

European Bausparkassen as a Low-Risk Sector Regarding the Risks of Money Laundering and Terrorist Financing

Bausparkassen are specialised credit institutions that promote and support the financing of home ownership. The Bauspar business is regulated by specific national Bauspar laws. In accordance with the strict legal requirements, Bausparkassen offer their customers contractual savings concepts with a long-term investment horizon to build up equity and grant them loans to be used for housing purposes, which must always be secured by a mortgage.

Due to the structural characteristics of the Bauspar business and the customer structure, European Bausparkassen all have a low risk of money laundering and terrorist financing compared to other credit institutions. Bausparkassen should therefore be recognised as a separate low-risk sector by the EBA and the European Anti-Money Laundering Authority (AMLA).

Today, Bausparkassen operate in many EU countries, managing around 40 million Bauspar contracts. In countries where Bausparkassen exist, they play an important role in financing the purchase and energy-efficient or age-appropriate modernisation of private residential properties.

The existing sectoral categorisation in EBA guidelines on combating money laundering and terrorist financing - in particular the guidelines on risk-based supervision (EBA/GL/2021/16) and the guidelines on AML/CFT risk factors (EBA/GL/2021/02) - does not do justice to the limited business area of Bausparkassen and the insignificant risks of money laundering or terrorist financing associated with their business operations for the following reasons:

- As specialist credit institutions, Bausparkassen are limited in their business to Bauspar savings and property financing for the purpose of acquiring residential property or modernising properties for purposes related to age-appropriate or energy-efficient upgrades.
- Bausparkassen do not maintain current or payment accounts, are not payment service providers, do not issue credit cards or other payment cards, and do not engage in securities transactions. Bausparkassen also do not grant any consumer loans that can be used for any purpose, no term loans and no credit lines, but only loans for use in the housing industry, which are always secured by a mortgage. Bausparkassen also do not allow cash deposits or withdrawals. This means that many high-risk banking products are not offered by Bausparkassen.
- Bauspar savings are based on the idea of pooling the savings of a group of savers in order to provide the necessary funds to finance home ownership in a shorter period of time than would be possible for individual savers. To this end, Bauspar customers conclude a Bauspar contract for the required amount. Once, after a few years, 40 % or 50 % of the savings amount has been saved, savers are entitled to a Bauspar loan in the amount of the difference between the savings amount and the balance saved. If the Bauspar contract is cancelled, notice periods of several months apply for the payout. During the term of a home loan and savings contract, partial payouts from the home loan and savings contract are excluded.
- The savings deposits on Bauspar contracts are contractually limited. The monthly savings made by the saver are small amounts corresponding to between 3 ‰ and 10 ‰ of the agreed Bauspar sum. The savings interest is not made freely available to the customer but is credited to the Bauspar account.
- The provision of long-term savings payments on Bauspar contracts and, where applicable, repayments on Bauspar financing is subsidised by the state in most EU countries in order to promote the acquisition of residential property. Such state support leads to an improved KYC standard, as Bausparkassen have more frequent contact with customers and the financial administration carries out content-related checks.
- In Germany, many Bausparkassen offer certified and state-subsidised retirement provision contracts which - just like retirement provision contracts from insurance companies - can be used to withdraw the subsidised capital for owner-occupied residential property as an instrument of retirement provision or for the payment of a lifelong cash pension at retirement age. These certified retirement provision contracts of Bausparkassen are subject, among other things, to a prohibition of seizure and a prohibition of assignment as well as the same legal framework as the certified retirement provision contracts of insurance companies, so that these retirement provision contracts of Bausparkassen should be recognised as contracts within the meaning of point 2b of Annex II to the Money Laundering Regulation (Regulation (EU) 2024/1624).
- Bauspar customers are usually known to the Bausparkasse for many years. Home loan and savings contracts and home loan and savings financing are regularly concluded after personal discussions and are set up for many years.

Against this background, the European Bausparkassen with their Bauspar business should be recognised as an independent, low-risk sector with regard to AML/CFT risk.