” to indicate that, while the underlying ideology clearly attempts to subvert the basic democratic and pluralist structure in Germany, its proponents are careful not to propagate violence or openly violate German law. This, in combination with the outlined challenges concerning financial transparency and investigative prioritization, means that structural investigations into the financial operations, including foreign funding of Muslim Brotherhood networks in Germany, are currently nearly impossible. Therefore, information about financial streams is only available via investigative media reports, which usually build on data obtained outside Germany, i.e. focusing on funds flowing towards these networks from abroad and not on the internal fund management of the relevant Muslim Brotherhood networks in Germany. This generates an incomplete picture of such activities and therefore presents a major hurdle for potential risk mitigation measures by German security authorities.

Therefore, this report presents a range of policy recommendations aimed at increasing the effectiveness of risk mitigation measures. In addition to contemplating a broadening of the legal basis for the fight against the financing of terrorism by also allowing the capturing of funds sent for general support of terrorist activities, it should be contemplated if the distinction between the administrative toolkits dealing with the financing of violent extremism and non-violent extremism should be maintained. Furthermore, while a central registry for

associations and nonprofit organizations in Germany is a positive development, the fact that their financial information remains within local tax authorities and is therefore protected by tax secrecy should be rectified, especially since alternative models have been successfully implemented in other countries that maintain a vibrant civil society. Finally, while the planned concentration of investigative capabilities will likely have positive effects for large-scale transnational investigations of financial crimes, closer cooperation and coordination between local, state and federal authorities that combine expertise on extremist operations with investigative capabilities specialized in financial crimes and tax violations will likely have a more significant effect in mitigating the risks emanating from the financing of violent extremism and non-violent extremism in Germany.



Challenge One: Legal Basis and Mechanisms to Combat the Financing of Terrorism, Violent Extremism, and Extremism in Germany

The financing of terrorism is criminalized in Germany. § 89c of the German criminal code (StGB) links the collection of assets to a range of criminal acts, such as murder, the illegal procurement of weapons, etc. and states that this is to be considered financing of terrorism if the criminal act:

“is intended to intimidate the population in a significant manner, to unlawfully coerce an authority or an international organization with violence or threats of violence or to significantly impair or eliminate the basic political, constitutional, economic or social structures of a state or an international organization and, through the nature of the commission of the respective act or its effects, may significantly damage a state or an international organization.”¹

This linking of a range of very specific acts with this implicit definition of terrorism,² erects high investigative hurdles. Not only do investigators having to link the funds raised to very specific acts, these acts need to also fulfill the criteria outlined in the definition of terrorism. Interestingly, § 89c StGB does not refer to §129a StGB which criminalizes the formation of a terrorist group or §129b StGB, which refers to the support for a foreign terrorist group. In turn neither of these paragraphs refer to § 89c. Therefore, the very powerful tool of “material support”, as used in U.S. law,³ is not available in German criminal law.

Furthermore, establishing a direct link between specific funds and a specific terrorist act is a very high hurdle for investigators as funds provided to a terrorist group are seldomly clearly marked or dedicated for specific operational acts. Given the challenges in establishing sufficient evidence in this regard means that the respective act must have been committed or the planning of the act must have been sufficiently progressed in order to allow for the link to be established. Consequently, the current provisions in German criminal law are mostly a reactive, punitive tool, and their use as a preventative measure for early intervention is limited. It is no surprise that the total number of convictions for terrorism financing both at the state and at the federal level in Germany between 2015 to 2017 is only forty-four.⁴ Given the size of the German economy, the fact that this statistic refers to period in which the so-called Islamic State (ISIS) was particularly active in Syria and Iraq and that during this period a

¹ § 89c, Abs. 1 StGB (translation by the author), https://www.gesetze-im-internet.de/stgb/_89c.html

² This definition is also included in the norm that criminalizes the formation of a terrorist group, see §129a StGB, https://www.gesetze-im-internet.de/stgb/_129a.html

³ 18 U.S. Code § 2339A and § 2339B, <https://www.law.cornell.edu/uscode/text/18/2339A> and <https://www.law.cornell.edu/uscode/text/18/2339B>

⁴ Financial Action Task Force (FATF), Anti-money laundering and counter-terrorist financing measures Germany. Mutual Evaluation Report, August 2022, page 107, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Germany-2022.pdf>

significant number of individuals from Germany⁵ traveled to Syria and Iraq and joined ISIS,⁶ this number seems very low. This seems to reflect the challenges that prosecutors in Germany encounter when attempting to establish that funds were indeed used for the financing of terrorism.

The terms “violent extremism“ and “extremism” are not concepts defined in the StGB. However, Germany has established a framework that allows German security authorities to deal with such phenomena. As regulated in the law governing the Federal Office for the Protection of the Constitution (BfV), key to this mechanism is a determination whether a phenomenon is actively undermining the basic democratic tenets (*freiheitlich demokratische Grundordnung*, FDGO) of the German constitution (*Grundgesetz*).⁷ If individuals, an association, a group, network or organization are determined to be active in this manner, the German security authorities on the federal as well as the state level will collect and analyze information concerning their activities. The annual public reports of the BfV and its counterparts in the federal states (LfVs) include a list of associations, groups, networks and organizations that currently fall within this category and are under active observation.⁸ If sufficient evidence of harmful activities of an association, group or network is collected that confirms that it actively works to undermine the FDGO, the federal ministry of interior or a ministry of interior of a federal state can either dissolve the association, group, network or organization if it is based in Germany (*Vereinsverbot*) or ban some or all of its activities in Germany if it is a foreign based entity (*Betätigungsverbot*).⁹

As far as the collection and analysis of information concerning the financial activities are concerned, the current legal mechanisms guiding the work of the German security authorities makes a distinction between violent extremist and extremist phenomena. The BfV¹⁰ has the ability to conduct systematic investigations into the financial activities if individuals, associations, groups, networks or organizations are either preparing a violent act, causing, using, propagating or supporting violence,¹¹ or if they encourage hatred against a segment of society, or attack the fundamental dignity of individuals (*Menschenwürde*).¹² In these cases the BfV can request financial and account information from financial institutions.¹³ Only if there is there reasonable suspicious that there is a

⁵ In total around 1150 individuals, see: Sofia Koller, Prosecution of German Women Returning from Syria and Iraq. Insights and Recommendations for Policymakers and Security Agencies, CEP Policy Paper, August 2022, https://www.counterextremism.com/sites/default/files/2022-08/CEP%20Policy%20Paper_Prosecution%20of%20German%20Women%20Returning%20from%20Syria%20and%20Iraq_August%202022_final.pdf

⁶ To a certain extent, this situation is reflected in the number of investigations concerning terrorism financing in Germany during this period. Between 2015 and 2017 both on the federal as well as the state level, 681 investigations into terrorism financing cases were initiated, 530 of these were closed and 107 cases were referred to other authorities for other actions, see: Financial Action Task Force (FATF), Anti-money laundering and counter-terrorist financing measures Germany. Mutual Evaluation Report, August 2022, page 107, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Germany-2022.pdf>

⁷ §3 Abs. 1 BVerfSchG, https://www.gesetze-im-internet.de/bverfschg/___3.html

Similar provisions are included in the laws that govern the work of the State Offices for the Protection of the Constitution (LfV) in the 16 federal states of Germany. In some cases, the provisions in these laws simply refer to §3 of the BVerfSchG, see for example the law governing the State Office for the Protection of the Constitution of Bavaria: <https://www.gesetze-bayern.de/Content/Document/BayVSG/true>

⁸ For the most recent public report of the BfV see:

https://www.bmi.bund.de/SharedDocs/downloads/DE/publikationen/themen/sicherheit/vsb-2021-gesamt.pdf?__blob=publicationFile&v=6

⁹ See: Wissenschaftlicher Dienst Deutscher Bundestag, Kurzinformation. Unterschied zwischen „Organisationsverbot“ und „Betätigungsverbot“ im Vereinsgesetz, 2019, <https://www.bundestag.de/resource/blob/683666/29d93a04bc31a7fd2ffea2b2d7f8971d/WD-3-295-19-pdf-data.pdf>

¹⁰ For clarity the remainder of the text will only refer to the BfV, similar provisions apply to the various LfVs as well.

¹¹ §8a Abs. 1, Satz 2, 2, BVerfSchG, https://www.gesetze-im-internet.de/bverfschg/___8a.html

¹² §8a Abs. 1, Satz 2, 1, BVerfSchG, https://www.gesetze-im-internet.de/bverfschg/___8a.html

¹³ §8a Abs. 1, 2 BVerfSchG, https://www.gesetze-im-internet.de/bverfschg/___8a.html

great risk of a violation of the FDGO, the BfV is mandated to request information from the Federal Central Tax Office.¹⁴

However, if individuals, a group, a network, or an organization is deemed extremist without a connection to violence, the BfV is not allowed to obtain information from the financial industry. This means, although there is a reasonable suspicion that the activities of such individuals, associations, groups, networks, or organizations are undermining the FDGO, the collection of information concerning their financial activities is restricted to either open-source information or information obtained from human sources. This constitutes a significant restriction on the ability of German security authorities to monitor the financial operations of extremist but non-violent individuals, associations, groups, networks, or organizations. Therefore, the availability of reliable open-source register and financial information is crucial for the work of the German authorities. However, here, too, the current situation presents significant challenges.



¹⁴ §8a Abs. 2 BVerfSchG, https://www.gesetze-im-internet.de/bverfschg/___8a.html

Challenge Two: Financial Transparency and Data Distribution

Although financial transparency has been improving in Germany over the past few years, significant operational challenges remain when investigating the financial activities of violent extremist and extremist individuals, associations, groups, or organizations in Germany. For example, currently there is no general obligation to disclose financial information when an association receives support from foreign donors. This is also the case when the respective association is organized as a tax-exempt non-profit limited liability company (gGmbH). Such information is only required to be disclosed to its members and to the local tax office in the location where the association is registered.¹⁵ At the tax office, this information is protected by tax secrecy,¹⁶ and the tax office is only allowed to disclose this information under a very restrictive set of circumstances, for example if there is reasonable suspicion of tax fraud or if the association agrees or if it is required as part of a criminal investigation.¹⁷

This presents a particular challenge when funds originate from ostensibly legal sources, such as for example donations, including donations from abroad, but are used for ostensibly non-violent extremist activities in Germany. In such cases, although the financial information is with a government authority, the local tax office, it is not legal to disclose it to the security authorities. Since local tax authorities neither have the necessary capacity nor capability nor the legal mandate to launch specialized investigations against ostensibly non-violent extremist groups in Germany unless there is a clear indication of tax fraud, these legal provisions effectively shield the financial activities of non-violent extremist individuals, associations, groups, networks, and organizations from scrutiny, even if they are deemed to be a threat to the FDGO.

That such a protection is not a necessary provision to maintain a vibrant civil society is demonstrated by looking at similar cases in other countries. Here the tax-exempt status of associations is connected to wide ranging disclosure obligations. In the United Kingdom, for example, the Charity Commission for England and Wales registers and regulates all charities,¹⁸ while the Scottish Charity Regulator (OSCR) fulfills the same function for Scotland.¹⁹ As a consequence, at least basic financial information in the form of annual financial statements is available for all charities operating in the United Kingdom.²⁰ In the United States, tax-exempt non-profit organizations (status as a 501(c)(3) organization) have wide ranging financial disclosure obligations.²¹ In both countries, this also means that basic registry information for all tax-exempt associations is available at a central node, something that is currently not the case in Germany.

¹⁵ See for example: Wissenschaftliche Dienste Deutscher Bundestag, Kurzinformation. Offenlegungspflichten bei gemeinnützigen Stiftungen des bürgerlichen Rechts. WD 7 - 3000 – 138/17 (23.10.2017),

<https://www.bundestag.de/resource/blob/533248/0295b44f82801eb47c836f537d5a16bb/WD-7-138-17-pdf-data.pdf>

¹⁶ § 30 AO, [https://www.gesetze-im-](https://www.gesetze-im-internet.de/ao_1977/_30.html#:~:text=Zur%20Wahrung%20des%20Steuergeheimnisses%20kann,von%20Daten%20zu%20treffen%20sind.)

[internet.de/ao_1977/_30.html#:~:text=Zur%20Wahrung%20des%20Steuergeheimnisses%20kann,von%20Daten%20zu%20treffen%20sind.](https://www.gesetze-im-internet.de/ao_1977/_30.html#:~:text=Zur%20Wahrung%20des%20Steuergeheimnisses%20kann,von%20Daten%20zu%20treffen%20sind.)

¹⁷ §30, Abs 3, 3 and 4 AO, [https://www.gesetze-im-](https://www.gesetze-im-internet.de/ao_1977/_30.html#:~:text=Zur%20Wahrung%20des%20Steuergeheimnisses%20kann,von%20Daten%20zu%20treffen%20sind.)

[internet.de/ao_1977/_30.html#:~:text=Zur%20Wahrung%20des%20Steuergeheimnisses%20kann,von%20Daten%20zu%20treffen%20sind.](https://www.gesetze-im-internet.de/ao_1977/_30.html#:~:text=Zur%20Wahrung%20des%20Steuergeheimnisses%20kann,von%20Daten%20zu%20treffen%20sind.)

¹⁸ See: <https://www.gov.uk/government/organisations/charity-commission>

¹⁹ See: <https://www.oscr.org.uk/>

²⁰ For the full list of all charities registered with the Charity Commission for England and Wales see here: <https://register-of-charities.charitycommission.gov.uk/charity-search/-/results/page/1/delta/20>

For the search window of all charities registered with the OSCR see here: <https://www.oscr.org.uk/search/register-search?Keyword=&charityNumberSimpleSearch=false>

²¹ See: Internal Revenue Service, Exempt Organization Public Disclosure and Availability Requirements, <https://www.irs.gov/charities-non-profits/exempt-organization-public-disclosure-and-availability-requirements>

The current legal obligations in Germany require associations (*eingetragener Verein*) only to register with their local district court.²² This means that information is distributed over a large number or separate registries in significant number of locations all over Germany. If an association is organized as a gGmbH, a registration is required at the official registry.²³ However, crucially this does not necessarily include financial information. Therefore, data, while available, is distributed both geographically as well as over several registries. This presents a significant operational hurdle for financial investigations, in particular as far as it concerns distributed extremist networks that have registered several associations or gGmbHs in multiple locations in Germany.

To ameliorate this problem and create increased transparency, the German government is planning to introduce a new central registry, the *Zuwendungsempfängerregister*, managed by the Federal Central Tax Office.²⁴ This new registry will at least require the central publication of the basic data of tax-exempt charitable entities in Germany, such as for example, name, purpose, registration number, bank account, etc. The data in the registry will be checked against the list of extremist organizations that the BfV and the LfVs are monitoring.²⁵

This new registry will solve two problems. It will centralize the data concerning tax-exempt associations and gGmbHs in Germany, and it will make this basic data publicly available as they are no longer covered by tax secrecy provisions.²⁶ This will facilitate the mapping of extremist groups that are based on a distributed network of associations and gGmbHs. However, the registry will not include any information concerning the financial activities of associations and gGmbHs, nor will it have annual financial statements or information about foreign donations. Furthermore, data management and quality control will remain with the respective local tax authorities as these will transfer the registry data as well as all changes to the central register.²⁷ Given that local tax authorities are unlikely to have sufficient capacity to double check registry data of all tax-exempt associations and gGmbHs within their jurisdiction, it remains to be seen how impactful this new central registry will be for financial investigations concerning extremist phenomena in Germany.²⁸

²² § 21 BGB, https://www.gesetze-im-internet.de/bgb/_21.html

²³ See: https://www.handelsregister.de/rp_web/welcome.xhtml

²⁴ See Artikel 21 and 28 Jahressteuergesetz 2020,

https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2020-12-28-JStG-2020/4-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2

²⁵ Artikel 21 d) Jahressteuergesetz 2020,

https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2020-12-28-JStG-2020/4-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2

²⁶ Artikel 28, Abs. 4 Jahressteuergesetz 2020,

https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2020-12-28-JStG-2020/4-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2

²⁷ Artikel 28, Abs. 3 Jahressteuergesetz 2020,

https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2020-12-28-JStG-2020/4-Verkuendetes-Gesetz.pdf?__blob=publicationFile&v=2

²⁸ Developing better solutions for additional challenges concerning financial transparency in Germany, such as the still not implemented federal register for real estate property (Datenbankgrundbuch), decided in 2013 but planned to be fully implemented only in 2024 (see f.ex.: Matthias Drost, Einführung des „Datenbankgrundbuchs“ verzögert sich um mehrere Jahre, Handelsblatt, 5 February 2020, <https://www.handelsblatt.com/politik/deutschland/immobilienregister-einfuehrung-des-datenbankgrundbuchs-verzoegert-sich-um-mehrere-jahre/25503960.html>), the challenges of data quality and accuracy of the federal registry of beneficial ownership (Transparenzregister) (see f.ex.: Tilman Schultheiß, Transparenzprobleme im Transparenzregister, FCH Gruppe, 22 March 2021, <https://www.fch-gruppe.de/Beitrag.aspx?ID=18126>), or deciding a limit for hard cash transactions in Germany (see f.ex.: Tagesschau, Faeser will Bargeldzahlungen begrenzen, 13 November 2022, <https://www.tagesschau.de/inland/jinnenpolitik/baergeld-limit-faeser-101.html>) would also be beneficial for the investigations into the financial activities of extremist individuals, associations, groups, networks and organizations. However, a detailed discussions of these issues would go beyond the focus of this short article.

Challenge Three: Capacity, Coordination, and Investigative Priority

Capacity, coordination, and investigative prioritization are additional challenges when mitigating the risks emanating from the financing of violent extremism and extremism in Germany. Investigative capacities within law enforcement are generally divided along the respective category of crime, for example acts that are classified as “politically motivated” crimes constitute one category.²⁹ Capacities for financial investigations are primarily located at different levels that deal with financial criminality, such as organized crime. Therefore, expertise concerning the operations of a violent extremist, or an extremist group is not always augmented with expertise in financial investigations. In addition to the various legal mandates when dealing with collecting information concerning the financial activities of violent extremists versus non-violent extremists outlined above, a similar division seems to exist within the BfV. Finally, since capacities for financial investigations are also used in the fight against organized crime, which is a substantial problem in Germany,³⁰ prioritizing financial investigations towards violent extremist and non-violent extremist organizations is a challenge. Therefore, the Counter Extremism Project (CEP) as part of its work analyzing the financial networks of violence-oriented Right-wing extremist networks in Germany has called for greater structural cooperation between the various authorities on the local, state and federal level.³¹

As far as Right-wing extremism is concerned, this situation may change. In March 2022, the Federal Ministry of Interior published a new action plan outlining how it intends to counter violent Right-wing extremism in Germany. A central issue in this action plan is the disruption of the financial structures of Right-wing extremist networks in Germany. The plan announces that the BfV will significantly widen its activities concerning intelligence collection and analysis targeting the financial activities of Right-wing extremist networks in

²⁹ For a current overview of criminal acts in Germany that have been officially classified as “politically motivated see: Bundesministerium des Inneren und für Heimat, Bundeskriminalamt, Politisch motivierte Kriminalität im Jahr 2021. Bundesweite Fallzahlen, 10 May 2022, https://www.bmi.bund.de/SharedDocs/downloads/DE/veroeffentlichungen/nachrichten/2022/pmk2021-factsheets.pdf?__blob=publicationFile&v=2

However, it is important to understand that a significant segment of politically motivated crimes in Germany are incidents when illegal symbols were publicly displayed (13.832 incidents in 2021). It is illegal to display symbols of extremist and terrorist organizations that have been declared illegal or officially dissolved due to their activities against the constitutional order in Germany, § 86a StGB in combination with § 86 StGB, https://www.gesetze-im-internet.de/stgb/_86a.html, https://www.gesetze-im-internet.de/stgb/_86.html This also relates for example also to the display of tattoos of such symbols.

³⁰ For a current but very general overview of this phenomenon see: Bundeskriminalamt, Bundeslagebild Organisierte Kriminalität 2021, 21 September 2022, <https://www.bka.de/SharedDocs/Downloads/DE/Publikationen/JahresberichteUndLagebilder/OrganisierteKriminalitaet/organisierteKriminalitaetBundeslagebild2021.html?nn=27988>

³¹ Alexander Ritzmann, Hans-Jakob Schindler, Thorsten Hindrichs and Maximilian Kreter, Financing patterns and networks of violence-oriented Right-wing extremist actors in Germany, CEP Report, September 2021, https://www.counterextremism.com/sites/default/files/2021-09/CEP%20Report_Financing%20patterns%20and%20networks%20of%20violence-oriented%20Right-wing%20extremist%20actors%20in%20Germany_Sept%202021.pdf

Germany.³² This could serve as a blueprint and lessons learned could be implemented when countering the financial activities of other extremist networks in the future.

Furthermore, in August 2022, as a reaction to the latest Financial Action Task Force (FATF) mutual evaluation report for Germany,³³ the Ministry of Finance published a summary document of the actions the federal government intends to take.³⁴ A key aspect is the plan to form a new federal authority for combatting financial crime. This new authority will combine the financial investigative capacities currently located at the federal criminal police with the investigative and analytical capabilities, and capacities of the financial intelligence unit (FIU) of Germany. It will also include a coordination authority for the regulatory bodies for the non-financial sector,³⁵ which are regulated at the level of the federal states. This new federal authority, which is the first of its kind, is aimed at increasing and deepening financial investigation capabilities in Germany. However, while this will likely have positive effects on large-scale, transnational money laundering or sanctions evasion operations, its impact on the fight against terrorism and extremism financing in Germany remains to be seen. Given that financial activities of extremist associations, groups, networks, and organizations, are comparatively small, when compared to those of transnational criminal organizations,³⁶ are regularly fueled by funds generated through ostensibly legal sources, and successful investigations also require a detailed understanding of the internal operations of such extremist structures, it is doubtful that this new federal super structure will have a significant impact in this regard.

³² Bundesministerium des Innern und für Heimat, Aktionsplan gegen Rechtsextremismus, March 2022, https://www.bmi.bund.de/SharedDocs/downloads/DE/veroeffentlichungen/2022/aktionsplan-rechtsextremismus.pdf?__blob=publicationFile&v=3

³³ Financial Action Task Force (FATF), Anti-money laundering and counter-terrorist financing measures Germany. Mutual Evaluation Report, August 2022, page 107, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Germany-2022.pdf>

³⁴ Bundesfinanzministerium, Eine schlagkräftigere Bekämpfung von Finanzkriminalität und effektivere Sanktionsdurchsetzung in Deutschland, 23 August 2022, https://www.bundesfinanzministerium.de/Content/DE/Downloads/Internationales-Finanzmarkt/Geldwaesche/eckpunkte-schlagkraeftigere-bekaempfung-von-finanzkriminalitaet.pdf?__blob=publicationFile&v=7

³⁵ These are non-financial businesses and professions that play a particularly important role in combatting money laundering and terrorism financing and are therefore obligated to report suspicious financial transactions. For a list of the categories of businesses and professions that fall within this category see: Financial Action Task Force (FATF), International standards on combatting money laundering and the financing of terrorism & proliferation. The FATF Recommendations, March 2022, page 122, <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

³⁶ With few exceptions such as for example the global money laundering operations of Hezbollah, see f.ex.: Matthew Levitt, Hezbollah. The Global Footprint of Lebanon's Party of God, Georgetown University Press, 2015, <http://press.georgetown.edu/book/georgetown/hezbollah>

Illustrative Example: Lack of Information Concerning Financial Operations of Muslim Brotherhood-linked Entities in Germany

Networks linked to the Muslim Brotherhood (MB) have been operating in Germany since the 1960s and the MB maintains a wide network of associations and mosques in the country.³⁷ Due to the organization's traditional modus operandi, the respective entities in Germany do not openly acknowledge their connections to the MB. There is an ongoing and very lively debate on which networks can be considered as part of the MB and which networks are not. For example, the "Islamische Gemeinschaft Deutschland" (IGD),³⁸ renamed in 2018 to "Deutsche Muslimische Gemeinschaft" (DMG),³⁹ was one of the founding organizations of the Federation of Islamic Organizations in Europe (FIOE). FIOE, currently named Council of European Muslims (CEM),⁴⁰ was founded by the MB in 1989,⁴¹ and is considered one of the central structures of MB activities in Europe.⁴² Nevertheless, despite this obvious connection, the DMG attempted to force the removal of its name from the public reports of the BfV via a court ruling, disputing that it had connections to the MB, but withdrew from the court case in 2021.⁴³ Therefore, a clear identification of all elements of the network of the MB in Germany remains a challenge, including for the security authorities. This results in a diverse picture as far as estimates of the size of the MB in Germany is concerned. One rough guideline is the annual public report of the BfV. In its recent report, the BfV counts around 400 active members of DMG⁴⁴ and estimates an overall milieu of members and sympathizers in Germany at about 1,450 individuals.⁴⁵

³⁷ See f.ex.: Rita Breuer, Die Muslimbruderschaft in Deutschland, Bundeszentrale für Politische Bildung, 2 May 2019, <https://www.bpb.de/themen/islamismus/dossier-islamismus/290422/die-muslimbruderschaft-in-deutschland/>

³⁸ In 2024 the United Arab Emirates included the IGD on its list of terrorist groups, see: Emirates News Agency WAM, UAE Cabinet approves list of designated terrorist organisations, groups, 16 November 2014, <http://wam.ae/en/details/1395272478814> The publication of this list drew some criticism from a range of countries, see f.ex.: Adam Taylor, Why the U.A.E. is calling 2 American groups terrorists, Washington Post, 17 November 2014, <https://www.washingtonpost.com/news/worldviews/wp/2014/11/17/why-the-u-a-e-is-calling-2-american-groups-terrorists/>

³⁹ Niedersächsisches Ministerium für Inneres und Sport, Verfassungsschutz, Verfassungsschutzbericht 2021, page 245, <https://www.mi.niedersachsen.de/startseite/aktuelles/presseinformationen/niedersaechsischer-verfassungsschutzbericht-2021-potenzial-im-rechtsextremismus-leicht-rucklaufig-im-linksextremismus-und-islamismus-weitgehend-konstant-212571.html>

⁴⁰ Ministerium des Innern, Verfassungsschutzbericht des Landes Nordrhein-Westfalen über das Jahr 2021, page 242, https://www.im.nrw/system/files/media/document/file/vs_bericht_nrw_2021.pdf

⁴¹ House of Commons, Muslim Brotherhood Review: Main Findings, 17 December 2015, para 31, https://web.archive.org/web/20180122132105/https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/486932/Muslim_Brotherhood_Review_Main_Findings.pdf

⁴² Viktor Szucs, CEE activities of the Muslim Brotherhood. Mapping the Ikhwan's presence in the region. GLOBSEC and CEP Report, May 2020, page 7, <https://www.globsec.org/sites/default/files/2020-05/CEE-Activities-of-the-Muslim-Brotherhood-Mapping-the-Ikhwan-Presence-in-the-Region.pdf>

⁴³ Der Senator für Inneres Bremen, Verfassungsschutzbericht 2021, page 94, [file:///Users/hans-jakobschindler/Downloads/Verfassungsschutzbericht%202021_V8%20\(1\).pdf](file:///Users/hans-jakobschindler/Downloads/Verfassungsschutzbericht%202021_V8%20(1).pdf)

⁴⁴ Bundesministerium des Innern und für Heimat, Verfassungsschutzbericht 2021, page 223, https://www.bmi.bund.de/SharedDocs/downloads/DE/publikationen/themen/sicherheit/vsb-2021-gesamt.pdf?__blob=publicationFile&v=4

⁴⁵ Bundesministerium des Innern und für Heimat, Verfassungsschutzbericht 2021, page 181, https://www.bmi.bund.de/SharedDocs/downloads/DE/publikationen/themen/sicherheit/vsb-2021-gesamt.pdf?__blob=publicationFile&v=4

These networks are characterized by the German security authorities as belonging to the “legalistic Islamist” strand.⁴⁶ This denotes the difference between networks that promote and use violence, such as, for example, Al-Qaeda, and extremist networks, that, while actively working towards undermining the FDGO, do not openly propagate or use violence.⁴⁷ However, it is important to note that when analyzed on a global level, the renunciation of violence by the MB networks is tactical not strategic. While in some countries, such as Germany, these networks are not propagating violence, in others, the use of violence is seen as justified by the MB networks.⁴⁸

Given the three basic challenges outlined above that German security authorities face when investigating the financial activities of extremist networks that do not use or propagate violence in combination with the overall opaqueness of the operations of the MB networks in Germany, it is not surprising that detailed information concerning their financial information is not available.

The LfV Baden Württemberg outlines in its current report:

“Through the recognition as charitable associations and through obtaining public funding the Muslim Brotherhood spectrum aims to veil its finances [...] This is augmented through a network of foreign donations that is difficult to comprehend for external observers. Particularly effective are European-wide projects financed by donors from the Gulf region. In addition, real estate companies, led by Muslim Brotherhood stakeholders, are likely also part of the network’s financing.”⁴⁹

More detailed information concerning the financial operations of the MB stakeholders in Germany is only available through investigative media reporting. For example, in 2021, an investigative report was published that analyzed the purchase of real estate in Berlin by Europe Trust.⁵⁰ This charity is based in the United Kingdom,⁵¹ and has been linked to the MB networks.⁵² Interestingly, the report outlined the financial activities of this charity in Germany, including the price the organization paid for the real estate in Berlin. In part, this reporting seems to have been possible since Europe Trust is required to publish information concerning its finances, such as annual financial statements, in the United Kingdom.⁵³ Comparable financial information for a charity based in

⁴⁶ Bundesministerium des Innern und für Heimat, Verfassungsschutzbericht 2021, page 197,

https://www.bmi.bund.de/SharedDocs/downloads/DE/publikationen/themen/sicherheit/vsb-2021-gesamt.pdf?__blob=publicationFile&v=4

⁴⁷ Thomas Schmidinger, "Legalistischer Islamismus" als Herausforderung für die Prävention, Bundeszentrale für Politische Bildung, 17

December 2020, <https://www.bpb.de/themen/infodienst/322922/legalistischer-islamismus-als-herausforderung-fuer-die-praevention/>

⁴⁸ United States Congress House of Representatives, Subcommittee on National Security, The Muslim Brotherhoods Global Threat,

Hearing 11 July 2018, <https://www.govinfo.gov/content/pkg/CHRG-115hhrg31367/html/CHRG-115hhrg31367.htm>

⁴⁹ Ministerium des Innern für Digitalisierung und Kommunen, Verfassungsschutzbericht 2021, page 125, (translation by the author),

<https://www.verfassungsschutz-bw.de/site/pbs-bw-lfv->

[root/get/documents_E467342853/IV.Dachmandant/LfV_Datenquelle_neu/Publikationen/Jahresberichte/Verfassungsschutzbericht%20Baden-Wuerttemberg%202021.pdf](https://www.verfassungsschutz-bw.de/site/pbs-bw-lfv-root/get/documents_E467342853/IV.Dachmandant/LfV_Datenquelle_neu/Publikationen/Jahresberichte/Verfassungsschutzbericht%20Baden-Wuerttemberg%202021.pdf)

⁵⁰ Dirk Banse, Martin Lutz, Uwe Müller, Ein Islamistenzentrum in Berlin – finanziert mit Geld aus England, Welt am Sonntag, 11

December 2021, <https://www.welt.de/politik/deutschland/article235585220/Islamistenzentrum-in-Berlin-mit-Geld-aus-England.html>

⁵¹ Here is the entry for Europe Trust in the database of the Charity Commission for England and Wales: <https://register-of-charities.charitycommission.gov.uk/charity-search/-/charity-details/4007138/charity-overview>

⁵² Lorenzo Vidino, Sergio Altuna, The Muslim Brotherhood’s Pan-European Structure, Dokumentationsstelle Politischer Islam, Study

Report 2/2022, page 109f., https://www.dokumentationsstelle.at/wp-content/uploads/2021/10/Report_EU_Strukturen_final.pdf

House of Commons Foreign Affairs Committee, July 2021 Sovereignty for sale: the FCDO’s role in protecting strategic British asset, Third

Report of Session 2021–22, 6 July 2021, Written evidence submitted by Mr Steven Merley (BFA0007),

<https://committees.parliament.uk/writtenevidence/6578/html/>

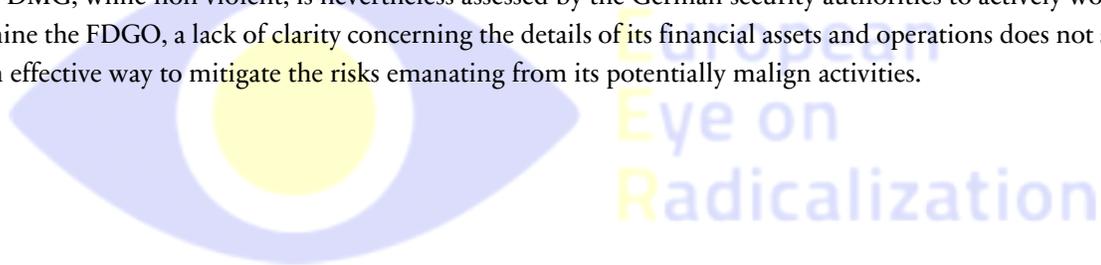
⁵³ Here is the current annual financial statement for Europe Trust at the website of the Charity Commission for England and Wales:

<https://register-of-charities.charitycommission.gov.uk/charity-search/-/charity-details/4007138/charity-overview>. Hier der aktuelle öffentliche

Germany would not be available to journalists as this information would be protected by tax secrecy (see above). Interestingly, this media report triggered a detailed official question in the federal parliament of Germany (*Bundestag*) to the federal government. In its response, the federal government confirmed the connection between Europe Trust and the MB,⁵⁴ but made no concrete statements about the financial operations of the MB networks in Germany and reiterated the legal limitations that the German security authorities operate under when investigating the financial operations of non-violent extremist networks in the country.⁵⁵

This obvious gap in available information concerning the financial operations of MB-linked entities in Germany is concerning, in particular since the BfV in its recent annual report explains, for example, that the DMG alone “maintains its own mosques and community centers and, according to its own statements, also coordinates its activities with more than 100 other Islamic communities throughout Germany.”⁵⁶

This indicates that the financial assets that DMG can obtain, manage, and expend are likely substantial. Given that the DMG, while non-violent, is nevertheless assessed by the German security authorities to actively work to undermine the FDGO, a lack of clarity concerning the details of its financial assets and operations does not seem to be an effective way to mitigate the risks emanating from its potentially malign activities.



Jahresbericht von „Europe Trust“: https://register-of-charities.charitycommission.gov.uk/charity-search?p_p_id=uk_gov_ccew_onereg_charitydetails_web_portlet_CharityDetailsPortlet&p_p_lifecycle=2&p_p_state=maximized&p_p_mode=view&p_p_resource_id=%2Faccounts-resource&p_p_cacheability=cacheLevelPage&_uk_gov_ccew_onereg_charitydetails_web_portlet_CharityDetailsPortlet_objectiveId=A12315501&_uk_gov_ccew_onereg_charitydetails_web_portlet_CharityDetailsPortlet_priv_r_p_mvcRenderCommandName=%2Faccounts-and-annual-returns&_uk_gov_ccew_onereg_charitydetails_web_portlet_CharityDetailsPortlet_priv_r_p_organisationNumber=4007138

⁵⁴ Antwort der Bundesregierung auf die Kleine Anfrage der Fraktion der CDU/CSU, Drucksache 20/1962, Die Ausbreitung des legalistischen Islamismus in Deutschland und seine Finanzierung aus dem Ausland, Drucksache 20/2224, 8 June 2022, page 1, <https://dserver.bundestag.de/btd/20/022/2002224.pdf>

⁵⁵ Antwort der Bundesregierung auf die Kleine Anfrage der Fraktion der CDU/CSU, Drucksache 20/1962, Die Ausbreitung des legalistischen Islamismus in Deutschland und seine Finanzierung aus dem Ausland, Drucksache 20/2224, 8 June 2022, page 3, <https://dserver.bundestag.de/btd/20/022/2002224.pdf>

⁵⁶ Bundesministerium des Innern und für Heimat, Verfassungsschutzbericht 2021, page 223, (translation by the author), https://www.bmi.bund.de/SharedDocs/downloads/DE/publikationen/themen/sicherheit/vsb-2021-gesamt.pdf?__blob=publicationFile&v=4

Summary and recommendations

This report has outlined the current mechanisms set up in Germany to mitigate the risks emanating from the financing of terrorism, violent extremism, and non-violent extremism. These mechanisms present three basic challenges for investigators:

- a) a restrictive legal basis and significant administrative limits on the ability of the security authorities to collect and analyze information concerning the financial operations of extremist entities in Germany;
- b) gaps in financial transparency and a wide distribution of relevant data, that shields the financial operations in particular of non-violent extremist entities in Germany from scrutiny; and
- c) administrative and investigative silos and competing investigative priorities.

As the example of the MB-linked entities in Germany demonstrated, these challenges result in a lack of available information concerning the underlying financial structures of extremist entities, even if these are likely to control substantial assets, as is likely the case with DMG.

Therefore, this report presents the following policy recommendations:

Explore options to adjust the current legal and administrative mechanisms

The current legal provisions concerning terrorism financing seem overly restrictive. They demand an evidentiary connection between specific funds and particular terrorist actions and therefore do not capture funds that are sent to terrorist entities without being clearly earmarked for a particular terrorist operation. As a result, prosecutorial success is very limited, even at times of heightened terrorist activity in Germany, as was the case between 2015 to 2017, for which data is publicly available.⁵⁷ Therefore, a legislative adjustment should be contemplated that also allows for the prosecution of individuals and entities that transfer funds to entities that are officially classified as terrorist without these funds being clearly connected to a particular terrorist operation.

Furthermore, the distinction in the legal mandate of domestic intelligence authorities between the ability to conduct structured financial investigations into the operations of violent extremist entities and the lack of such a mandate as far as non-violent extremist entities are concerned seems overly protective. If an entity is officially deemed to undermine FDGO, the ability to fully understand its financial operations, which are the basis for its activities, is crucial. Therefore, it should be discussed whether this distinction should be maintained, or adjustments are required.

Increase financial transparency concerning associations and non-profit entities in Germany and establish centralized access to relevant data

The planned central registry (*Zuwendungsempfängerregister*), when implemented in 2024, presents progress towards greater transparency concerning associations and non-profit entities in Germany. The centralization and public availability of basic data will be helpful to better understand entities that maintain a distributed network of associations and non-profit entities in Germany. However, the currently envisaged registry will not include

⁵⁷ See: Financial Action Task Force (FATF), Anti-money laundering and counter-terrorist financing measures Germany. Mutual Evaluation Report, August 2022, page 107, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Germany-2022.pdf>

data concerning financial assets of these entities. This will remain with the local tax authorities and protected by tax secrecy. Since alternative models exist, for example in the United Kingdom or the United States, it should be examined whether entities in the registry could be required to also disclose at least basic financial data, such as annual financial statements. This would not only allow a better understanding of the overall size of the assets that these entities manage but also highlight financial flows that may be of particular interest, such as for example foreign donations to extremist entities in Germany. Furthermore, since data quality management will remain at the local level, appropriate capacities and procedures should be established to ensure that the data in the central registry remains complete and current.

Establish more cooperation and coordination to allow targeted prioritization

The envisaged new federal authority to combat financial crime will combine various functions capacities and capabilities that are central to combating, in particular, large-scale transnational financial crime. However, extremist operations are also local and identifying the relevant financial structures of extremist entities in Germany requires not only expertise in the operational functionalities and ideological background of these entities but also investigative capabilities, including access to relevant tax records. Such coordination structures between various authorities and across the local, state, and federal level are possible and regularly practiced during law enforcement operations that f.ex. target organized crime in Germany (*Besondere Aufbauorganisation*, BAO⁵⁸).

Therefore, it should be contemplated to establish, where appropriate, additional BAOs in order targeting at least those non-violent extremist organizations that are of particular significance and therefore listed in the annual reports of the BfV. The officially announced increased operational emphasis of the federal government as far as Right-wing extremist financial networks in Germany is concerned may require the establishment of such additional BAOs and experiences obtained during these operations could inform the approach towards entities of other extremist milieus.

⁵⁸ For a quick definition of the term see: <https://www.polizeiabkuerzungen.de/bao/> Administrative basis for a BAO is the Polizeidienstvorschrift (PDV) 100, published by the German conference of interior ministers, see f.ex.. Thomas Kubera, Gerd Thielmann eds.), Handbuch zur PDV 100 VS-NfD. Führung und Einsatz, Richard Boorberg Mai 2022, <https://www.boorberg.de/9783415059917>