MROS

Money Laundering Reporting Office Switzerland
Federal Office for Police Matters

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Adress

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È sempre bene
Il sospettare un poco, in questo mondo

It's always better, in this world,
To be a little suspicious

Così fan tutte, MOZART

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1 Foreword

The Money Laundering Reporting Office Switzerland (MROS) commenced operations on 1 April 1998. Its primary tasks, as defined by the legislator, were as follows:

- Evaluation of reports received from financial intermediaries (Art. 9 Money Laundering Act, MLA), supervisory authorities (Art. 16 para. 3 and 21 MLA) and self-regulating organizations (Art. 27 para. 4 MLA);
- Investigations into the reported cases;
- Decisions on whether to forward the reports to the prosecuting authorities (Art. 23 para. 4 MLA);
- Cooperation with foreign Financial Intelligence Units (Art. 32 MLA);
- Management of the data processing system to combat money laundering (GEWA);
- Recording the reports in statistical form so as to provide information at any time on the number of reports, their contents, type and provenance, reasons for suspicion, frequency and individual types of offences and the way they were handled.

This report deals with the extent to which these tasks were fulfilled in the first year (1 April 1998-31 March 1999). The statistics section contains detailed statistics on the reports.

The conclusion after one year is as follows: we have got off to a good start. Only 30-40 reports were received from financial intermediaries prior to 1 April 1998 – in accordance with the right to report as per Art. 305bis of the Swiss Penal Code – in contrast to 160 in the period under review. These reports concerned assets totalling over 330 million Swiss francs. The introduction of the duty to report has thus paid off.

In international terms, however, the number of reports is still low, given Switzerland's importance as a financial centre. Over the next few years we will have to create the conditions to ensure a greater number of reports. This includes in particular increasing awareness among the players in Swiss financial circles, especially in the non-banking sector, and intensifying basic and advanced training. We intend to contribute to this.

We forwarded two-thirds of the reports to the relevant prosecution authorities, i.e. the Cantons of Zurich, Geneva and Ticino. It is still too early to draw conclusions, though. By their very nature, money laundering proceedings require a great deal of time. This is compounded by the fact that over 80% of cases involve a foreign connection. Most proceedings must therefore be conducted on the basis of judicial assistance, which in turn delays the process even further.

International cooperation plays a major role here. Our participation in the FATF (Financial Action Task Force on Money Laundering) and in the Egmont group of the FIUs (Financial Intelligence Units – global association of money laundering reporting offices) is beginning to bear fruit. We will sign a declaration of intent with the Belgian reporting office (CTIF-CFI) which governs cooperation and the exchange of information based on principles of judicial assistance. Other countries, including France, Finland, the USA, Spain, Italy, the Czech Republic and Slovakia, have expressed interest in concluding such agreements with us. This is a reflection of the global importance of Switzerland as a financial centre.

The reporting office has a very limited budget. Thanks are due in particular to my colleagues, Mark van Thiel – my deputy – and Alexander Hartmann as well as all the staff of the Federal Office for Police Matters for their support in setting up the MROS.

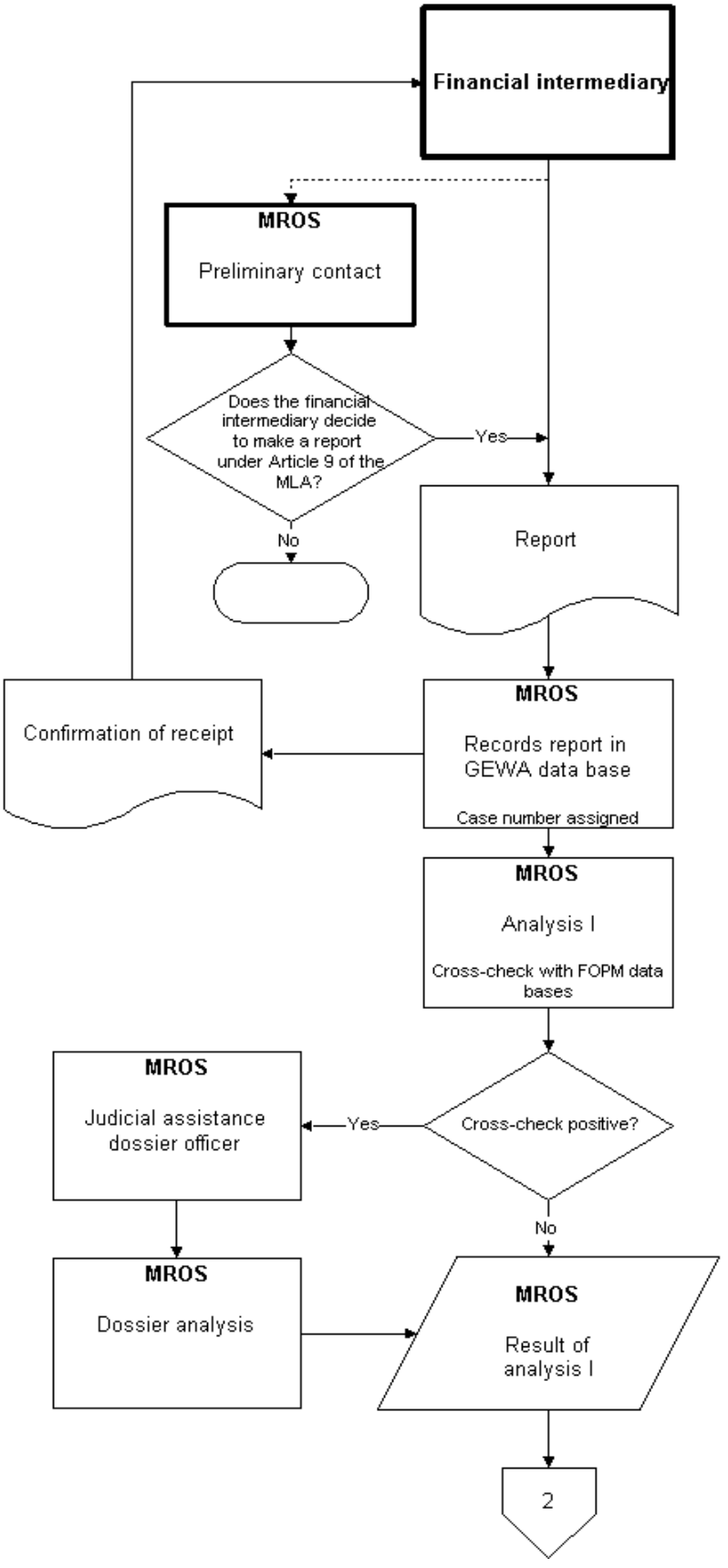
I would also like to thank the many players of Switzerland's financial centre who have recognized the threat posed by money laundering and decided to combat it. This report is addressed to them in particular.

Daniel Thelesklaf
Head of the Money Laundering Reporting Office Switzerland (MROS)

July 1999

2 Report of activities in the period under review

2.1 Procedures for suspicious transaction reports



Financial intermediaries as defined in Article 2 of the MLA.

Money Laundering Reporting Office as defined in Article 23 of the MLA.

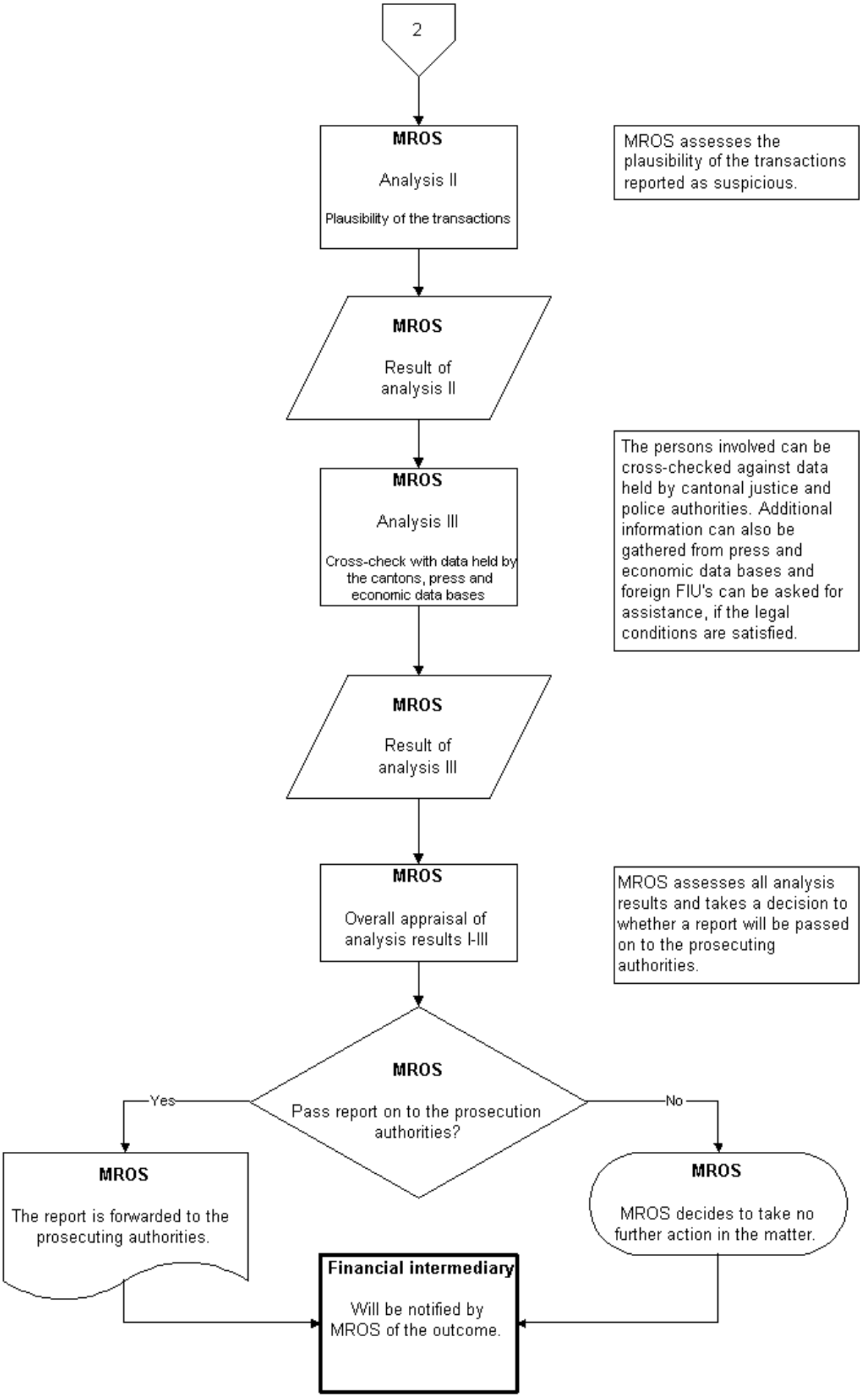
Financial intermediaries can contact the reporting office prior to making a suspicious transaction report to discuss the matter informally, in the event of uncertainty.

The report is normally made by fax or priority mail.

MROS records the report and the names of the persons involved in the GEWA data base. Confirmation of receipt is issued immediately.

The persons involved are cross-checked in the FOPM data bases: GEWA, RIPOL, AUPER, VOSTRA, ZAN, DOSIS, ISOK, FAMP.

If a person is on file in a data base an official request must be issued in order to obtain access to the record and to ascertain whether the person has been implicated in money laundering activities.


2
MROS
Analysis II
Plausibility of the transactions
MROS assesses the plausibility of the transactions reported as suspicious.
MROS
Result of analysis II
MROS
Analysis III
Cross-check with data held by the cantons, press and economic data bases
The persons involved can be cross-checked against data held by cantonal justice and police authorities. Additional information can also be gathered from press and economic data bases and foreign FIU's can be asked for assistance, if the legal conditions are satisfied.
MROS
Result of analysis III
MROS
Overall appraisal of analysis results I-III
MROS assesses all analysis results and takes a decision to whether a report will be passed on to the prosecuting authorities.
MROS
Pass report on to the prosecution authorities?
Yes
No
MROS
The report is forwarded to the prosecuting authorities.
MROS
MROS decides to take no further action in the matter.
Financial intermediary
Will be notified by MROS of the outcome.

2.2 Selected typologies

The following cases were typical of those notified to the Money Laundering Reporting Office (MROS). This anonymous selection of suspicious transaction reports also shows some of the different forms which money laundering can take. But it should not by any means be construed as constituting a complete list. Money is laundered using every conceivable method and variant. The following examples of cases may be used for training purposes if the source is cited.

Case 1 Fraudulent commissions

A customer opens an account with a medium-sized bank. He states that the account will be used to credit commission payments received by the customer from the sale of real estate properties in the Caribbean. The new customer describes himself as an agent acting for a firm dealing specialising in this type of property. The bank provides the account facilities and subsequently large sums of money flow into the account over a considerable period of time.

Then one day the customer rings up the bank and requests that his accounts be closed immediately. When asked by the bank why he wishes to take this action, the customer replies that he has had a disagreement with his client. He says that he has been informed by a third party that the property firm is in fact a front company.

The bank‘s suspicions are aroused and it decides to investigate the background to the commission payments made to its customer. The bank requests the customer to produce the contracts on which the commissions are based. The contracts which are produced have been drafted amateurishly. The customer‘s explanations are implausible and to some extent contradictory and he becomes increasingly reluctant to discuss the matter with the bank. Moreover, the existence of the foreign property company referred to by the customer cannot be verified since the company turns out not to be registered in the Companies Register of the European country in which it is supposed to be incorporated.

At this stage the bank files a suspicious transaction report to the Money Laundering Reporting Office(MROS). Investigations by the MROS reveal that several of the individuals involved have already been implicated in property fraud cases and it forwards the dossier for further investigation to the cantonal prosecution authorities, which instigate criminal proceedings and confiscation proceedings under Article 305bis of the Penal Code. It also issues a request for international judicial assistance in its investigation.

Case 2 Share capital paying-in account

A bank customer opens a share capital paying-in account for the purposes of the formation of a company limited by shares. The customer is known by the bank to be heavily indebted. The opening deposit of CHF 150,000 is remitted from an East European country. A week later the customer attempts to withdraw CHF 50,000 in cash at the counter. The bank freezes the account and makes a suspicious transaction report to the MROS. The bank's own inquiries reveal that the customer has also opened a share capital paying-in account with another bank.

The MROS discovers that there are already several entries in the police databases relating to the individual referred to in the report. With the help of the cantonal police it finds out that the customer is involved in red-light district activities. The file is passed on to the cantonal prosecution authorities who interview a number of individuals and instigate criminal proceedings and confiscation proceedings. It also issues a request for international judicial assistance in its investigation.

Case 3 Security for loans

A foreign national wishes to invest a total of CHF 25,000,000 in 5 life insurance policies of CHF 5,000,000 each with a Swiss insurance company. The funds are to be transferred to the insurance company from the Swiss subsidiary of a foreign bank. The individual in question states that the life insurance policies are intended to be used as security collateral for a commercial bank loan being provided by a Swiss bank. The insurance company's suspicions are aroused because of the following questions:

- Why is the additional layer of a life insurance policy necessary?
- Since 1 April 1998 stamp duty is charged on insurance policies. How can such a transaction make any commercial sense from the customer's standpoint?

The insurance company decides to notify the MROS of its suspicions. The MROS discovers that the prospective customer has a police record. The file is referred to the competent prosecution authorities, which commence criminal proceedings for an offence contrary to Article 146 of the Penal Code.

Case 4 Investor fraud

A Western European financial manager has banked with a Swiss bank for several years. Up to now nothing unusual has been observed in relation to this customer's accounts. The total balance standing in his various Swiss franc and foreign currency accounts is approximately CHF 600,000. This amount has been accumulated through the paying-in of cheques, all for sums in the range CHF 10,000 - 30,000. At the time he opened the account, the customer stated that he was an investment advisor and managed assets belonging to third parties. The cheques lodged to his accounts with the bank were for his fees, he claimed.

The customer is also the chief executive of a Swiss company. The bank learns that his accountant has recently resigned his position because of his suspicions that the customer was engaged in criminal activities.

Shortly afterwards the bank receives instructions from the customer to transfer approximately one third of the funds to the USA (ostensibly to finance the purchase of a house). The money is held in a non-interest bearing current account; the customer has no interest in opening an interest-bearing account. When the customer refuses to supply the bank with more information regarding the intended transaction the bank decides to make a suspicious transaction report to the MROS.

With the assistance of the bank it transpires that the fees are paid directly to the 'agent' by the investors. There is no fee agreement with the company itself. The customer has been investigated for fraud offences in his home country and criminal proceedings are ongoing.

The cantonal prosecution authorities institute criminal proceedings and confiscation proceedings under Article 146 of the Penal Code. A request for judicial assistance from the authorities in the customer's home country is met.

Case 5 Early repayment of mortgage loan

A bank customer, known to the bank as having relatively modest means, suddenly proposes to repay ahead of schedule a substantial portion of his mortgage loan. The account manager becomes suspicious and inquires as to the origin of these funds which have materialised all of a sudden. The customer gives an evasive answer. The following morning the account manager reads in the daily newspapers that the customer's premises have been raided by the police and a quantity of stolen property recovered. After consulting with the bank's legal department, she decides to make a suspicious transaction report to the MROS.

Inquiries carried out by the MROS reveal that there are already several entries relating to the customer in the police databases. The MROS forwards the report to the competent prosecution authorities.

The report constitutes additional evidence in ongoing criminal proceedings relating to charges of receiving stolen goods and investigations on suspicion of professional money laundering. Several individuals are interviewed and subsequently arrested in the course of the investigations. A real estate freezing order is obtained. The charges involve offences contrary to Article 160 and Article 305bis of the Penal Code.

Case 6 Commissions

Various bank customers claim that they carry on business as suppliers of automotive parts. In the course of their business they import car parts from the Far East for distribution in Austria and Germany as well as in Switzerland itself.

Numerous payments are received from the Far East to one account. One of the bank customers states that these payments represent commissions. The bank decides to find out more about the background to the business and requests the customer to produce various documents including the relevant commission agreements. The agreement reveals that the supplier firm has made a commission agreement only with a private individual. The bank then seeks proof that the other shareholders are also aware of the amount of the commissions. The customer in question is not prepared to furnish such proof.

The bank also learns that the individual receiving the commissions is not registered as a shareholder in the Companies Register. The bank makes a suspicious transaction report to the MROS as it appears that these commissions are being concealed from the employer.

Case 7 The second-hand car dealer

A bank customer (born in 1973) declares to the bank that he is engaged in the second-hand car trade. The average balance on the customer's account is CHF 900,000. The bank analyses the movements on the account and discovers that unusually high sums are being earned compared to similar companies in the same sector. When asked to account for these figures, the customer gives an evasive and contradictory answer. The bank decides to make a suspicious transaction report to the MROS.

Initial inquiries by the MROS reveal that there are no entries relating to the customer in question in the police databases. But since the MROS comes to the same conclusion as the bank – that the account balance is unusually high given the customer's age and the business in which he claims to operate – it makes contact with the Financial Intelligence Unit of the customer's home country.

The foreign FIU replies that the individual in question has several previous convictions for car theft. The suspicious transaction report is then passed on to the competent cantonal prosecution authorities together with this extra information.

Case 8 The senior official

A bank official employed by the Swiss subsidiary of a foreign bank is informed by the bank's head office that the manager of a branch in a South American country has heard that one of his customers is under investigation for embezzlement offences in that country and has been taken into custody.

The individual in question is a senior official in his country's public service. The account manager immediately decides to make a suspicious transaction report to the MROS. Following consultations, the foreign bank attempts to procure copies of press reports on the matter from South America and these are soon obtained. Meanwhile the MROS carries out a search of its own database and finds press reports corroborating the suspicions of misappropriation of funds.

The suspicious transaction report together with the additional information obtained is passed on to the competent cantonal prosecution authorities.

Case 9 The mysterious depositor

A customer from a southern European country opens an account at his bank. He proceeds to transfer ESP 10,000,000 in cash into the account. In reply to the bank's question as to the source of these funds, the customer states that the money is the proceeds from the sale of properties in South America.

Two months later the customer again pays ESP 6,000,000 in cash into his account. Again he declares that the money is the proceeds from the sale of properties in South America. He says that he now plans to retire on his savings and it is for this reason also that he has sold his property holdings.

Three months later his wife shows up at the bank seeking to pay ESP 16,000,000 in cash into a new account to be held in the joint names of herself and her husband. In reply to the bank's question as to the source of the money, she too states that it is the proceeds from the sale of properties in South America. She explains that her husband could not deposit the money himself as he has suffered an accident.

The bank does not open the joint account because the husband fails to provide the necessary signatures on the application forms and then cannot be contacted.

Three months later the woman in question again visits the bank and tries this time to deposit ESP 15,000,000 in cash in the account. Again she states that the money is the proceeds from property sales. The account manager tells the woman that it has not been possible to open the account because the application formalities have not yet been completed. When asked once more about the source of the funds, the woman finally admits that her husband has been arrested for drug-trafficking offences and is now in prison.

The bank immediately decides to issue a report to the MROS. Since there is a clear suspicion that the funds are the proceeds of criminal activity the MROS forwards the report to the competent prosecution authorities.

Case 10 The third man

A bank receives a transfer of funds from overseas for the account of one of its customers in respect of a sum in the range of CHF 2,000,000. Shortly afterwards, the bank is informed by a major foreign bank that it has been the victim of a fraud and that a complaint has been made to the police in the overseas country. The individual named in the complaint is the customer of the Swiss bank referred to above. The bank is asked for its cooperation and assistance in gathering information.

Meanwhile another transfer of funds is received from overseas, this time for approximately CHF 2,500,000. Some of the first deposit has since been withdrawn in cash or transferred out of the account. Shortly after receipt of the second payment, the bank customer instructs the bank to transfer the entire balance in the account to a bank in the Middle East. Asked as to the origin and source of the money, the customer mentions a transaction entirely unconnected with his business. He promises to supply the relevant contract documentation, but it is never actually received by the bank. The bank's suspicions are aroused and it makes a suspicious transaction report to the MROS.

Inquiries made by the MROS concerning the customer (a corporate body) at first uncover little information. But a passing reference is made to a beneficial owner who attempts to remain in the background. Further inquiries within Switzerland reveal that this individual has already been implicated in the course of a separate money laundering inquiry from Interpol.

As a result of inquiries made to various other reporting offices in Europe and elsewhere, it emerges that the individual in question is known to the authorities of several countries and has been implicated in drug-trafficking on many occasions but without there ever being sufficient evidence against him to sustain a charge.

The MROS refers the suspicious transaction report together with the additional information to the competent prosecution authorities. The investigating judge decides to commence a criminal investigation on the basis of Article 305bis of the Penal Code. The MROS continues to liaise with the investigating judge in order to utilise the various information networks to best effect.

2.3 The reporting office in practice

Matters subject to mandatory reporting

In the first year of operation of the Money Laundering Act a certain pattern can already be discerned as to how suspicious transaction reports are generated. Very often – in approximately 20% of cases – a media report constituted the starting point for a financial intermediary's inquiries and subsequent suspicious transaction report. If it transpires from a media report that the funds held on behalf of a customer by a financial intermediary are suspected of being the proceeds of criminal activity, or that the customer is suspected of being involved in money laundering operations or of belonging to a criminal organisation and that as a consequence a criminal investigation has been opened either in Switzerland or abroad, the financial intermediary is bound to make a suspicious transaction report. On the other hand, the mere fact of a criminal complaint having been made against a party, without any further grounds for suspicion, is in itself not normally enough to give rise to a reporting obligation. The purpose of the reporting obligation is not after all to facilitate the successful prosecution of civil claims in which the financial intermediary's suspicions are aroused in order to elicit a suspicious transaction report. It was not the intention of the legislature to place the criminal and administrative law at the service of civil plaintiffs.

Many other reports result from the application of the rule laid down in the Federal Banking Commission Circular of 26 March 1998 on 'Money Laundering', whereby the reporting obligation is triggered when a customer refuses to cooperate with inquiries (Paragraph 26).

Cases which are already known to a Swiss prosecution authority are not subject to a reporting obligation. If for example a prosecution authority obtains an order for the disclosure of bank files pursuant to a request for judicial assistance from another authority, these documents do not have to be resubmitted to the Reporting Office. But it frequently happens that in the course of investigations by the prosecution authorities we are informed of new facts which lie outside the scope of the existing order.

Nor does the reporting obligation apply to "potentate" funds unless there is a reasonable suspicion that they derive from criminal activity or are under the control of a criminal organisation.

Relationship between reporting right and reporting obligation

The legislature intentionally retained the provision for a reporting right in Article 305 ter of the Penal Code. It did so in order to enable financial intermediaries to contact the prosecution authorities where their suspicions fall below the threshold at which the reporting obligation is triggered. The reporting obligation and the reporting right should be looked on as different gradations of the same concept. According to the information available to us ten reports were received during the period under review as a result of the exercise of a reporting right.

Freezing of assets / time limits

Under Article 10 of the Money Laundering Act, assets held by a financial intermediary which are the subject of a suspicious transaction report must be frozen immediately. They must remain frozen until a decision is made by the competent prosecution authority, but for not more than five business days following the filing of the report by the financial intermediary. During this time, the financial intermediary is bound not to inform either the party concerned or any third party that a report has been filed. Business days are all days other than Saturdays, Sundays and national public holidays.

The legal position is thus similar to the situation in which an investigating judge orders an account to be frozen. The standard type of order made by prosecution authorities involves an information embargo as well as the freezing of assets. Clearly, there is the potential for conflict between the two prohibitions: take a situation where a bank customer whose assets have been frozen wishes to make a cash withdrawal. The bank is bound not to release the funds but is not allowed to give the customer any reason for its refusal. Some practical suggestions as to how this difficulty might be resolved are contained in the recommendation issued by the Conference of the Cantonal Justice and Police Directors to the prosecution authorities[1]. In such cases, it is important for contact to be established at an early stage between the prosecution authority or the Money Laundering Reporting Office, as the case may be, and the financial intermediary.

While the freezing order remains in place the assets can and should continue to be managed in the normal way. Any interruption in the normal management of the assets could alert the customer to the action taken by the authorities, which is precisely what the information embargo is intended to prevent.

[1] Recommendation of the Economic Crime Committee of the Conference of the Cantonal Justice and Police Directors (KKJPD) to the cantonal prosecution authorities in relation to the freezing of accounts and the banks‘ duty of silence

Use of the check list / use of email

In the spring of 1998 the Money Laundering Reporting Office drew up check lists tailored to various categories of financial intermediary with the aim of simplifying the process of drafting reports. It is left up to the financial intermediaries themselves whether or not they wish to make use of these check lists in making their reports. In the event, the vast majority of reports were prepared with the aid of the check lists. The check lists for banks were issued to the banks by the Swiss Bankers Association with Circular No 1352 of 27 March 1998. Other business federations adopted the same procedure. The remaining financial intermediaries may obtain the check list relevant to their purposes directly from the Money Laundering Reporting Office either in paper form or on diskette.

All suspicious transaction reports were submitted either by fax or by priority mail. Swift delivery methods are extremely important in view of the short duration of the freezing provision contained in Article 10 of the Money Laundering Act. In future, it is planned to make it possible to file reports by e-mail, but technical arrangements will first need to be made in order to ensure the highest possible degree of security.

The introduction of mandatory reporting of money laundering suspicions has been vindicated, on the evidence of the initial period of operation of the new Act. A large number of criminal prosecutions have been initiated or underpinned as a result. It will be some time longer before the true effectiveness of the new measures can be determined, however, since over 80% of reported suspicions concern citizens of other countries and/or offences committed abroad and in such cases proceedings normally have to be conducted via the judicial cooperation procedure.

2.4 Conferences and seminars

During the period under review MROS officials played an active part in the following external events (whether as speakers, moderating seminars, chairing workshops, etc.):

Date	Place	Organization
27.1.	Zug	Handels-und Dienstleistungsverband
13.3.	Solothurn	Seminar für osteuropäische Polizeidirektoren
21.4.	Bonn	Gesellschaft Schweiz-Deutschland
22.4.	Genève	Seminaire IFE
23.4.	Lausanne	Chambre fiduciaire
28.4.	Genève	KV Suisse Romande
29.4.	Genève	Seminaire AGDA
5.5.	Luzern	Treuhändertag
7.5.	Bönigen	SBB Konferenz Chefs Wechselstuben
8.5.	Genève	Association des Banques étrangères en Suisse
15.5.	Basel	Swiss Compliance Officers Meeting
19.5.	Zürich	Auslandbankenverband
26.5.	Luzern	Treuhändertag
26.5.	Olten	Compliance Forum
27.5.	Zürich	Compliance Forum
28.5.	Solothurn	Seminar für osteuropäische Polizeidirektoren
5.6.	Bern	KPMG
15.6.	Genève	Banque Julius Bär & Co. SA
16.7.	Zürich	Swiss Partners
3.9.	Davos	Schweizerische Treuhänder Schule
18.9	Zürich	Verband Schweiz. Vermögensverwalter
28.9.	Zürich	KPMG
29.9./30.9.	Luxemburg	Seminaire IRI
6./7.10	Lyon	Interpol-Tagung
13.10.	Genève	Seminaire IRI
15.10.	Zürich	Treuhandkammer
22.10.	Luzern	Seminar IVK / Universität St. Gallen
29.10.	Luzern	Fachtagung KPMG
30.10.	Neuenburg	Schweizerisches Polizeiinstitut
3.11.	Genève	Chambre fiduciaire
19.11.	Kirchberg	URA St. Gallen
23.11.	Bern	Lions Club Luzern-Pilatus
2.12.	Lugano	Seminaire IFE
4.12.	Zürich	Fachgruppe Bankenrecht des ZAV
9.12.	St. Gallen	Ostschweizer Bankjuristentagung
10.12.	Bern	Schweiz. Falschgeldtagung
26.1.	Zürich	Seminar IFE
9./11.3.	Murten	Mitteleuropäische Polizeiakademie
26.3.	Schwyz	Juristentagung der Innerschweizer Kantonalbanken

3 Cooperation with domestic authorities

Cooperation with domestic authorities is governed by Article 29(2) of the Money Laundering Act. In pursuance of that provision we have received the following notifications from the cantonal authorities:

- 24 convictions (and 1 acquittal)
- 30 cases of *nolle prosequi*
- 161 criminal prosecutions pending

The majority of these notifications were received from the canton of Zurich.

The bulk of the above prosecutions were in drug-trafficking cases in which suspicions of money laundering were also investigated. It is likely that the recent ruling of the Federal Supreme Court to the effect that an offender can be his own money launderer has led to an increase in the number of prosecutions in this domain.

The following convictions and sentences have been notified to us:

- 2 years' penitentiary and a fine of CHF 10,000 for organised and regular money laundering for gain, confiscation of approximately CHF 200,000 (equivalent)
- 3 months' prison for money laundering
- A fine of CHF 50 for money laundering und confiscation of CHF 115,000
- 10 months' prison for money laundering and other offences
- 18 months' prison for money laundering and other offences
- 2½ years' penitentiary for money laundering and other offences
- 16 months' prison for money laundering and other offences, confiscation of CHF 130,000
- 3 years' penitentiary for money laundering and other offences, confiscation of CHF 52,000
- 4 years' penitentiary for money laundering and other offences, confiscation of CHF 185,000
- 3 months' confinement, confiscation of CHF 23,000

- 10 months' prison for money laundering and other offences, confiscation of CHF 1,000
- 10 months' prison for several attempted acts of money laundering and other offences, confiscation of precious metals
- 9 months' prison for money laundering and other offences, confiscation of CHF 3,000
- 6 months' prison for money laundering and other offences
- 13 months' prison for money laundering and other offences, confiscation of CHF 6,000
- 6 months' prison und fine of CHF 100 for money laundering and other offences
- 12 months' prison for money laundering and other offences, confiscation of various items of jewelry
- 2 months' prison for money laundering and other offences

The following convictions and sentences are still subject to appeal:

- 30 months' prison and a fine of CHF 5,000 for money laundering and other offences, confiscation of CHF 4,700,000
- 18 months' prison and a fine of CHF 10,000 for money laundering and other offences, confiscation of CHF 570,000
- 10 months' prison for money laundering and other offences
- 12 months' prison and a fine of CHF 5,000 for money laundering and other offences
- 16 months' prison and a fine of CHF 5,000 for money laundering and other offences
- 5 months' prison for aiding and abetting in money laundering and other offences

4 International

4.1 Activities of the Financial Action Task Force on Money Laundering in 1998: Positive report on Switzerland

The Financial Action Task Force on Money Laundering (FATF) is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering - the processing of criminal proceeds in order to disguise their illegal origin. These policies aim to prevent such proceeds from being utilised in future criminal activities and from affecting legitimate economic activities.

In 1997-1998, Belgium chaired the Financial Action Task Force on Money Laundering (FATF-IX). At the Plenary Meeting in June 1998, Japan took over the chairmanship for the tenth round (FATF-X / 1998-1999). Portugal will chair the eleventh round (FATF-XI /1999-2000).

The main task undertaken by the FATF in 1997-1998 was a review of its mission and programme of work for 1999-2004. On 28 April 1998 ministers from the FATF member states endorsed a report drawn up by the FATF which sets out a five-year plan (1999-2004) to spread the anti-money laundering message to all continents and all parts of the globe. Switzerland was represented by Mr. P. Couchepin, Federal Councillor and Head of the Department of Foreign Affairs (DFA). Over the next five years, the FATF will endeavour to establish a worldwide anti-money laundering network by expanding its membership, developing regional FATF-style bodies such as the Caribbean FATF and the Asia/Pacific Group on Money Laundering, and fostering close cooperation with all relevant international organisations, in particular the United Nations Office for Drug Control and Crime Prevention (UNODCCP) and international financial institutions. The ministers also agreed that the FATF's major tasks over the next five years should include improving implementation of the forty Recommendations in member states and strengthening the review of money laundering trends and countermeasures.

In 1997-1998, as in previous years, the FATF devoted a considerable proportion of its time to monitoring implementation of the forty Recommendations in member states through self-assessment and mutual evaluation procedures.

As a result of improvements in the procedure, including the introduction of a question and answer session at the Plenary Meeting, the 1997-1998 self-assessment exercise showed that members have made further progress in implementing the forty Recommendations. The situation as regards enactment of legal measures is satisfactory. The 1997-1998 self-assessment exercise also showed a slight improvement in overall implementation of the FATF Recommendations on financial issues. As a result of the new Money Laundering Act in Switzerland, the FATF's annual report for 1997-1998 states that the country has "made significant progress following the enactment of legislation."

The FATF sees the mutual evaluation procedure, which is designed to ensure in-depth examination of the anti-money laundering measures in place in member states and their effectiveness, as an irreplaceable monitoring tool. Mutual evaluation examinations were conducted in eight FATF member states (Canada, Switzerland, Germany, the Netherlands, Italy, Japan, Norway and Greece) during FATF-IX. The results of the Swiss examination were very positive. They are summarised in the annual report on FATF-IX. The text is reproduced below:

43. Switzerland's central geographical location, its relative political, social and monetary stability, the current context of liberalisation and the professional secrecy that characterises the country's financial system are attractive to all investors, whether the origin of their funds is legal or illegal. In addition, advanced technology and a great diversity of institutions in the financial centre expose Switzerland to being used in international money laundering schemes. In this context, Switzerland is used primarily, but not exclusively, at the "layering" stage of the money laundering process.

44. There are three main facets to Swiss anti-laundering policy: a very broad definition of laundering offences involving assets derived from any crime; a system of self-regulation in the financial sector (banking and non-banking) accompanied by State monitoring; a "reporting right", which since 1994 has authorised financial intermediaries to convey their suspicions and which was replaced on 1 April 1998 with a "reporting obligation".

45. For some years, the Swiss authorities have been endeavouring to toughen the penal law in order to step up the fight against new forms of crime, particularly economic offences and organised crime. As a result, on 1 August 1990, Articles 305 *bis* and 305 *ter* of the Penal Code), on the offences of money laundering and lack of due vigilance in financial transactions respectively, entered into force. This arsenal of criminal law was supplemented on 1 August 1994 by a second round of measures against organised crime which strengthened powers of confiscation and authorised financial intermediaries to report suspicious transactions (CP: Article 305 *ter*, paragraph 2). In addition, the Federal Act of 7 October 1994on the Central Offices of the Federal Criminal Police set up an organisation vital to improved prosecution of persons involved in organised crime.

46. In the financial sector, the Federal Banking Commission (CFB) issued a circular of 18 December 1991 to all licensed banks and auditing firms containing guidelines for preventing and combating money laundering. Concerning the obligation to identify, CFB circular 91/3 mirrors the Agreement on the Banks' Obligation of Diligence (CDB).

47. A Law on counter-laundering in the financial sector ("the Money Laundering Act", or LBA) was adopted by the Parliament on 10 October 1997. Under this legislation, all physical and legal persons active in the financial sector would be subject to special obligations of diligence (to ascertain the identity of customers and beneficial owners, to clarify certain transactions and to establish and keep certain documents). These persons must also take organisational measures to prevent money laundering. The LBA calls for the creation of a Money Laundering Control Authority responsible for monitoring the compliance of financial intermediaries with anti-laundering obligations. Intermediaries will also be required to file reports with the Money Laundering Reporting Office and to freeze suspicious assets if they have reason to suspect that money is being laundered. The Act entered into force on 1 April 1998.

48. Although the penal aspect of the Swiss system has been significantly improved, prevention for the non-banking sector should be in accord with FATF Recommendations with the entry into force of the LBA. In order to comply with the new Recommendation 15, the LBA introduces a reporting obligation. However, as this obligation only exists when business relations are established, compliance with this Recommendation would not be fully met if a restrictive interpretation should be made of it. Before the entry into force of the LBA, Switzerland did not comply with Recommendation 17. The LBA introduces a prohibition to inform the customer during the period of freezing established by Article 10, this prohibition will be generally relayed by a decision of the penal cantonal authorities which are competent to decide during the entire investigation**.** In general, the current proposals to remedy shortcomings pointed out in the first evaluation are significant, but their application is too slow.

49. Switzerland is nevertheless to be congratulated on the LBA definition of professionals subject to its anti-money laundering obligations, which spans the entire financial sector, including financial activities carried on professionally by lawyers. However, assessment of compliance with the new obligations of vigilance by non-banking professions will have to await implementation of the LBA, even though Article 305 ter already imposed an obligation of vigilance in financial transactions.

50. At this stage, it is impossible to assess the effectiveness of the s ystem for reporting suspicions, given the lack of appropriate statistics. The LBA will contribute to an appreciable improvement in this system with the introduction of an obligation to declare suspicions of which the incomplete nature of the obligation, due to the fact that the latter arises only at the establishment of business relations, should be noted as well as the restrictive interpretation of it by financial institutions. The Swiss financial sector rather tends to protect itself against money launderers by being scrupulous in entering into business relations and hence gives preference to refusal to enter business relations with suspect customers. Although the LBA is intended to change this state of affairs, the role of the supervisory authorities, including the CFB**,** the Money Laundering Control Authority as well as the Reporting Office in particular, will be vital in convincing the entire financial sector of the need actively to participate in preventing money laundering. As regards the non-banking sector the Money Laundering Control Authority, as empowered by the LBA, has to act effectively, particularly in sectors at present not covered such as money changers.

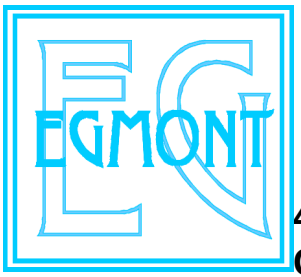
51. In legal terms, the provisions on seizure and confiscation and on offences under the Criminal Code which largely reflect Recommendation 4, are to be welcomed. The absence of real prosecution powers at federal level is an obstacle to effective prosecution. Giving power to the public prosecutor of the Confederation as is at present being considered, is a first step, but does not seem to go far enough. Real progress would be made by giving the Confederation -- as proposed in the draft overall revision of the Constitution -- power to legislate on criminal procedure."

The FATF's activities include permanent monitoring of current and future money laundering risks. Examining types of money laundering is thus an essential part of its work and provides a framework for the exchange of information and confidential data on major money laundering trends and effective countermeasures at an annual meeting of experts from operational organisations. Switzerland is represented at these meetings by the MROS.

The 1997-1998 report on money laundering typologies confirmed the trends observed in previous rounds. It also highlighted the emergence of new factors that have not yet been fully mapped: electronic money, new payment technologies, international transfer of funds, non-financial professions, the insurance sector and stock brokers. The 1998-1999 report on money laundering typologies focuses on the euro, large-denomination bank notes, problems relating to offshore financial centres and regions that are unwilling to cooperate with the FATF, the challenges posed by new payment technologies and the risk that the gold market could be used for money laundering operations.

The FATF also continued its dialogue with the private sector by holding a second Forum for representatives of the international financial services industry in June 1998. This provided an opportunity for representatives from this sector to meet the FATF government delegates and discuss major issues such as the need to provide feedback to reporting institutions.

During 1997-1998, a FATF working group also continued the work commenced in 1997 on estimating the magnitude of global money laundering operations.



4.2 Financial Intelligence Units and the Egmont Group

Background

For nearly ten years now, the fight against money laundering has been an essential part of the overall struggle to combat illegal narcotics trafficking and the activities of organised crime. During that time, the key issue involved in the anti-money laundering effort has been ensuring that the critical piece or pieces of information make it to the right people -- the investigators and prosecutors charged with putting criminals behind bars and taking their illegally obtained wealth away -- in a timely and useful manner.

The information needed to support anti-money laundering investigations often involves a wide range of human activity beyond that based purely on criminal motivation. Countering money laundering effectively requires not only knowledge of laws and regulations, investigation, and analysis, but also of banking, finance, accounting and other related economic activities. Money laundering is after all an economic phenomenon; launderers rely to a certain extent on already existing financial and business practices as a way of hiding illegally obtained funds.

Anti-money laundering investigations conceivably touch a number of law enforcement agencies within a particular jurisdiction. This along with the fact of ever-present resource limitations means that a completely effective, multi-disciplined approach for combating money laundering is often beyond the reach of any single law enforcement or prosecutorial authority. In many cases, there is also a reluctance on the part of financial institutions to provide to government authorities information that might be related to but is not obviously indicative of a crime. One may add to these restrictions on information exchange in certain instances, the unwillingness or inability to share such information among relevant government agencies and the seemingly insurmountable obstacles to rapid exchanges of information with foreign counterparts.

All of these barriers to information exchange directly affect the outcome of anti-money laundering investigations. The crime of money laundering may not become completely obvious until many or all of the pieces are put together. Since money may transfer hands in a matter of seconds or be relocated to the other side of the world at the speed of an electronic wire transfer, law enforcement and prosecutorial agencies that investigate money laundering must be able to count on a virtually immediate exchange of information. This information exchange must also be at an early point after possible detection of a crime -- the so-called “pre-investigative” or intelligence stage. At the same time, the information on innocent individuals and businesses must be protected from potential misuse by government authorities.

The FIU Concept

Over the past seven to eight years, a number of specialised governmental agencies have been created as countries develop systems to deal with the problem of money laundering. These entities are commonly referred to as “financial intelligence units” or “FIUs”. These units have attracted increasing attention with their ever more important role in anti-money laundering programmes, that is, they seem to provide the possibility of rapidly exchanging information (between financial institutions and law enforcement / prosecutorial authorities, as well as between jurisdictions), while protecting the interests of the innocent individuals contained in their data.

The creation of FIUs has been shaped by two major influences:

Law Enforcement

Most countries have implemented anti-money laundering measures alongside already existing law enforcement systems. Certain countries, due to their size and perhaps the inherent difficulty in investigating money laundering, felt the need to provide a “clearinghouse” for financial information. Agencies created under this impetus were designed, first and foremost, to support the efforts of multiple law enforcement or judicial authorities with concurrent or sometimes competing jurisdictional authority to investigate money laundering.

Detection

Through the Financial Action Task Force 40 Recommendations and other regional initiatives (European Union and the Council of Europe in Europe; CFATF and OAS/CICAD in the Western Hemisphere), the concept of suspicious transaction disclosures has become a standard part of money laundering detection efforts. In creating transaction disclosure systems, some countries saw the logic in centralising this effort in a single office for receiving, assessing and processing these reports. FIUs established in this way often also play the role of a “buffer” between the private financial sector and law enforcement and judicial/prosecutorial authorities. With the FIU serving as the honest broker between the private and government sectors, this arrangement has, in many cases, fostered a greater amount of trust in the anti-money laundering system as a whole.

Over time, FIUs in the first category have tended to add the disclosure receiving function to their list of attributions. Regulatory or oversight authority (with regard to anti-money laundering matters) has also increasingly become a function of a number of FIUs. Since disclosing requirements necessitate that the receiving agency deal with the disclosing institution, it is only logical that some FIUs then become a primary force in working with the private sector to find ways to perfect anti-money laundering systems.

Beginning of the Egmont Group

Despite the fact that FIUs were created in several jurisdictions throughout the world during the first years of the 1990s, their creation was still at first seen as isolated phenomena related to the specific needs of those jurisdictions establishing them. Since 1995, a number of FIUs began working together in an informal organisation known as the Egmont Group (named for the location of the first meeting at the Egmont-Arenberg Palace in Brussels). The goal of the Group is to provide a forum for FIUs to improve support to their respective national anti-money laundering programmes. This support includes expanding and systematising the exchange of financial intelligence information, improving expertise and capabilities of personnel of such organisations, and fostering better communication among FIUs through application of technology.

Egmont Meetings at a Glance

The first meeting of the Egmont Group was the culmination of several years of intensive national and international anti-money laundering effort. A number of documents -- the United Nations “Vienna Convention”, the Group of Ten “Basle Statement of Principles”, and most notably the Group of Seven Financial Action Task Force (FATF) “40 Recommendations on Money Laundering” -- had spurred more international co-operation in this area. As FIUs were created during the past seven years, they have become more visible in representing their respective nations at international anti-money laundering conferences and seminars. It was through informal contacts made between FIU representatives at various FATF functions that an interest was established for a meeting of such organisations.

Although differing in size, structure, and individual responsibilities, all FIUs share a common purpose in the fight against money laundering. The goal of Egmont, therefore, has been to seek ways to develop among participants a more effective and practical co-operation, especially in the areas of information exchange and sharing of expertise. Examination of these and other issues was carried forward to the second Egmont Group meeting in Paris (30 November 1995) and then to the third meeting in San Francisco (22-23 April 1996) by working groups established at the close of the original conference in Brussels. These working groups are focused on three major areas: legal matters, technology, and training.

The fourth meeting of the Egmont Group took place on 21-22 November 1996 in Rome. With over thirty countries in attendance, along with four international organisations, the Egmont Group moved one step closer to becoming the primary framework for co-operation among FIUs. The Egmont Group examined the functions of the various FIUs and like-agencies so as to determine those missions and functions that are carried out in common. The conference came to an agreement on the definition of an FIU, a definition that will likely facilitate the establishment of new units by setting a minimum standard for such a unit.

According to this definition, a financial intelligence unit is “a central, national agency responsible for receiving (and, as permitted, requesting), analysing and disseminating to the competent authorities, disclosures of financial information: (i) concerning suspected proceeds of crime, or (ii) required by national legislation or regulation, in order to counter money laundering.”

One of the purposes for defining the FIU was to distinguish it from other components of an anti-money laundering programme. The definition also helped create a specific identity for the Egmont Group as distinct from FATF or other international bodies concerned with money laundering. The definition was meant to be specific enough to distinguish these agencies from other types of government authorities, yet it had to be generic enough to include the many variations of these units. In creating the definition, the Egmont Group attempted to avoid emphasising any particular type of structure (i.e., police, judicial, administrative, or regulatory). Since the Egmont Group adopted this definition, it has increasingly become the standard against which newly forming units are measured.

The fifth meeting of the Egmont Group took place on 23-24 June 1997 in Madrid, Spain. There were 35 countries and 5 international organisations present at this meeting. The Egmont Group took significant steps forward in several areas. Perhaps the most important of these was the adoption by the Group of its *Statement of Purpose,* a document that describes the work accomplished so far, as well as its current goals within the framework of national and international anti-money laundering efforts. The FIU definition adopted in Rome was applied to all participating agencies -- 28 of them were found to meet it -- and this definition was incorporated into the *Statement of Purpose*. A comprehensive Egmont Group training programme for FIU personnel began to take shape over the course of the conference and through several sidebar meetings. Finally, the Egmont Group decided to study ways to continue enhancing information exchange among FIUs and ultimately create a more formalised structure for the Group itself.

The sixth and most recent plenary meeting of the Egmont Group was held 30 June -1 July 1998 in Buenos Aires, Argentina. On the margins of this meeting, the first ever “summit” of FIU heads took place. This group accepted ten candidate FIUs as satisfying the Egmont FIU definition (these units were from Croatia, Cyprus, Finland, Greece, Jersey, Netherlands Antilles, Paraguay, Switzerland, Taiwan, and Turkey). During the plenary meeting, the Egmont Group agreed to form a fourth working group which will focus on the early stages of FIU development. This “outreach” working group will begin work at the next meetings of the other working groups. The issues of a creating an Egmont executive secretariat and establishing standard rules for exchange of financial information among FIUs were also discussed and sent to the appropriate working groups for further study.

Secure Information Exchange: The Egmont Secure Web

The effort to increase communication among FIUs has been furthered by development of a secure web site or "virtual private network" that was first demonstrated in Rome. This web site permits Egmont FIUs to access information on other FIUs (missions, organisations, and capabilities), money laundering trends, financial analysis tools, and technological developments. It also permits the participating FIUs to communicate by means of a secure electronic mail system. Since the web site is not accessible to the public, FIUs may share certain types of sensitive information in this protected environment, a capability that is not available anywhere else for FIUs. The "Egmont Secure Web" became operational in February 1997 when FinCEN and four European FIUs became the first units to be connected. Since that time, additional units have joined the ESW from FIUs in Europe, Oceania, the Caribbean, and South America.

"Financial Intelligence Units" and Other Anti-Money Laundering Agencies

The FIU concept has developed rapidly during the past two to three years. In spite of the specialised nature such units, there has still often been some confusion between "financial intelligence units" and other official entities with seemingly similar responsibilities. Police units established for the purpose of investigating financial and white-collar crime -- to include money laundering -- have often been dubbed "financial *investigative* units" with the acronym "FIU". These units certainly play an important and useful role in their countries' overall anti-money laundering effort; however, the simple designation "FIU" does not necessarily mean that the unit provides a functions as defined by the Egmont Group.

A number of countries have resolved this confusion by continuing to call the purely police unit an "FIU" ("financial investigative unit"), while terming the intelligence unit an "FAU" ("financial analysis unit"). Making this distinction then allows some countries to avoid the word "intelligence" (which has a somewhat negative connotation in certain areas) by focusing on the function of the unit rather than the material with which it works.

An FIU, quite simply, is a central office that obtains financial disclosure information, processes it in some way and then provides it to an appropriate government authority in support of a its national anti-money laundering effort. Although the definition states that the activities performed by an FIU include "receiving, analysing, and disseminating" information, it does not exclude other activities that may be performed on the basis of this material. Therefore, an FIU could conceivably perform the activities mentioned in the definition *and* investigate and / or prosecute violations indicated by the disclosures.

Procedure for Being Recognised as an FIU by the Egmont Group

The Statement of Purpose adopted at the Madrid plenary meeting of the Egmont Group called for a more formal articulation of the process by which an agency may be recognised as meeting the Egmont definition of a financial intelligence unit. In response to this tasking, the Egmont Legal Working Group developed the following procedure:

When a member of the Legal Working Group becomes aware of an operational anti-money laundering agency that might meet the Egmont FIU definition, he or she obtains adequate identifying information (i.e., name and address of the agency and a point of contact [usually the head of the unit]). The Chairman of the Legal Working Group then sends a letter to the potential FIU asking whether the unit would be interested in the Egmont Group and pointing out the possible benefits of participation as an FIU. The letter contains copies of the *Statement of Purpose*, a short background paper on the Group and a questionnaire. The Chairman asks the unit head to state whether or not he or she believes that the unit meets the Egmont FIU definition. In the case of a positive answer, the unit head is asked to submit a filled in questionnaire and any supporting documentation to the Egmont Legal Working Group. [The questionnaire used for this procedure is the same as that used for collecting current information on the already recognised FIUs. Copies of these questionnaires are maintained on the Egmont Secure Web.]

The Legal Working Group designates a "sponsor" for the candidate FIU from among the members of the working group. This is usually the FIU that originally brought the candidate to the attention of the working group. The responsibility of the "sponsor" is to provide some additional guidance to the candidate in submitting paperwork and to speak on behalf of the candidate during working group meetings. Once all paperwork has been received by the Legal Working Group, the Chairman will include the candidacy in discussions at the next working group meeting.

If the Legal Working Group agrees that the candidate does indeed meet the Egmont FIU definition, based on the paperwork of received and the advocacy of the sponsoring working group sponsor, it will then recommend approval of the candidate FIU to the Egmont FIU heads. Information on the candidate is circulated to the FIUs of the Egmont Group (the current 38 units) for their consideration prior to the plenary meeting [the next plenary meeting of the Egmont Group will tentatively take place in the May 1999]. At the plenary meeting, the Egmont FIU heads make the final determination whether the candidates meet the Egmont FIU definition based on the recommendation of the Legal Working Group.

FIUs are officially recognised as meeting the Egmont FIU definition only once a year at the Egmont Group plenary meeting. Potential units may be designated as "candidate FIUs" at other times depending on the ability of the Legal Working Group to meet and make a recommendation.

4.3 Cooperation with foreign authorities

Article 32 of the Money Laundering Act governs cooperation with foreign authorities. It provides that in the course of combating money laundering the Reporting Office can exchange information with its 'counterpart' foreign authorities. This refers to the foreign authorities which – like the Reporting Office for Money Laundering itself – have the task of receiving and processing suspicious transaction reports. They correspond to the Egmont group's definition of a Financial Intelligence Unit (FIU).

In addition, we will—where possible—enter into a Memorandum of Understanding with each foreign FIU to lay down detailed procedures for cooperation. In so doing, we will closely follow the principles on which international judicial assistance is based—particularly the speciality principle. On 16 July 1999 we will sign our first Memorandum of Understanding with the Belgian reporting office CTIF-CFI. Others will follow during the course of the year.

One principle which will be embodied in these agreements is that data may not be passed on to any third party without the prior consent of the Reporting Office for Money Laundering and may be used only for the purpose of combating money laundering—as defined under Swiss law.

In the year under review we received almost 100 inquiries from foreign FIU's. No data from our GEWA database has as yet been passed on to any third party in relation to any of these inquiries.

Finally, the Reporting Office for Money Laundering takes part in the deliberations of the Egmont group and regularly attends the plenary sessions of the FATF. Within the Egmont group we are a member of the 'Outreach' working group, whose remit is to develop and support FIU's around the world.

5 Data protection

Detailed provisions for data protection are laid down in Article 33 et seq. of the Money Laundering Act and in the Regulation governing the Reporting Office. Data protection is a major consideration in our work because the reports we receive contain personal data in relation to suspicions which may well prove to be unfounded.

To assist it in the accomplishment of its duties the Reporting Office for Money Laundering maintains its own data processing system (GEWA) in which all the suspicious transaction reports received from financial intermediaries are stored. The system is also used to keep track of deadlines. The GEWA database is not a general purpose police database and is used solely by the Reporting Office for Money Laundering for the purposes of performance of its statutory duties.

Personal data stored on GEWA may be disclosed only to a limited number of parties and only subject to certain conditions. Only officials of the Reporting Office for Money Laundering have access to the GEWA data base.

In addition, all data stored on GEWA must be deleted after a certain length of time which is specified in the Ordinance governing the Reporting Office for Money Laundering.

At present there are GEWA entries in respect of approximately 500 persons, of whom roughly 80% are domiciled abroad or are foreign residents.

6 Annual statistics of the Money Laundering Reporting Office Switzerland

6.1 Overview at 31 March 1999

No. of cases reported

	Absolute	Relative
Total received	**160**	100%
passed on to the PA	107	67%
not passed on	53	33%

Type of reporting institution

Banks	128	80.0%
Fiduciaries	17	10.6%
Investment advisors/Asset managers	5	3.1%
Lawyers	3	1.9%
Insurance companies	2	1.3%
Credit card companies	2	1.3%
Companies providing payments services	1	0.6%
Securities traders	1	0.6%
Other	1	0.6%

Value reported (in CHF)

(Total effective assets at the time when the case was reported)

Grand total	333,693,528	100%
Total (reports passed on)	236,077,151	71%
Total (reports not passed on)	97,616,377	29%

Average (total)	2,085,585
Average (reports passed on)	2,206,329
Average (reports not passed on)	1,841,818

Caption

PA = Prosecution authority

6.2 Statistical analysis of the reports, in terms of outcome

What the chart represents

This chart shows how many suspicious transaction reports the MROS passed on to the competent prosecution authorities after performing its analysis within the meaning of Article 23(4) of the Money Laundering Act. It also shows the number of suspicious transaction reports which were not pursued further after the MROS concluded that the reasonable suspicion could not be substantiated.

What the chart indicates

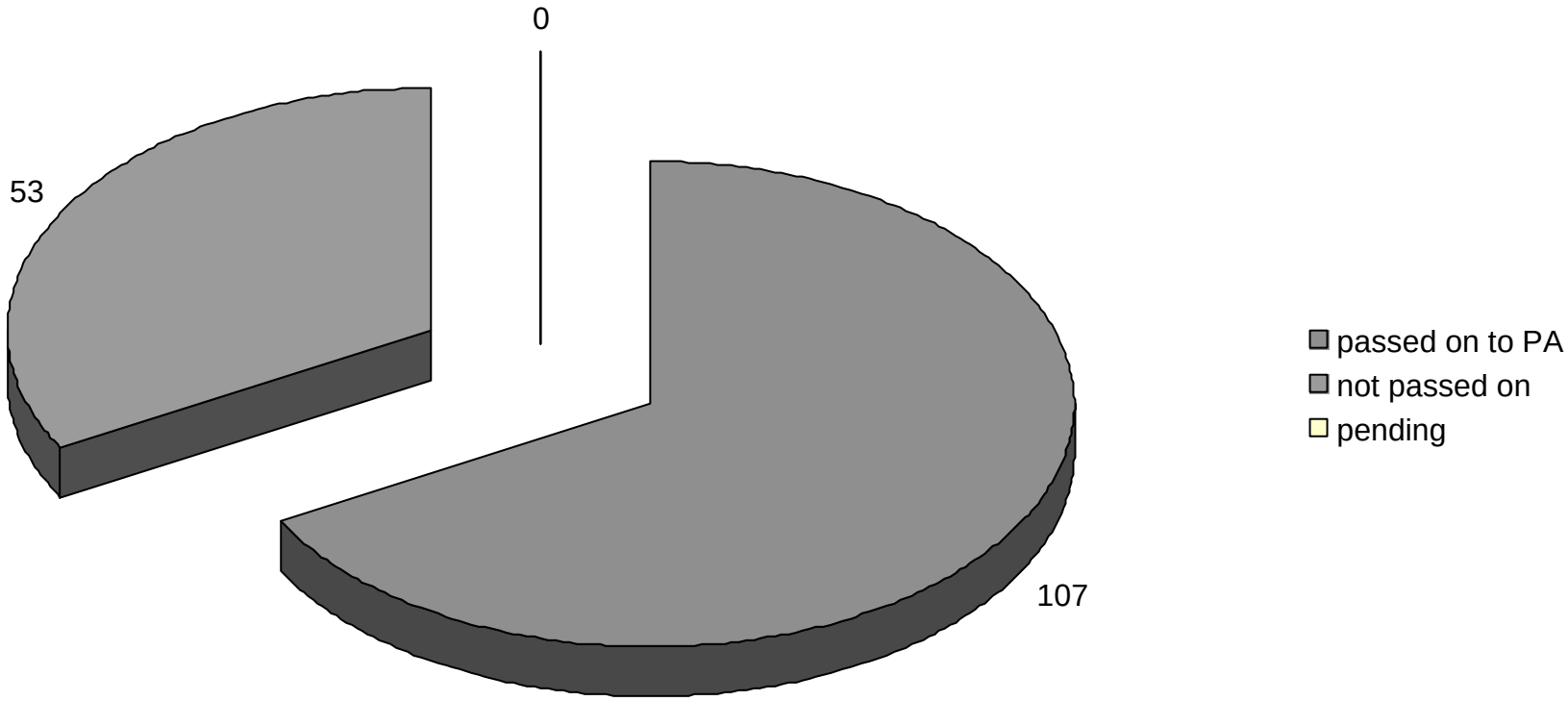
In respect of approximately two thirds of the suspicious transaction reports received, the result of the analysis carried out by the MROS was to substantiate the reasonable suspicion. It remains the case that in approximately one third of cases the MROS came to the conclusion that there were no grounds or insufficient grounds for believing that the assets in question were of criminal origin. The chart also illustrates the fact that the MROS is not a mere conduit for channelling reports to the prosecution authorities. The proportion of reports passed on is high in comparison to other countries; this testifies to the high quality of the reports.

Caption

PA Prosecution Authority

Absolute figures, arranged in descending order

Statistical analysis of the reports, in terms of outcome



6.3 Prosecution authorities involved

What the chart represents

This chart shows the prosecution authorities to which cases were referred by the MROS.

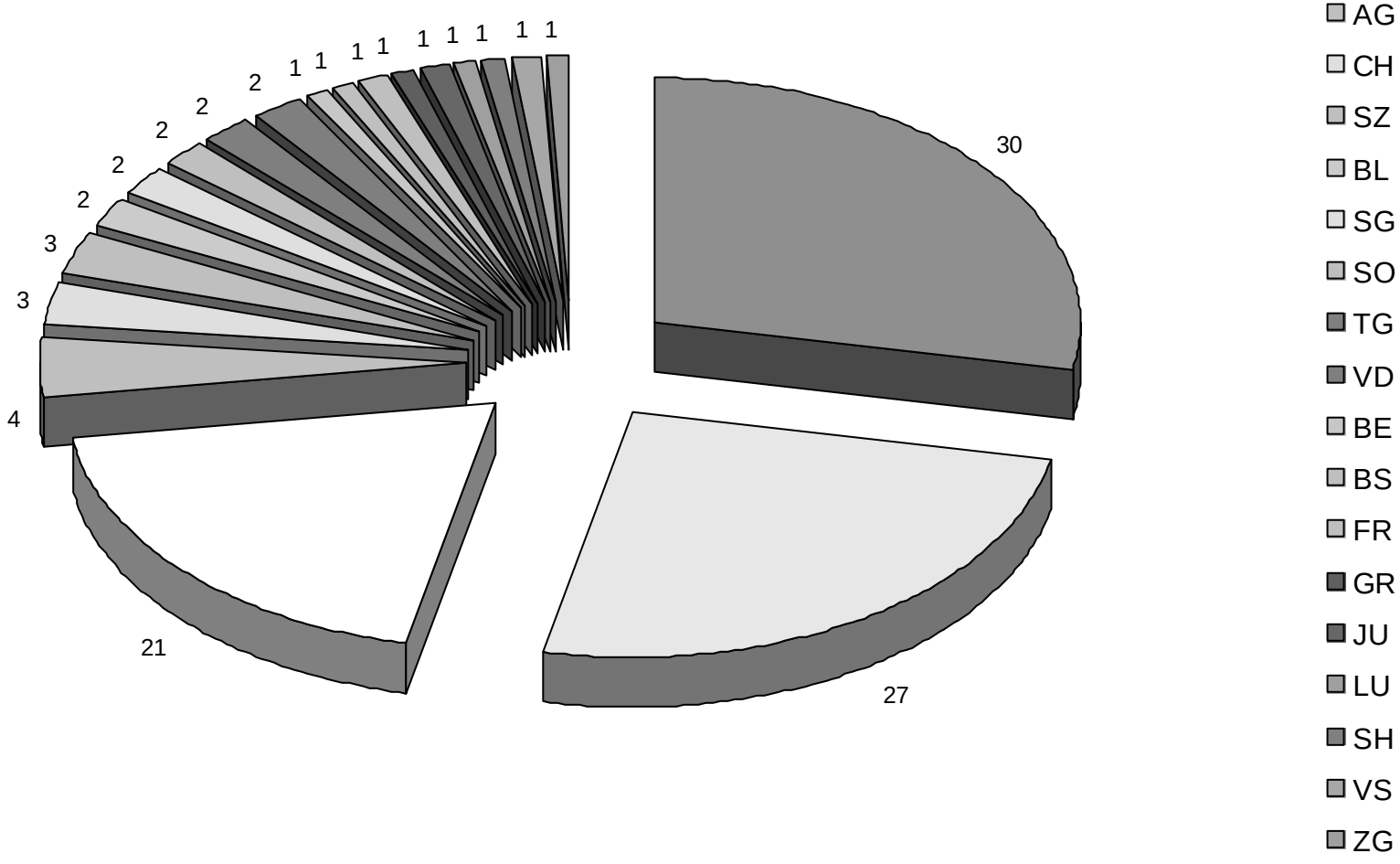
What the chart indicates

The dominant role of the cantons of Zurich, Geneva and Ticino is clear to see and is due to the fact that these three cantons are the leading financial centres in Switzerland. The primary criterion used by the MROS to determine which prosecution authority is competent in respect of a given report is the place of performance of the contractual relationship. Another factor taken into account is which canton has jurisdiction under the Penal Code to investigate any criminal offences that may have been committed. Save for a very few exceptions, the prosecution of crime is a matter for the cantonal rather than the federal authorities.

Caption

ZH	Zurich	TG	Thurgau	VS	Valais
GE	Geneva	VD	Vaud	ZG	Zug
TI	Ticino	BE	Bern		
AG	Aargau	BS	Basel Stadt	Absolute figures, arranged in descending order	
CH	Swiss Confederation	FR	Fribourg		
SZ	Schwyz	GR	Grisons		
BL	Basel Landschaft	JU	Jura		
SG	St. Gallen	LU	Lucerne		
SO	Solothurn	SH	Schaffhausen		

Prosecution authorities involved



6.4 Home cantons of reporting financial intermediaries

What the chart represents

This chart gives a breakdown by canton of the financial intermediaries from which suspicious transaction reports were received by the MROS.

What the chart indicates

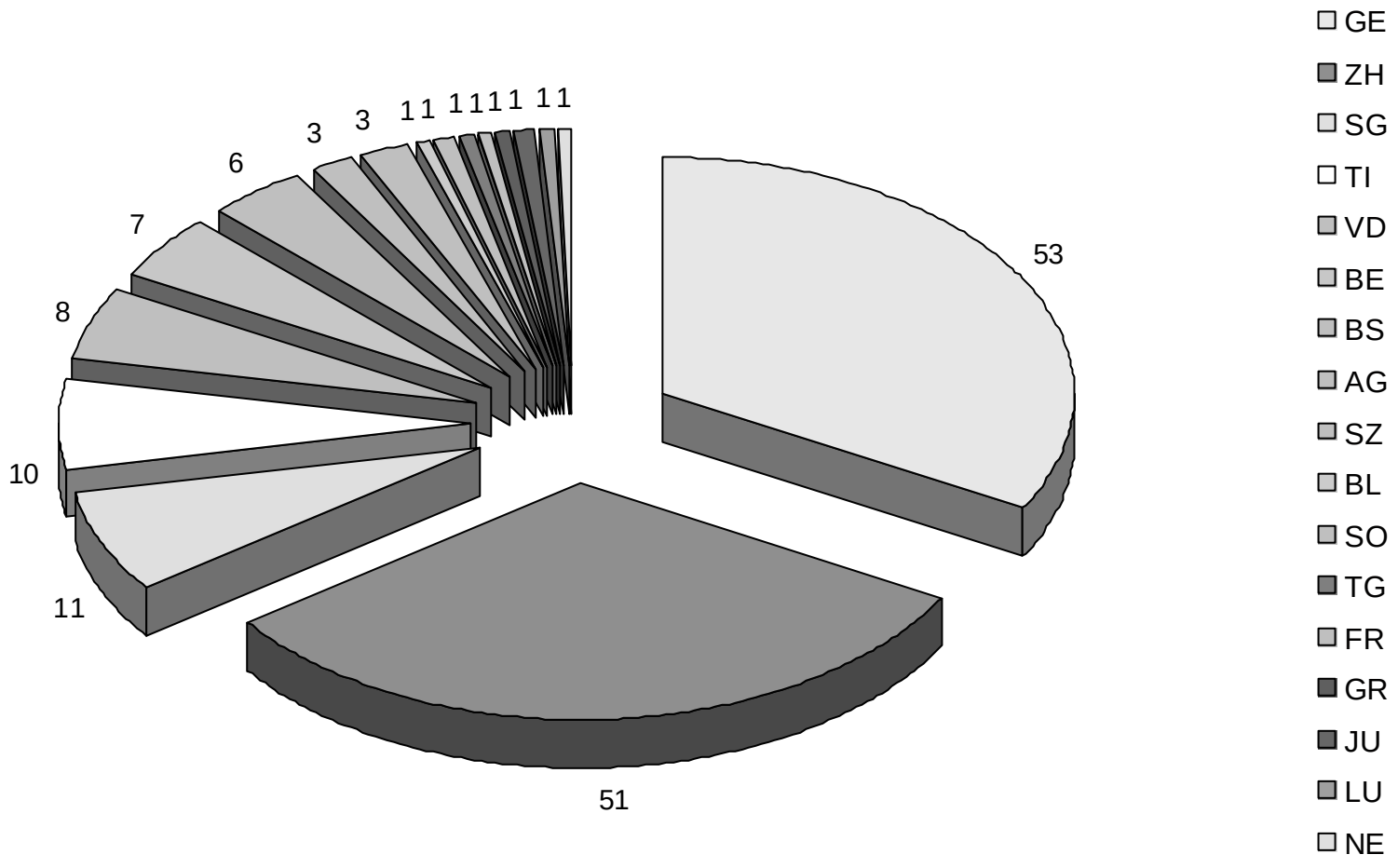
By contrast with the chart on 'Prosecution authorities involved' this chart analyses the cantons in which reports originated. As was the case in the earlier chart, the leaders again include the cantons of Geneva and Zurich, but the canton of Ticino is no longer to the fore. This is explained by the fact that many financial intermediaries require their subsidiaries to channel suspicious transaction reports through the head office, which may be located in another canton.

This chart should be compared with the chart on 'Prosecution authorities involved'.

Caption

GE	Geneva	SZ	Schwyz	NE	Neuenburg
ZH	Zurich	BL	Basel Landschaft		
SG	St. Gallen	SO	Solothurn	Absolute figures, arranged in descending order	
TI	Ticino	TG	Thurgau		
VD	Vaud	FR	Fribourg		
BE	Bern	GR	Grisons		
BS	Basel Stadt	JU	Jura		
AG	Aargau	LU	Lucerne		

Home cantons of reporting financial intermediaries



6.5 Nationality of customers

What the chart represents

This chart shows the nationality, in the case of individuals, or country of domicile, in the case of corporate bodies, of customers of financial intermediaries who have been the subject of suspicious transaction reports.

What the chart indicates

The position of Switzerland at the top of the list reflects the fact that the majority of customers come from Switzerland. Neighbouring countries such as Italy, Germany, France and Liechtenstein are also prominent. Liechtenstein, like the British Virgin Islands (BVI), is a well-known financial centre for offshore services.

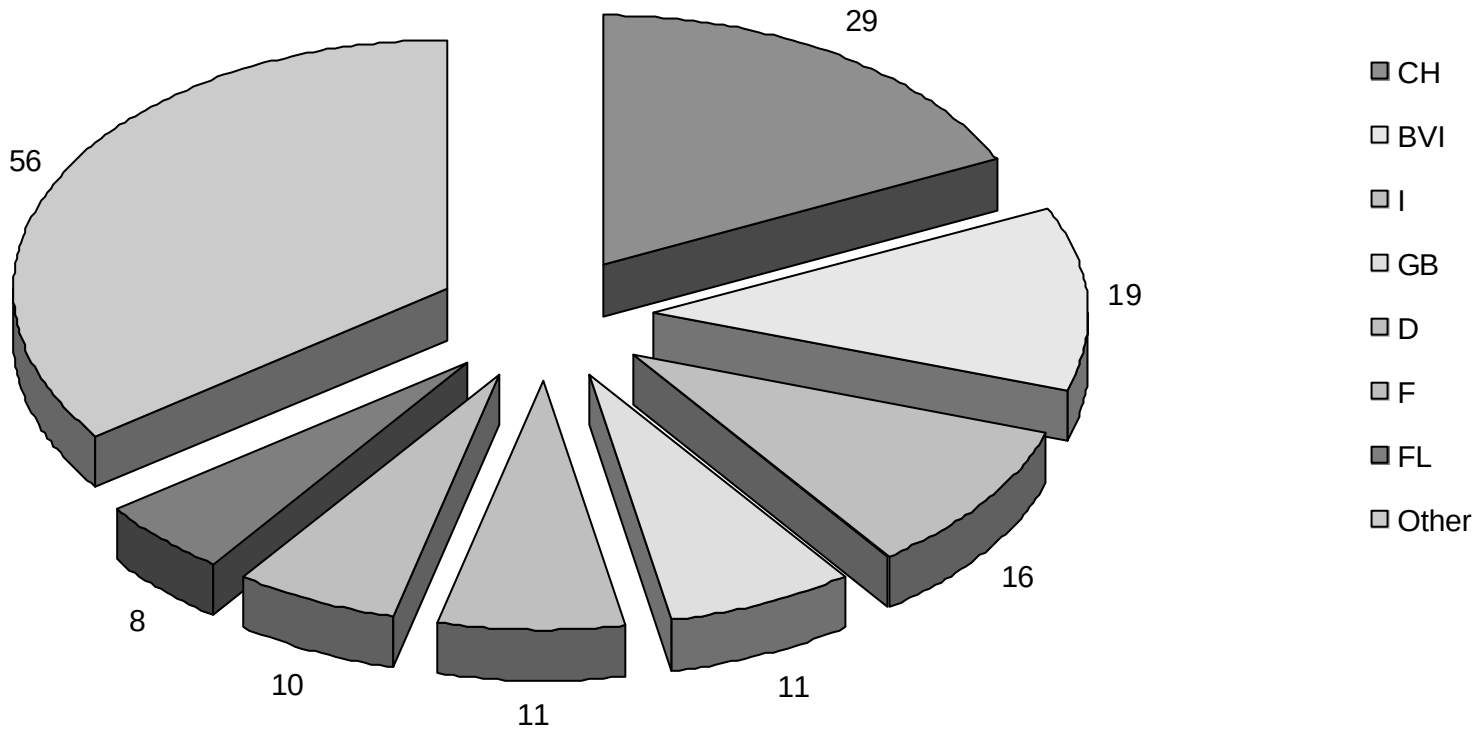
This chart should be compared with the chart on the 'Nationality of beneficial owners'.

Caption

CH	Switzerland
BVI	British Virgin Islands
I	Italy
GB	Great Britain
D	Germany
F	France
FL	Liechtenstein
Others	Rest of the world combined, without geographical differentiation

Absolute figures, arranged in descending order

Nationality of customers



6.6 Nationality of beneficial owners

What the chart represents

This chart shows the nationality, in the case of individuals, or country of domicile, in the case of corporate bodies, of parties believed to be the beneficial owners of assets giving rise to suspicious transaction reports.

What the chart indicates

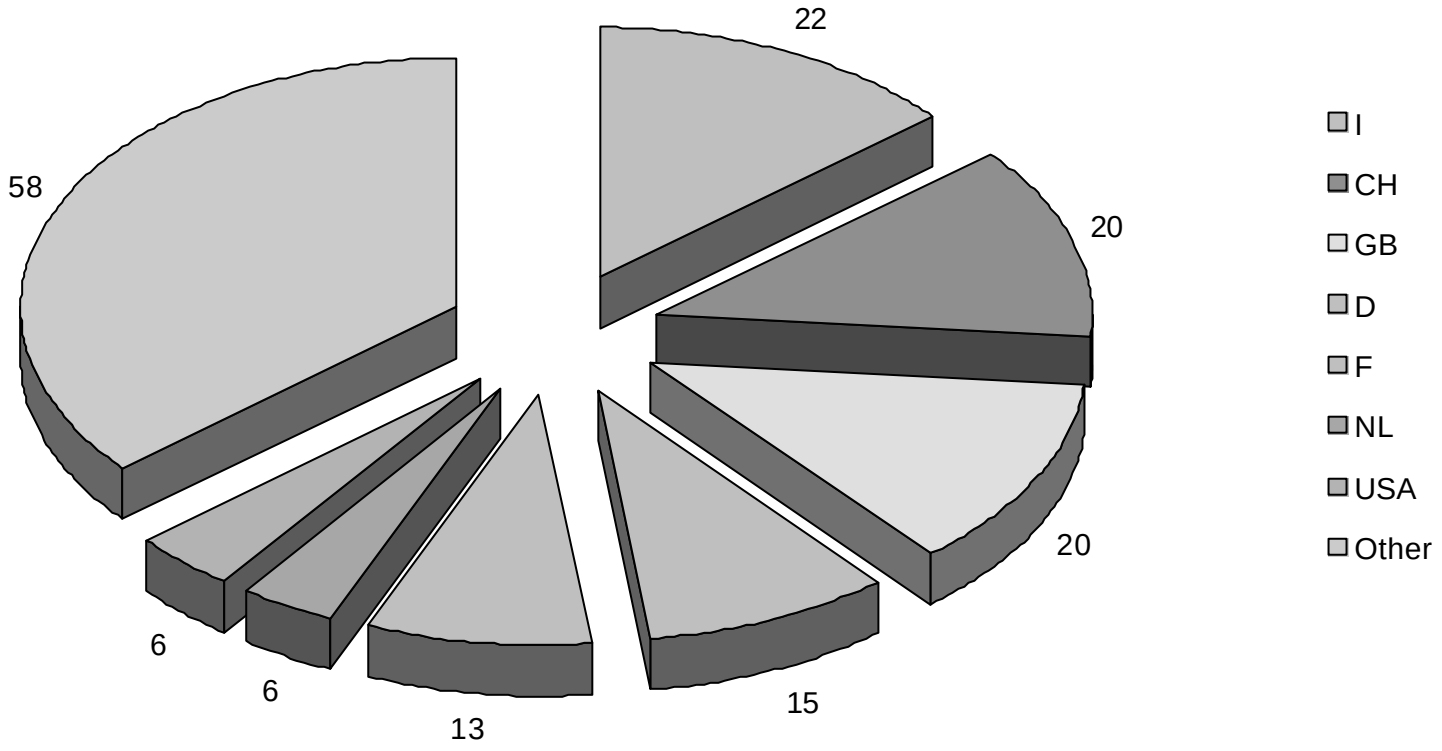
The main contrast with the chart on the 'Nationality of customers' is that Switzerland no longer occupies first place. This is due to the fact that foreign nationals can own companies (e.g. domiciliary companies) incorporated in Switzerland and use them to conduct their business transactions. Italy, Germany, France and Great Britain are again strongly represented. This might be an indication that Switzerland's central location in Europe is attractive to customers. On the other hand, the British Virgin Islands and Liechtenstein no longer figure at the top of the list. The reason for this is that these financial centres are best known for the offshore services they provide and the actual beneficial owners rarely if ever actually hail from these countries.

Caption

I	Italy
CH	Switzerland
GB	Great Britain
D	Germany
F	France
NL	Netherlands
USA	USA
Others	Rest of the world combined, without geographical differentiation

Absolute figures, arranged in descending order

Nationality of beneficial owners



6.7 Originator of the reports

What the chart represents

This chart gives a breakdown of suspicious transaction reports filed by the various categories of financial intermediaries.

What the chart indicates

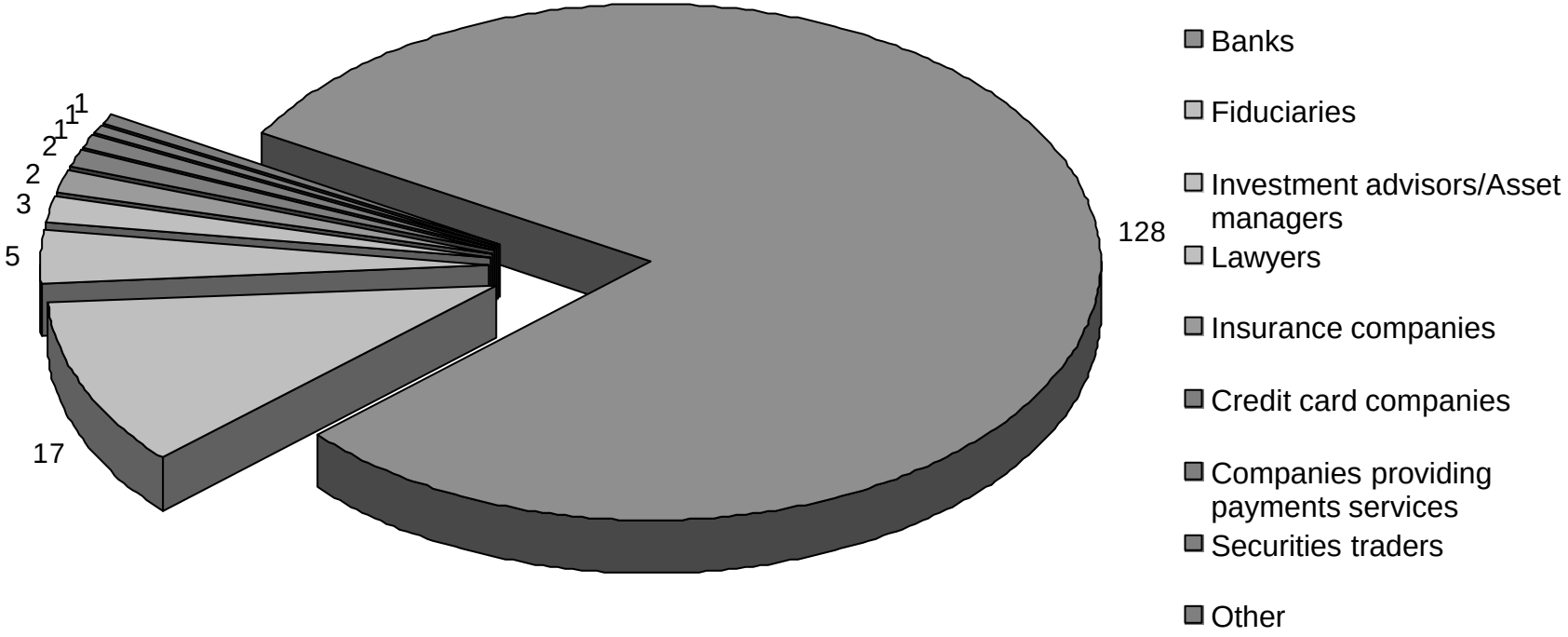
In first place are the banks, which accounted for approximately 80% of all reports. This can be put down to the high profile given to money laundering issues in the banking sector in recent years and the fact that the banks are bound by the Circulars issued by the Federal Banking Commission and the Swiss Bankers Association's Agreement on Due Diligence.

In the non-banking sector, fiduciaries are leading the way with approximately 17 reports.

Caption

Absolute figures, arranged in descending order

Originator of the reports



6.8 Nature of offences

What the chart represents

This chart shows the offences suspected by the MROS of having been committed at the time it passes on reports to prosecution authorities.

What the chart indicates

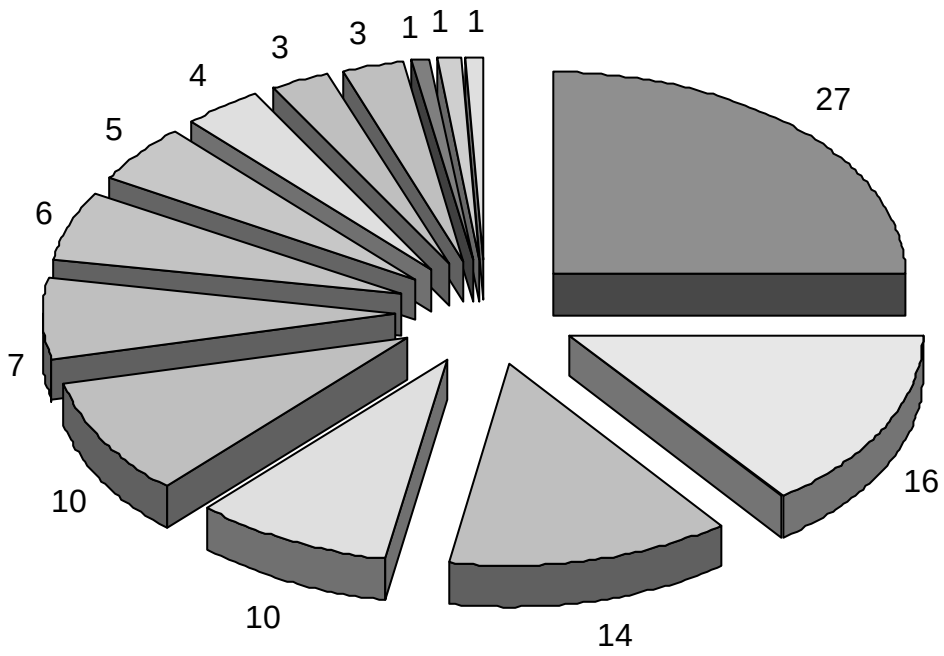
The most common offences are fraud-related. The bulk of these are cases of investor fraud in which investors are cheated by shady individuals or companies. The next most common category is money laundering offences in the narrow sense in which fund flows are disguised using a wide variety of transaction forms. In third place is forgery. These are cases where companies and/or individuals seek to get hold of assets by means of forged documents. In those cases in which the offence is stated to be 'undetermined' the nature of the suspected offence has not yet been ascertained.

One possible explanation as to why the 'drugs' category of offences does not feature more prominently may be that financial intermediaries are better able to detect signs of financial wrongdoing than of drug-related activities.

Caption

Absolute figures, arranged in descending order

Nature of offences



- Fraud
- Money Laundering
- Forgery of documents
- not classifiable
- Other delicts against assets
- Drugs
- Corruption
- Organized crime
- Theft
- unfaithful management
- Embezzlement
- Extortion
- Counterfeit money
- Other delicts

6.9 Grounds on which reports are based

What the chart represents

This chart shows the reasons that prompted financial intermediaries to file suspicious transaction reports.

What the chart indicates

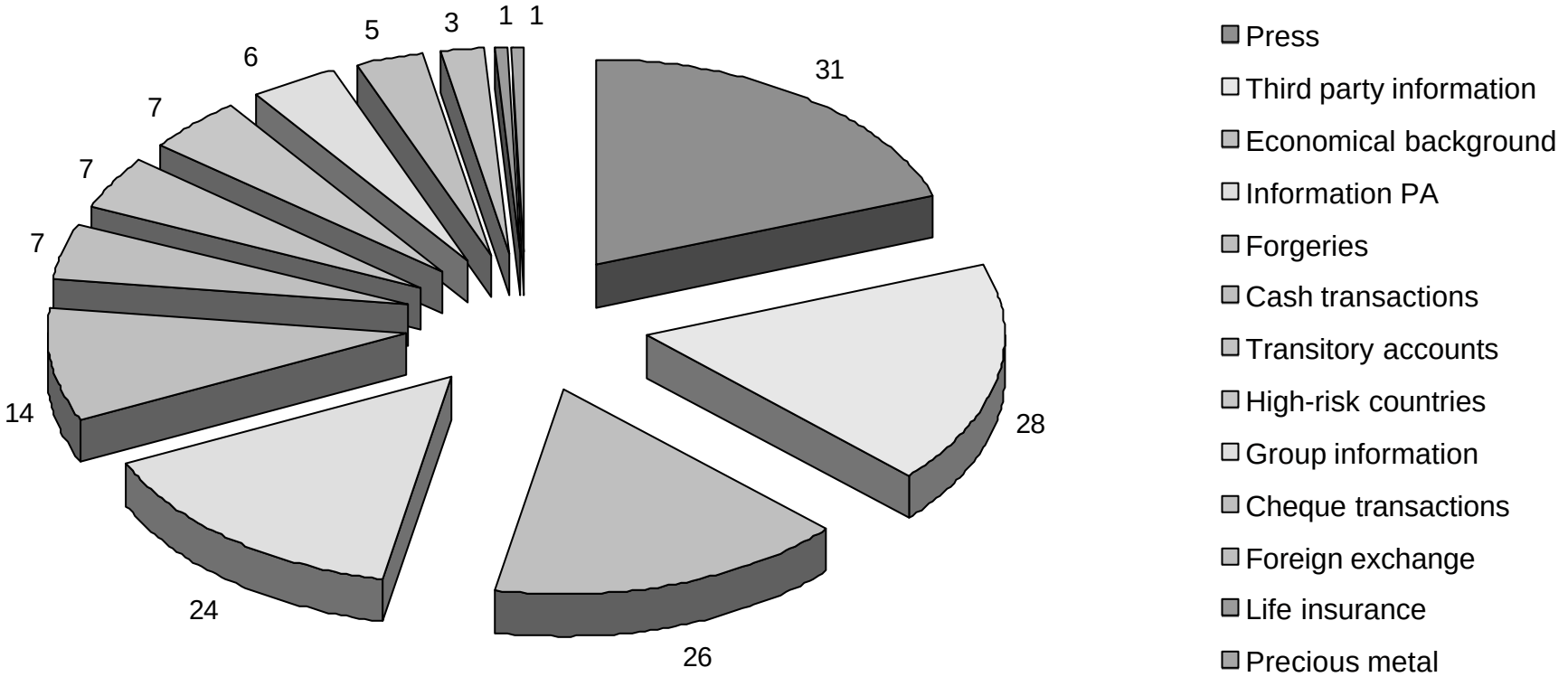
The most common reason given by financial intermediaries was learning from media reports that one of their customers might be involved in criminal activities or had already been charged with an offence. It also frequently happened that the financial intermediaries received information from a third party that the person they were dealing with might be suspect. Another reason given in many cases was that the financial intermediary found the economic background given to a transaction to be unbelievable and the customer was unable to provide a plausible explanation.

Caption

Information PA	The prosecution authorities initiate proceedings against an individual connected with the financial intermediary's customer
Forgeries	Forged banknotes or forged documents are submitted to the bank on order to obtain a financial advantage
High-risk countries	The financial intermediaries regard the nationality or domicile of the customer as suspect
Group information	Information concerning dubious customers is supplied by one company in a group to another
Cheque transactions	A large volume of cheque transactions is observed, attempts are made to cash cheques
Foreign exchange	Unusual foreign exchange transactions
Life insurance	Life insurance policy purchased in dubious circumstances

Absolute figures, arranged in descending order

Grounds on which reports are based



6.10 Distribution of reports

What the chart represents

This chart shows the monthly distribution of reports between April 1998 and March 1999.

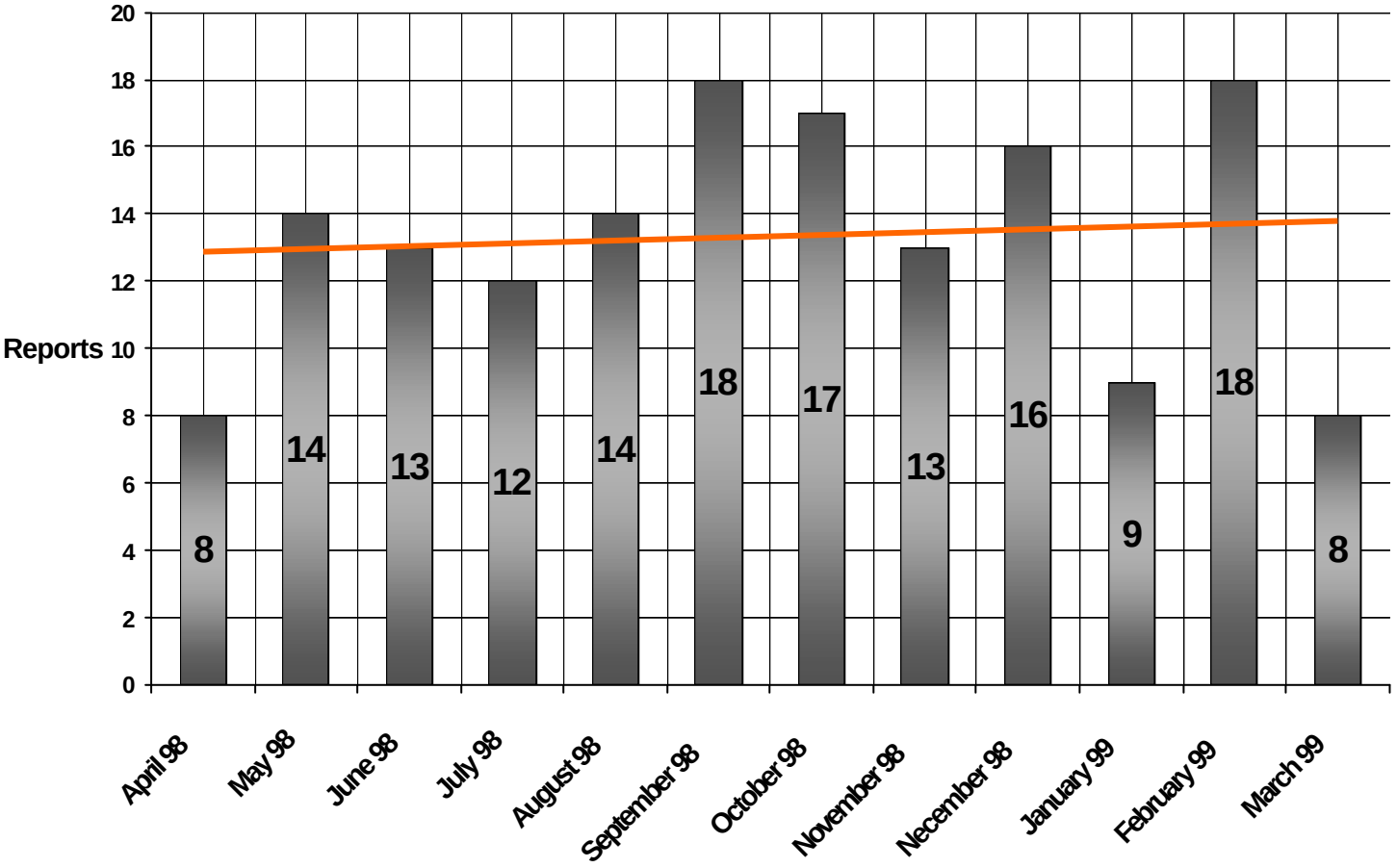
What the chart indicates

After a slow start in April 1998 the monthly level of reports increased and stayed steady in the range of approximately 12-18 reports per month with the exception of January and March 1999. The rate of reports appears to be constant. There was a fivefold increase in the number of reports received as compared to the previous year (under the reporting right provision of Article 305ter(2) of the Penal Code).

Caption

Horizontal line	Trend in the number of reports

Distribution of reports



7 Outlook / Projects

The Money Laundering Reporting Office is currently a member of the following working parties:

- Outreach' working group (set up by the Egmont group)
- Working party on 'The effects of the introduction of the euro on crime in Switzerland' (organised by the MROS)
- Working party on 'The Money Laundering Act' with representatives from the prosecution authorities and the Money Laundering Control Authority (organised by the MROS)
- Experts group on 'Targeting UN Financial Sanctions' (BAWI – Federal Office for Foreign Economic Affairs)

The following projects are planned for the future:

- The holding of a workshop for foreign FIU's in Switzerland. Workshops of this kind are aimed at training FIU officials, furthering mutual acquaintance and thereby improving international cooperation.
- The publication of a typology report entitled 'Money Laundering'. This report will describe, with particular reference to Switzerland, how money laundering operations are carried out, what types of suspicious transactions have been reported and what action has been taken on such reports.
- The publication of a situation update on 'Money Laundering' which will focus particularly on the impact of the latest technologies.
- The devising of a training module for financial intermediaries. The training of the employees of financial intermediaries is crucially important to combating money laundering. We intend to make a contribution in this domain, drawing on actual cases dealt with by the Reporting Office.

8 Selected Web sites

Address	Organisation
Switzerland	
www.admin.ch/bap	Federal Office for Police Matters / MROS
www.admin.ch/efv	Swiss Federal Finance Administration / Money Laundering Control Authority
International Organisations	
www.oecd.org/fatf	Financial Action Task Force on Money Laundering
https://www.imolin.org	The United Nations‘ anti-money laundering Web site
Foreign FIU’s	
www.ustreas.gov/fincen	Financial Crimes Enforcement Network / USA
www.ncis.co.uk	National Criminal Intelligence Service / United Kingdom