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Federal Office of Police
Federal Department of Justice and Police

MROS

Money Laundering Reporting Office Switzerland

5th Annual Report

2002

Federal Department of Justice and Police
Federal Office of Police (fedpol.ch)

MROS

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April 2003

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Money Laundering Reporting Office Switzerland

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1. Introduction

Fighting terrorist funding

The impact of the events of 11 September 2001 was felt well into 2002. In Switzerland's campaign against money laundering, appropriate measures have been implemented in various areas. After 11 September 2001, financial intermediaries began looking for better ways to identify assets belonging to terror organizations. Helping them in this process were the so-called Bush lists supplied by the American authorities. These lists have their legal basis in an executive order of the President of the United States and their execution in Switzerland is carried out by the banking supervisory authorities. These authorities require financial intermediaries either to make mandatory checks of their clients according to the names on the lists and to report any suspicious findings to the Money Laundering Reporting Office (MROS), or they simply request that the names on the Bush lists be given increased due diligence. Along with the Bush lists, the Federal Department of Economic Affairs has drawn up its own list of around 60 names of individuals and organizations connected with international terrorism or its financing. This list appears as an appendix to the decree on measures against the Taliban of 2.10.2000 (SR 946.203). This appendix contains in particular the names of individuals and corporate bodies whose money in Switzerland has been frozen and who may no longer receive money directly or indirectly. Individuals and institutions who suspect that they hold or administer funds which come under this ban must immediately report this to the State Secretary for Economic Affairs (Seco). Reporting to Seco does not release the financial intermediary of its obligation to report to MROS according to the stipulations of the supervisory authorities regarding the Bush lists. Therefore, it is possible that reports on the same individual or institution are filed both to MROS and Seco and that the resulting freeze on funds will appear in the statistics of both bodies.

In 2002, the number of reports to MROS of possible funding of terrorist groups dropped sharply to 15 from 95 in 2001. This shows that the financial intermediaries were more diligent in their reporting obligations immediately after the terrorist attacks.

New federal jurisdiction

On 1.1.2002, Art. 340bis of the Swiss Penal Code, the so-called Efficiency Bill, entered into force giving federal authorities new powers in the fight against money laundering and organized crime. Under its terms, MROS can pass on reports of suspicious financial activities to the Office of the Attorney General of Switzerland as well as to the 26 cantonal law enforcement agencies. In 2002, around 38% of the reports were assigned to the Attorney Generals or to the Office of Federal Examining Magistrates (see Ch. 2.3.12).

Additional annual statistics 2002

In the 2002 report, a new graph has been added. The “location of suspicious business connection” (see Ch. 2.3.4) shows in which canton the actual suspicious activities occurred. The financial intermediaries often organize themselves intercantinally into so-called competence centers. Therefore, reports made by one canton can originate in another canton. The graph “Home canton of reporting financial intermediaries” (see Ch. 2.3.3) did not take this into account.

The directive on the Money Laundering Reporting Office (MGwV; SR 955.23)

The directive on the Money Laundering Reporting Office of 16 March 1998 entered into force on 1.4.1998 and was scheduled to stay in effect until 31.12.2002 (Art. 22 MGwV). On 20.11.2002, the Federal Council extended the validity of the MGwV until 31.12.2006.

Increased staff

In 2002, the number of reports received increased sharply by more than 56.4%, following a 34% increase in 2001. The exchange of information with reporting offices abroad also increased with 21% more requests. In view of the increase in reports as well as international and national efforts to expand the range of activities beyond the investigation of money laundering in the financial sector to include dealings in art and the real estate market (see Ch. 4.3.4), the workload of MROS has increased considerably. A request for two new posts was approved thus increasing the MROS team to eight. Since MROS began its work in 1998, the number of staff has doubled.

Judith Voney, Head of MROS
Berne, March 2003

2. Annual MROS statistics

2.1. General remarks

The analysis of the statistics for 2002 shows the following main results:

- 1) The number of reports received grew by around 56%.
- 2) Incoming reports from the non-banking sector outweighed those from the banking sector for the first time – 58% against 42%.
- 3) Total assets involved declined by around 75%.

1) The increase of 56.4% in the number of reports received can be attributed to an improved reporting practice by the financial intermediaries who perform services as money transmitters, and is not a result of a major event such as that which occurred the year before. If the money transmitters are left out of the equation, then the number of reports received in the non-banking sector dropped by around 5.6% against the previous year and grew by 6.2% in the banking sector in comparison with 2001.

However, in contrast to the increase in reports from money transmitters, the number of reports that were passed on to law enforcement authorities in 2002 dropped to 79% compared with 91% the year before. An examination of the circumstances surrounding the reports made by money transmitters frequently showed that the grounds for suspicion were too vague to justify an investigation. But it should not be concluded from this that the reporters were over hasty. It is worth keeping in mind that the business of money transmitters is a short-term, rapid-turnover one which does not give the financial intermediary the same chance as a bank or a fiduciary to shed light on the background of a transaction.

2) The decline in the amount of assets involved may be an indication that the measures Switzerland has implemented in the fight against money laundering are having a preventive effect. After four years of strictly applying mandatory due diligence and reporting, major money laundering cases have been discovered and because of that Switzerland has possibly lost some of its attraction for money launderers.

3) Cases under federal jurisdiction are mainly those where the predicate offence and the first stage in the overall money laundering process has taken place outside Switzerland. The fact that nearly 40% of the money laundering reports that were passed on landed on the desks of federal prosecutors shows that many cases have a direct foreign connection. The new powers invested in the federal authorities in 2002 to investigate possible money laundering activities has reduced the workload of the cantons of Geneva, Ticino and Zurich.

2.2. *The search for terrorist funds*

In the 2002 reporting period, MROS received reports of 15 cases possibly linked to the funding of terrorism. The total amount of money involved was CHF 1,613,819. All the reports involved individuals and institutions appearing on the so-called Bush lists. The 15 reports were passed on to the office of the Attorney General of Switzerland.

The following shows a breakdown of the 15 reports.

a) Home canton of reporting financial intermediaries

	No. of reports	
ZH	4	27%
BE	3	20%
GE	1	7%
TI	5	33%
AG	2	13%
Total	15	100%

b) Type of financial intermediary

	No. of reports	
Banks	10	66%
Money transmitters	3	20%
Asset managers	1	7%
Insurance companies	1	7%
Total	15	100%

c) Type of bank filing the report

	No. of reports	
Foreign bank	1	10%
Major bank	3	30%
Regional bank	1	10%
Cantonal bank	1	10%
Private bank	4	40%
Total	10	100%

d) Nationality and domicile of the client

Country	Nationality		Domicile	
Afghanistan	1	6.7%	0	0.0%
Switzerland	4	26.6%	5	33.3%
Italy	2	13.3%	2	13.3%
Panama	2	13.3%	2	13.3%
Pakistan	1	6.7%	1	6.7%
Saudi Arabia	3	20.0%	3	20.0%
Singapore	1	6.7%	1	6.7%
Turkey	1	6.7%	1	6.7%
Total	15	100%	15	100%

e) Nationality and domicile of the beneficial owner

Country	Nationality		Domicile	
Afghanistan	1	6.7%	0	0.0%
Switzerland	3	20.0%	4	26.6%
Italy	5	33.2%	5	33.3%
Pakistan	1	6.7%	1	6.7%
Saudi Arabia	3	20.0%	3	20.0%
Singapore	1	6.7%	1	6.7%
Turkey	1	6.7%	1	6.7%
Total	15	100%	15	100%

2.3. Detailed statistics

2.3.1 Overview of MROS statistics for 2002

Business year summary (1.1.2002 - 31.12.2002)

	2002		+ / -	2001	
	Absolute	Relative		Absolute	Relative
Number of reports					
Total received	652	100.0%	56.4%	417	100.0%
Passed on to law enforcement agencies	515	79.0%	-13.2%	380	91.0%
Not passed on	137	21.0%		35	8.5%
Pending	0	0.0%		2	0.5%
Type of financial intermediary					
Money transmitters	280	42.9%		55	13.2%
Bank	271	41.6%		255	61.2%
Fiduciary	42	6.4%		33	7.9%
Asset manager	24	3.7%		33	7.9%
Attorney	12	1.8%		9	2.2%
Insurance	9	1.4%		6	1.4%
Other	8	1.2%		4	1.0%
Casino	4	0.6%		8	1.9%
Currency exchange	1	0.2%		2	0.5%
Credit card	1	0.2%		7	1.7%
Investment advisor	0	0.0%		5	1.2%
Securities trader	0	0.0%		0	0.0%
Amounts involved in CHF					
(Total effective assets at time of report)					
Overall total	666,468,023	100.0%	-75.5%	2,728,182,377	100.0%
Total involved in reports passed on	646,733,344	97.0%	-76.0%	2,700,428,687	99.0%
Total involved in reports not passed on	19,734,679	3.0%		27,753,690	1.0%
Average report value (total)	1,022,190			6,542,404	
Average report value (passed on)	1,255,793			7,106,391	
Average report value (not passed on)	144,049			792,963	

2.3.2 Monthly statistics of incoming reports

What the graph represents

This graph shows the monthly breakdown of reports received in 2001 and 2002.

Graph analysis

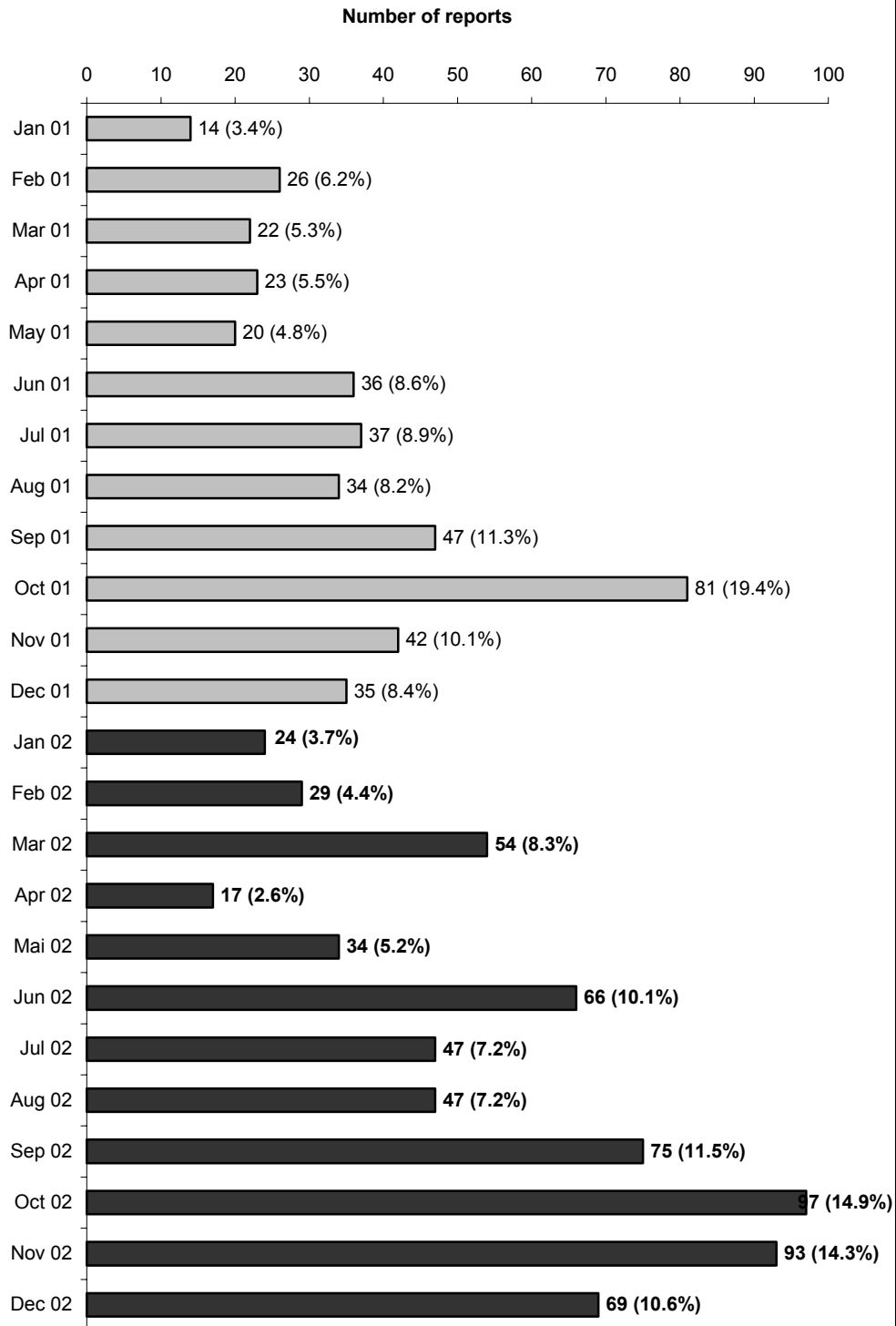
In 2002, MROS processed an average of 54.3 reports per month compared to 34.8 in 2001. This is an average increase of 56.4% over the previous year.

In 2002, a total of 652 reports were filed marking an increase of 56% over the 2001 reporting period.

The monthly average in the first half of 2002 was 37.3 reports. This climbed to an average of 71.3 reports per month in the second half.

The marked increase in incoming reports in the latter half of 2002 is attributable mainly to the above-average increase in reports from the money transmitter sector, which generated 55.5%. Excluding these, the monthly average of incoming reports comes to 31.

Monthly statistics of incoming reports 2001/2002



2.3.3 Home canton of reporting financial intermediaries

What the graph represents

This graph shows the canton in which the reporting financial intermediaries are based as opposed to the graph “Law enforcement agencies involved” (see 2.3.13) which indicates to which law enforcement agencies the reports were passed on.

Graph analysis

More reports from Zurich and fewer from Geneva

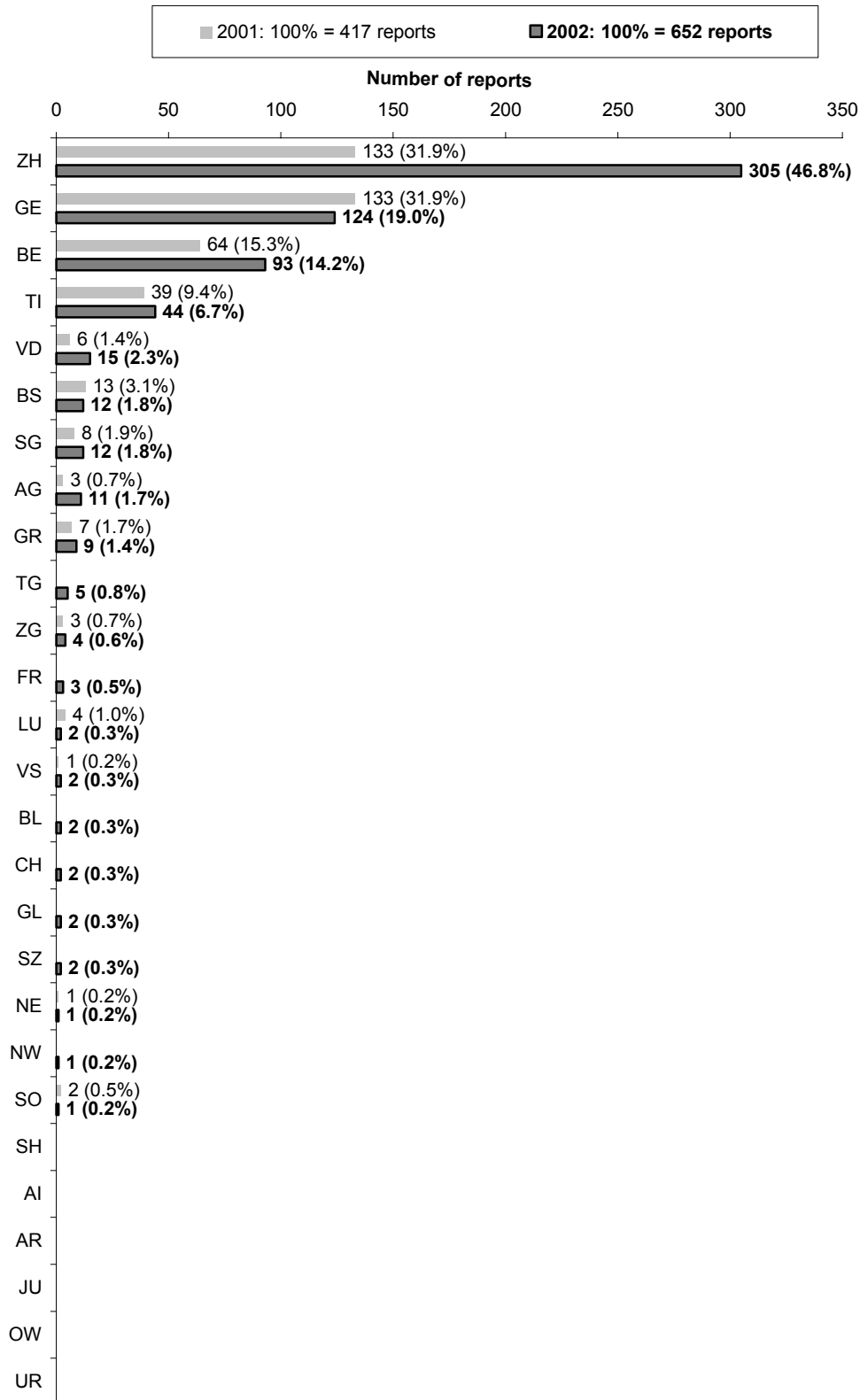
Nearly 90% (86.8%) of the reports in 2002 came from financial intermediaries in the cantons of Zurich, Geneva, Berne and Ticino. In contrast to 2001, the canton of Zurich showed a substantial increase of 172 reports. The cantons of Geneva, Berne, Ticino and Basel-Stadt handled fewer reports.

For the first time financial intermediaries in the cantons of Glarus and Nidwalden also submitted reports.

Legend

AG	Aargau	GR	Grisons	TG	Thurgau
AI	Appenzell Inner Rhoden	JU	Jura	TI	Ticino
AR	Appenzell Ausser Rhoden	LU	Lucerne	UR	Uri
BE	Berne	NE	Neuchatel	VD	Vaud
BL	Basel-Land	NW	Nidwalden	VS	Valais
BS	Basel-Stadt	OW	Obwalden	ZG	Zug
CH	Money Laundering Control Authority	SG	St. Gallen	ZH	Zurich
FR	Fribourg	SH	Schaffhausen		
GE	Geneva	SO	Solothurn		
GL	Glarus	SZ	Schwyz		

Home canton of reporting financial intermediaries



2.3.4 Location of suspicious business connection

What the graph represents

In contrast to graph 2.3.3, this graph shows in which canton the financial intermediary managed the accounts or had a business connection which they thought was suspicious and subsequently reported.

Graph analysis

The place where a financial intermediary has its headquarters is not a cut-and-dry indication of the location of the account or business mentioned in a report.

Major banks and money transmitters in particular have regional branches which submit reports of suspicious activities which do not just involve the home canton of the financial intermediary. This can lead to a wrong picture of the geographical distribution of money laundering cases in Switzerland.

A direct comparison with the statistics concerning the law enforcement agencies involved (2.3.13) is not possible because, for one thing, not all the reported cases are passed on and, for another, as a result of the new federal powers the location of the account or business alone no longer determines which judicial authority has jurisdiction.

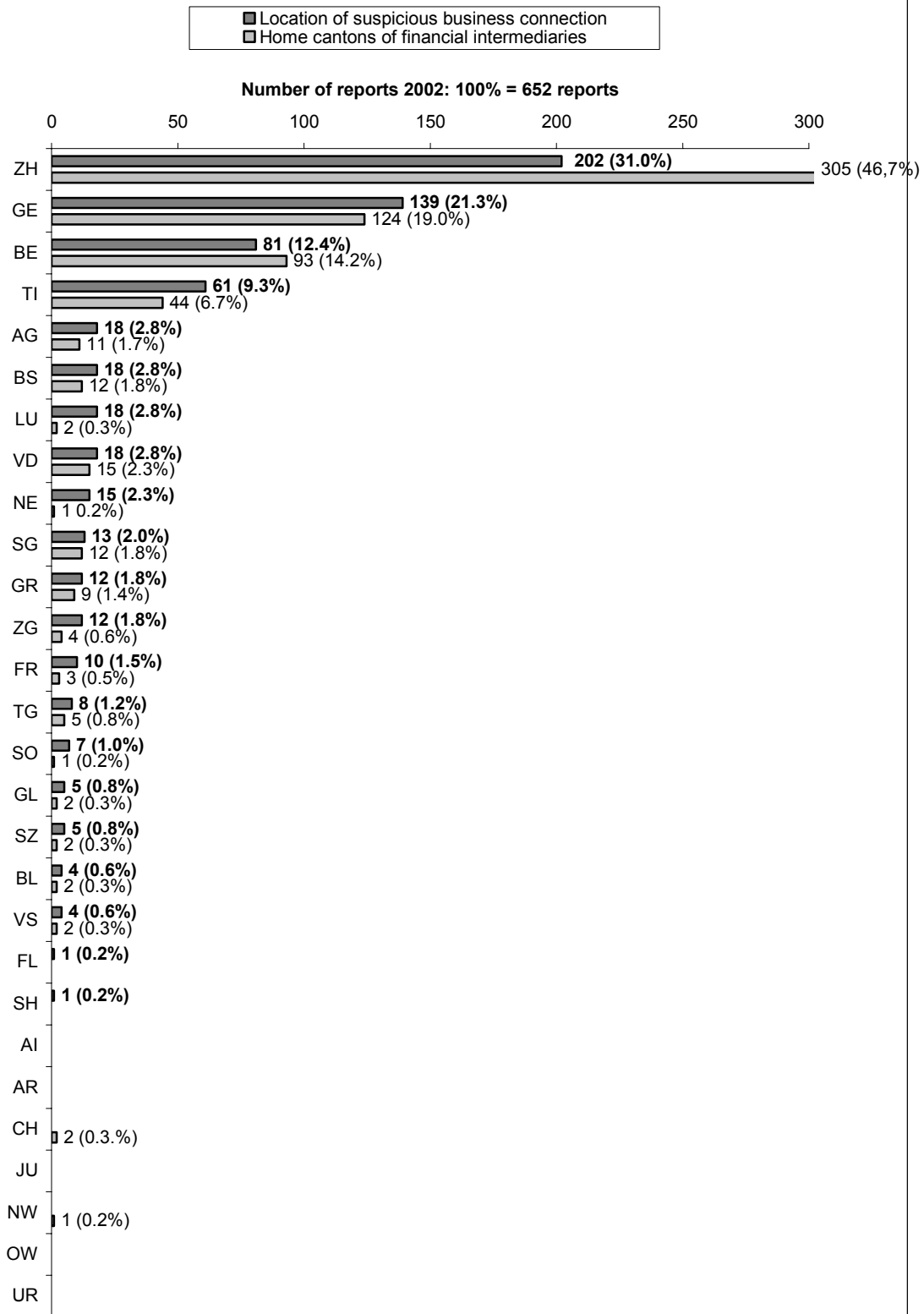
For example, the canton of Zurich was the source of 47% of the reports, but in only 31% of the cases were the accounts or businesses located in the canton itself. The cantons of Geneva and Ticino had precisely the reverse situation.

This is the first year that MROS has included these statistics. The next few years will show what trends can be identified from such a comparison.

Legend

AG	Aargau	GR	Grisons	TG	Thurgau
AI	Appenzell Inner Rhoden	JU	Jura	TI	Ticino
AR	Appenzell Ausser Rhoden	LU	Lucerne	UR	Uri
BE	Berne	NE	Neuchatel	VD	Vaud
BL	Basel-Land	NW	Nidwalden	VS	Valais
BS	Basel-Stadt	OW	Obwalden	ZG	Zug
CH	Money Laundering Control Authority	SG	St. Gallen	ZH	Zurich
FR	Fribourg	SH	Schaffhausen		
GE	Geneva	SO	Solothurn		
GL	Glarus	SZ	Schwyz		

Location of suspicious business connection



2.3.5 Financial intermediaries according to category

What the graph represents

This graph shows the category of the financial intermediary which filed a report.

Graph analysis

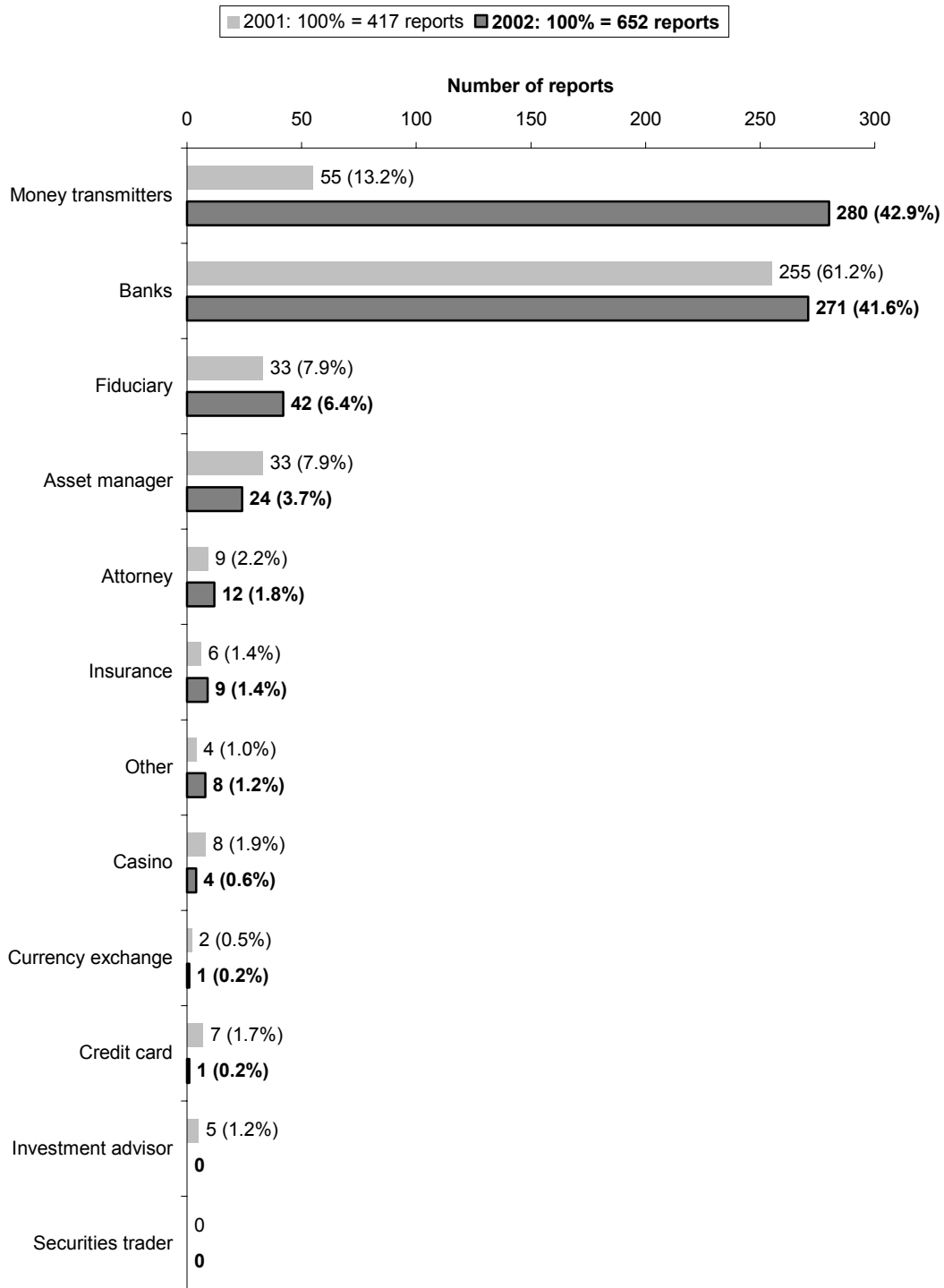
Sectoral shift: There was a massive increase in reports from the money transmitter sector and a proportionate decline in reports from the banking and remaining non-banking sector.

For the first time since the introduction of the Money Laundering Act, banks did not file the lion's share of reports in 2002. The honors go to the financial intermediaries from the money transmitter sector which filed 42.9% of all reports. This translates into a 225% increase over 2001 and is attributable to a severe tightening in reporting practices by the money transmitters. In addition they also made increased use of the reporting option under Art. 305ter, para. 2 of the Swiss Penal Code when refusing transactions.

Compared with 2001, there was a proportionate 32% decline in reports from the banking sector. But the biennial comparison of the absolute figures shows an increase of 6.3% in reports by the banks.

In the non-banking sector (excluding money transmitters) the upwards reporting trend of 2001 did not continue. Only 15.5% of the reports came from this sector in 2002 compared with 25.6% in 2001. Absolute reporting figures show a drop of 5.6% in this sector.

Financial intermediaries according to branch



2.3.6 Type of bank reporting

What the graph represents

This graph shows what type of bank submitted reports and how many.

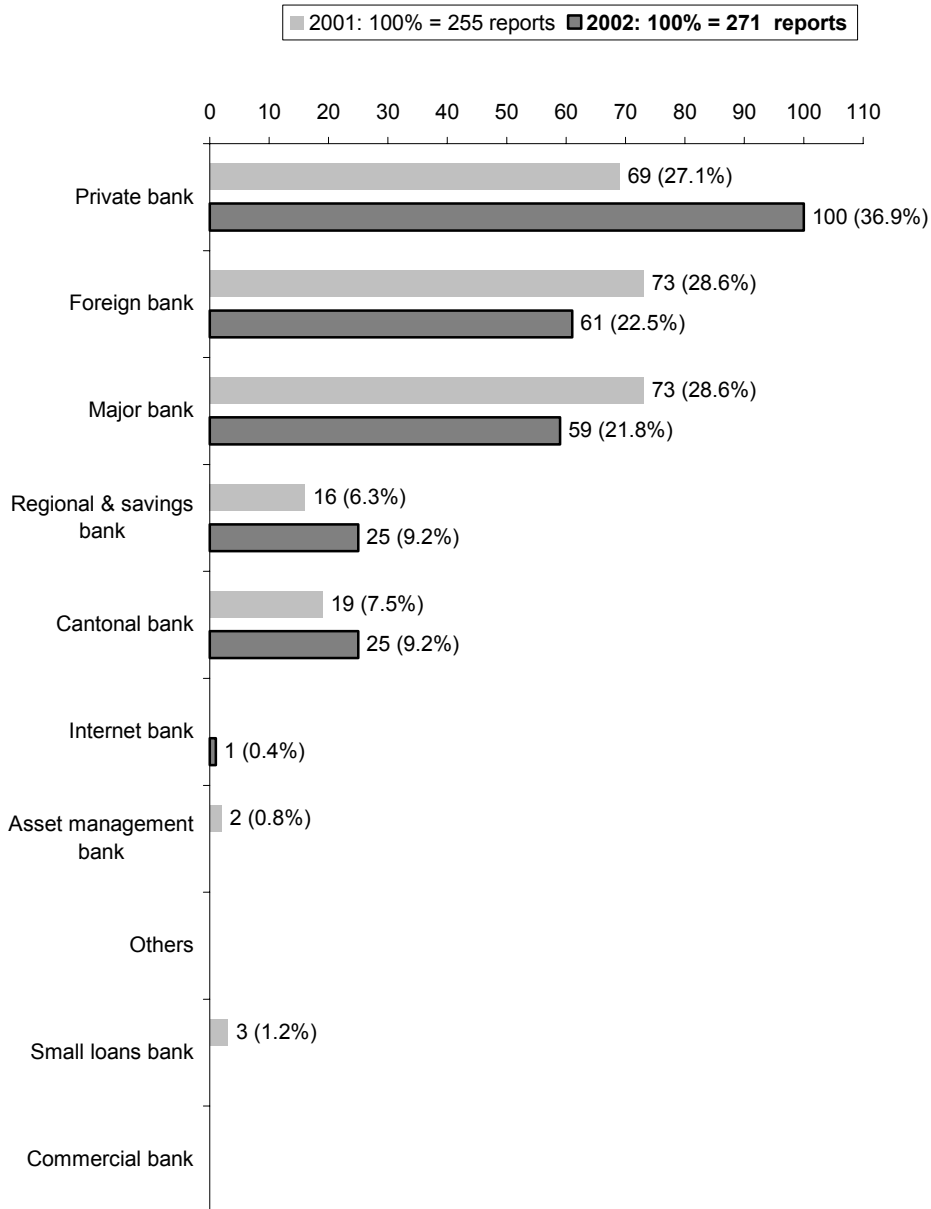
Graph analysis

More private banks reporting – fewer major banks

For the first time since 1998, private banks submitted the most reports. In 2002, the figure stood at 36.9% against 27.1% in 2001. Forty-two per cent of the banks had headquarters in Geneva, 38% in Zurich, 10% in Ticino and another 10% in the cantons of Basel-Stadt, St. Gallen and Vaud.

Reports from regional and savings banks and cantonal banks showed a slight increase. But there was a decrease in reports from the major banks and foreign institutions. This could indicate that money laundering activities are shifting from the high profile banks to the smaller institutions or that the smaller banks are taking their responsibilities to exercise due diligence more seriously.

Type of bank reporting



2.3.7 Factors arousing suspicion

What the graph represents

This graph shows what suspicions prompted a financial intermediary to file a report.

Graph analysis

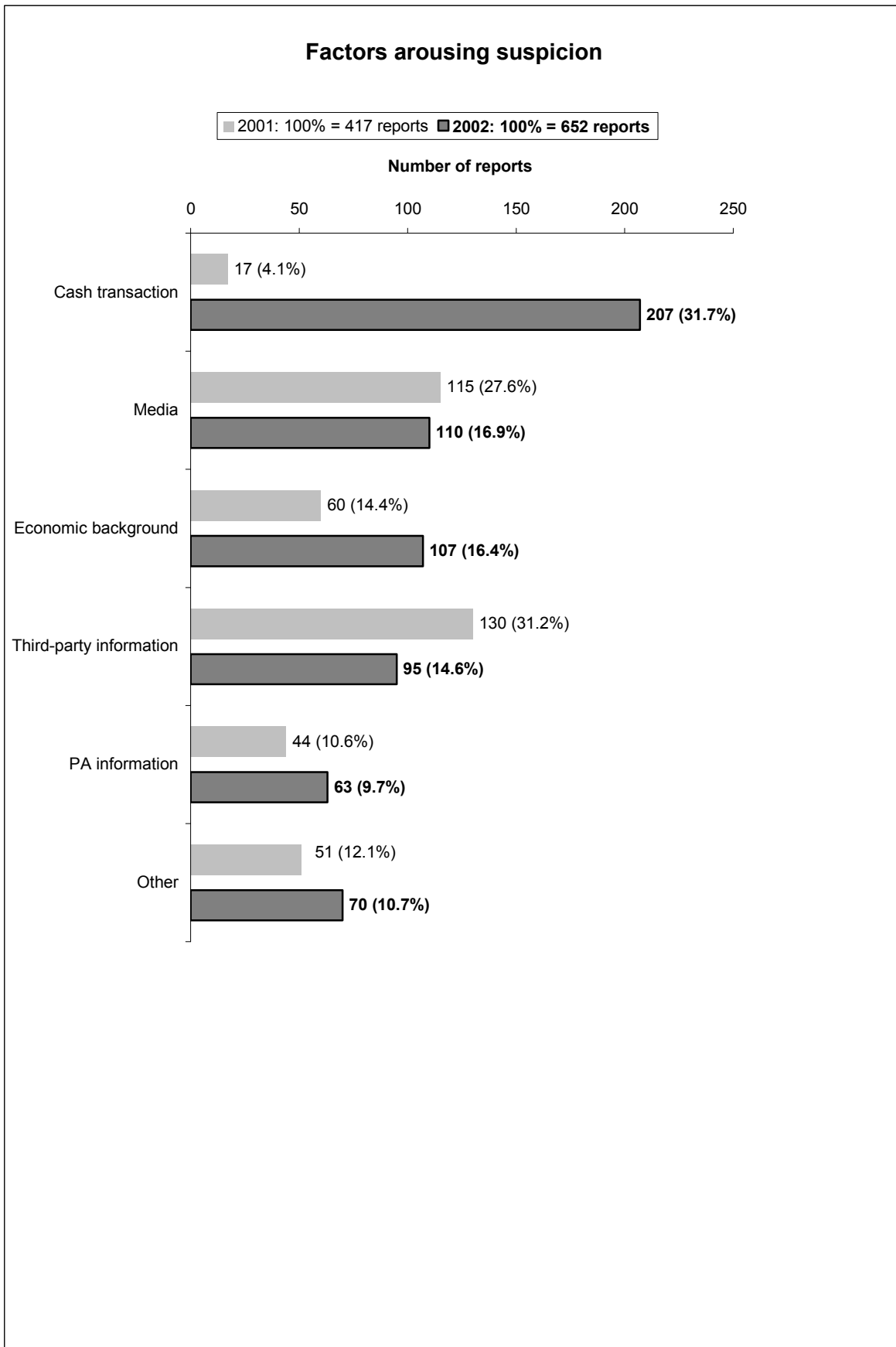
Financial intermediaries are looking more critically at their business relations

Corresponding with the increase in the number of reports from the money transmitter sector is a clear increase in suspicious cash transactions.

There was an encouraging increase in reporting due to the critical analysis of business transactions by financial intermediaries. However, without taking into consideration the money transmitter cases, media reports were once again the main source of most reports.

Legend

Economic background	The economic background of a transaction is either unclear or cannot be satisfactorily explained by the customer.
PA information	Law enforcement agencies initiate proceedings against an individual connected with the financial intermediary's client.
Media	The financial intermediary finds out from media reports that one of the people involved in the financial transaction is connected with illegal activities.
Third-party information	Financial intermediaries receive information from outside sources or from within a business about clients who could pose problems.
Various	Included in this category are topics which were listed separately in previous MROS statistics such as check transactions, forgery, high-risk countries, currency exchange, securities, smurfing, life insurance, non-cash cashier transactions, fiduciary transactions, loan transactions, transitory accounts, precious metals, opening of accounts.



2.3.8 Nature of predicate offence

What the graph represents

This graph shows what predicate offence was suspected when MROS passed on a report to law enforcement agencies.

It should be noted that the classification is based solely on the findings of the financial intermediary and of MROS. Should a report be passed on to the law enforcement agencies and proceedings initiated, then the predicate offence is given a definite label.

The category „not classifiable“ includes cases in which a variety of possible predicate offences are suspected. Under the heading „no suspicion“ fall those cases to which no clear-cut predicate offence can be attributed although on the basis of the analysis of the transaction or the economic background it cannot be excluded that the money involved is of criminal origin.

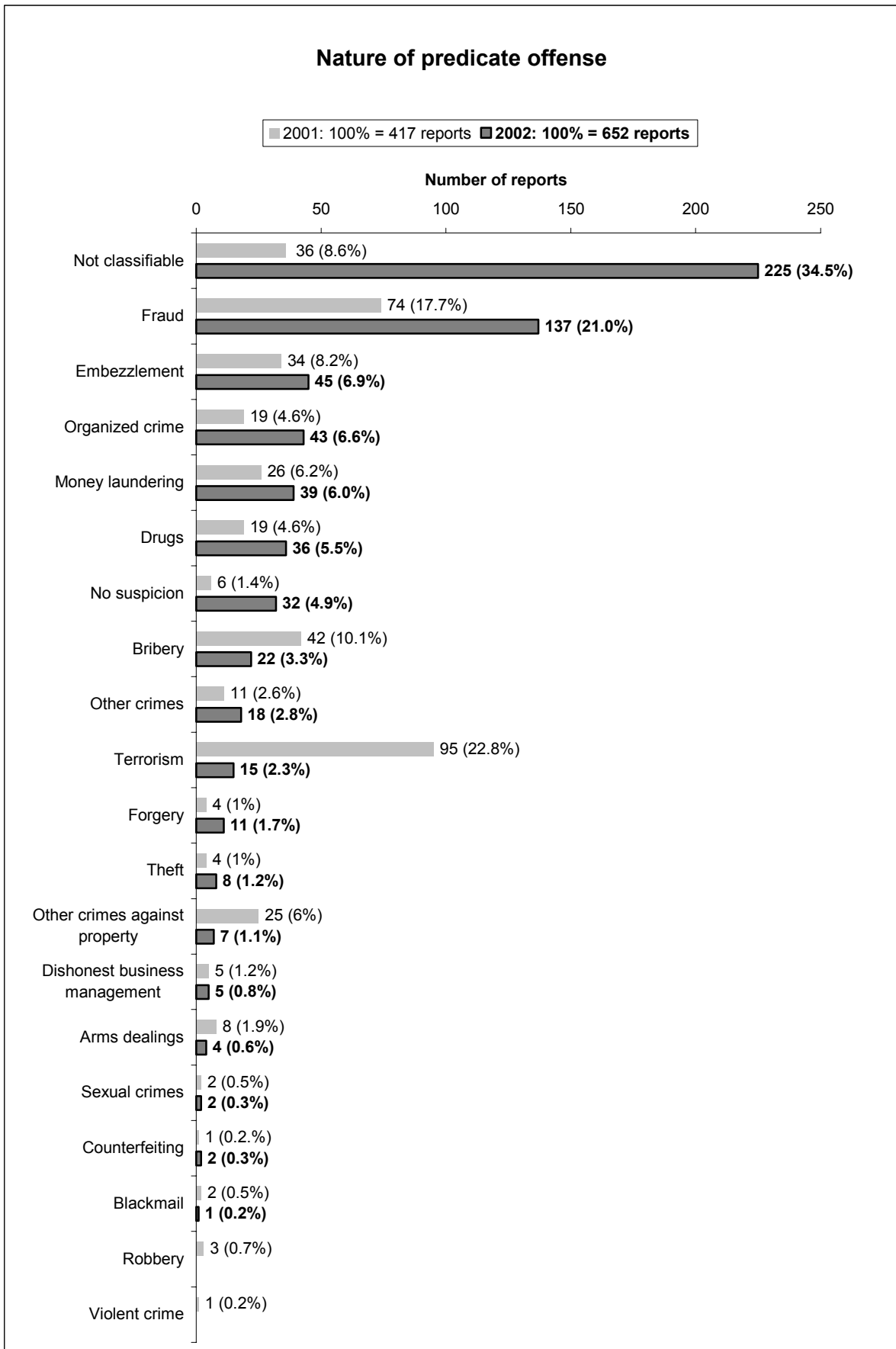
Graph analysis

Fewer bribery cases but more cases involving organized crime.

Of those reports in 2002 which could clearly be classified as predicate offenses, there were fewer bribery cases, more fraud cases and more cases involving organised crime.

In 2001, 22.8% of the cases were linked with suspected predicate terrorist funding offences. In 2002, this dropped to 2.3%.

There was also a marked increase in cases which could not be classified or were listed as not suspect. This has a direct connection with the 280 reports from the money transmitter sector where the transaction should have been classified as suspicious because of the customer profile or the receiving country, but where there was no obvious predicate offence.



2.3.9 Domicile of clients

What the graph represents

This graph shows the domicile of the corporations or individuals who were clients of the financial intermediary.

Graph analysis

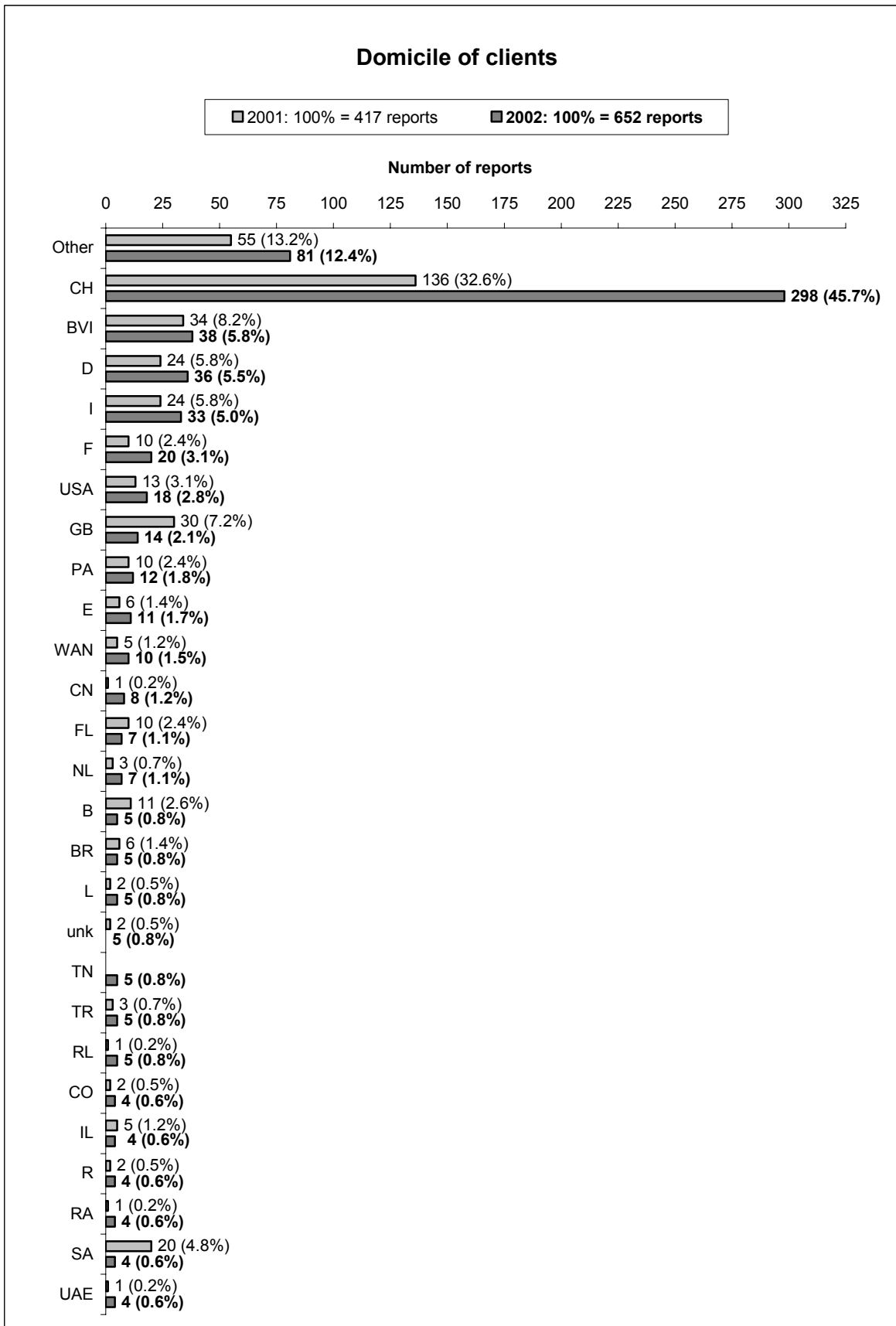
There was a 40% increase in the number of clients domiciled in Switzerland directly involved in a report.

Sixty-seven per cent of the clients came from countries in Central Europe – an increase of 14.3% over the previous year. Most of them were from Switzerland which showed a 40.2% increase over 2001. This can be explained by the fact that of the 280 reports from the money transmitter sector, 205 of the clients were resident in Switzerland.

There was a marked decrease in the number of cases involving clients from Saudi Arabia. This can be directly attributed to the decline in reports related to the funding of terrorists.

Legend

Other	Countries not geographically classified
unk	Domicile of client unknown
B	Belgium
BR	Brazil
BVI	British Virgin Islands
CH	Switzerland
CN	People's Republic of China
CO	Columbia
D	Germany
E	Spain
F	France
FL	Liechtenstein
GB	Great Britain
I	Italy
IL	Israel
NL	The Netherlands
PA	Panama
R	Russia
RL	Lebanon
SA	Saudi Arabia
TN	Tunisia
TR	Turkey
UAE	United Arab Emirates
USA	USA
WAN	Nigeria



2.3.10 Nationality of clients

What the graph represents

This graph shows the nationality of individuals who were clients of the financial intermediary. In the case of corporations, the domicile and nationality are the same.

Graph analysis

There was a sharp increase in cases involving individuals with Swiss passports or whose firms are based in Switzerland.

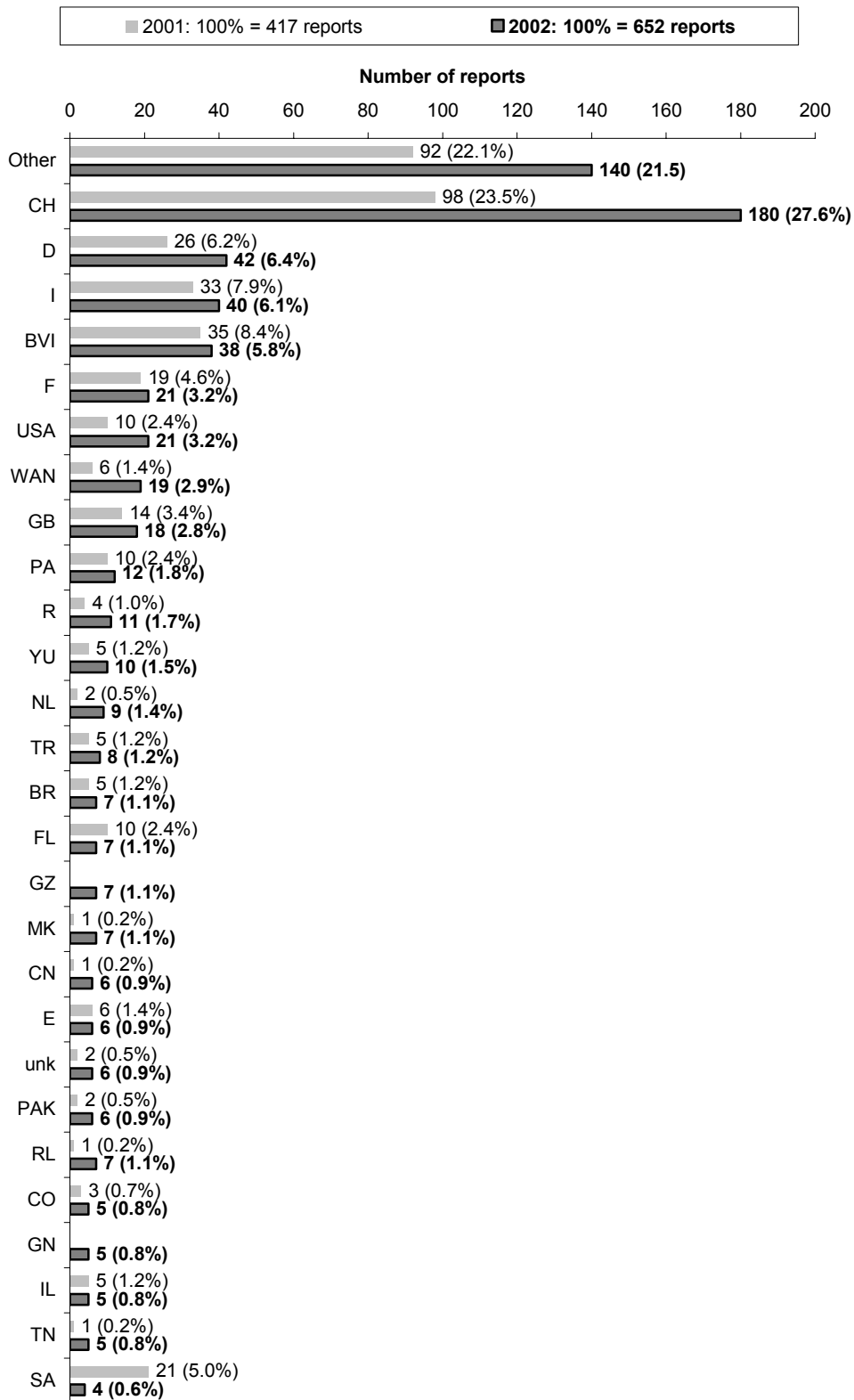
The percentage difference between individuals residing in Switzerland (45.7%) and individuals with Swiss passports or companies with headquarters in Switzerland (27.6%) indicates the proportion of foreigners.

As in 2001, 52.3% of the clients named in the reports came from Central European countries.

Legend

Other	Countries not geographically classified	I	Italy
unk	Domicile of client unknown	IL	Israel
BR	Brazil	MK	Macedonia
BVI	British Virgin Islands	NL	The Netherlands
CH	Switzerland	PA	Panama
CN	People's Republic of China	PAK	Pakistan
CO	Columbia	R	Russia
D	Germany	RL	Lebanon
E	Spain	SA	Saudi Arabia
F	France	TN	Tunisia
FL	Liechtenstein	TR	Turkey
GB	Great Britain	USA	USA
GN	Guinea	WAN	Nigeria
GZ	Georgia	YU	former Yugoslavia

Nationality of clients



2.3.11 Domicile of beneficial owners

What the graph represents

This graph shows the domicile of individuals who were identified as the beneficial owners of the assets when the report was submitted.

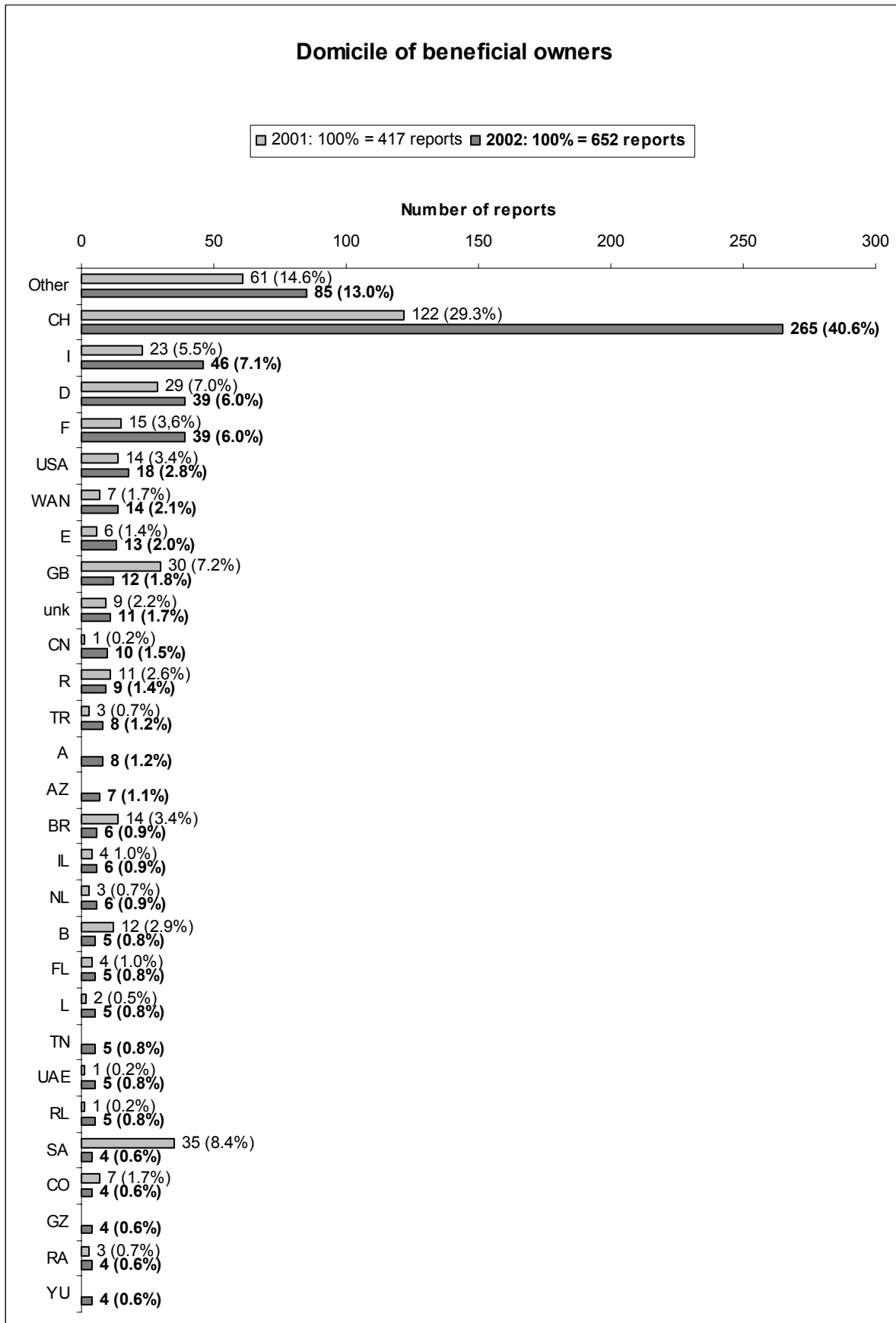
Graph analysis

The number of individuals residing in Switzerland who were identified as beneficial owners increased by 38.6%.

In 2002, persons identified as beneficial owners and residing in Central European countries accounted for 68.6% of the reports. As with the statistics on the domicile of clients, the largest proportion of beneficial owners were resident in Switzerland. This increase can be explained by the reports from the money transmitter sector. In 185 of the 280 cases, the beneficial owner was an individual residing in Switzerland

Legend

Other	Countries not geographically classified	I	Italy
unk	Insufficient identification	IL	Israel
A	Austria	L	Luxembourg
AZ	Azerbaijan	NL	The Netherlands
B	Belgium	R	Russia
BR	Brazil	RA	Argentina
CH	Switzerland	RL	Lebanon
CN	People's Republic of China	SA	Saudi Arabia
CO	Columbia	TN	Tunisia
D	Germany	TR	Turkey
E	Spain	UAE	United Arab Emirates
F	France	USA	USA
FL	Liechtenstein	WAN	Nigeria
GB	Great Britain	YU	former Yugoslavia
GZ	Georgia		



2.3.12 Nationality of beneficial owners

What the graph represents

This graph shows the nationality of individuals who were identified as the beneficial owner of the assets when the report was submitted. With corporations, the nationality is the same as the domicile. However, it is often only the law enforcement authorities who discover the true beneficial owner and subsequently their nationality during their investigations.

Graph analysis

In more than half the cases the beneficial owners come from a country in Central Europe. Other regional particularities cannot be identified.

Regarding the nationality of beneficial owners, individuals from Central Europe top the list, as in the previous year, with 53.5%.

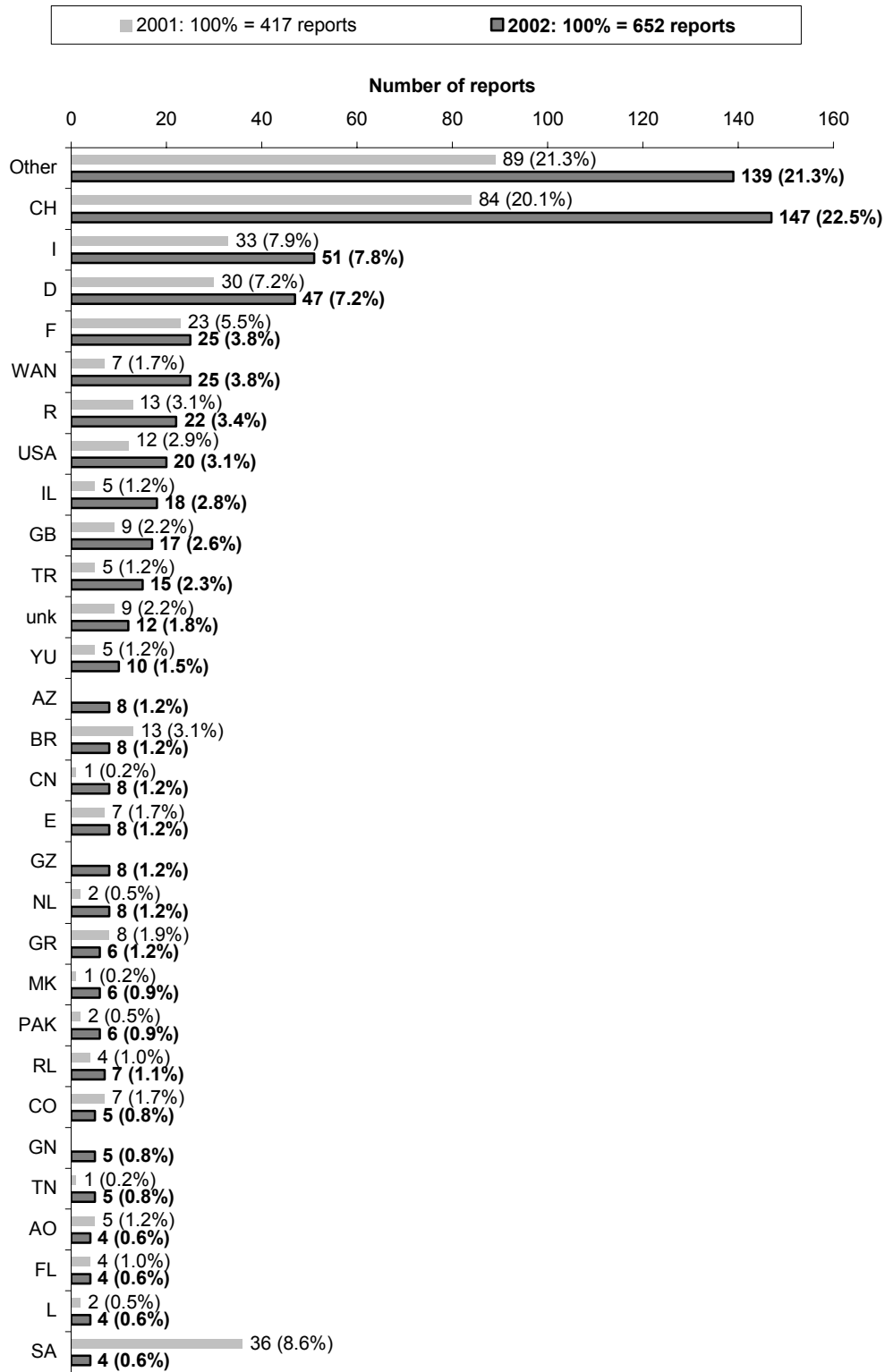
In comparison to client nationality (plus 82 reports) the proportion of beneficial owners who were Swiss or had Swiss-based firms increased only by 63 reports. This difference applies to cases in which a Swiss company was the client, but the assets involved belonged to a foreigner. It also includes cases where a Swiss national was acting as a front man for a foreigner.

There was a marked decrease in the number of reports involving beneficial owners from Saudi Arabia, due to a reduction in the number of reports in connection with suspicion of financing terrorist activities.

Legend

Other	Countries not geographically classified	GZ	Georgia
unk	Insufficient identification	I	Italy
AO	Angola	IL	Israel
AZ	Azerbaijan	L	Luxembourg
BR	Brazil	MK	Macedonia
CH	Switzerland	NL	The Netherlands
CN	People's Republic of China	PAK	Pakistan
CO	Columbia	R	Russia
D	Germany	RL	Lebanon
E	Spain	SA	Saudi Arabia
F	France	TN	Tunisia
FL	Liechtenstein	TR	Turkey
GB	Great Britain	USA	USA
GN	Guinea	WAN	Nigeria
GR	Greece	YU	former Yugoslavia

Nationality of beneficial owners



2.3.13 Law enforcement agencies involved

What the graph represents

This graph shows to which law enforcement agencies MROS forwarded its reports. The general regulations on the court of jurisdiction and, since 1.1.2002, Art. 340bis of the Penal Code determine which federal agency is responsible.

Graph analysis

Federal law enforcement agencies received 37.9% of all reports under the new federal regulations. This relieved mainly the cantons of Geneva and Ticino of their burdens.

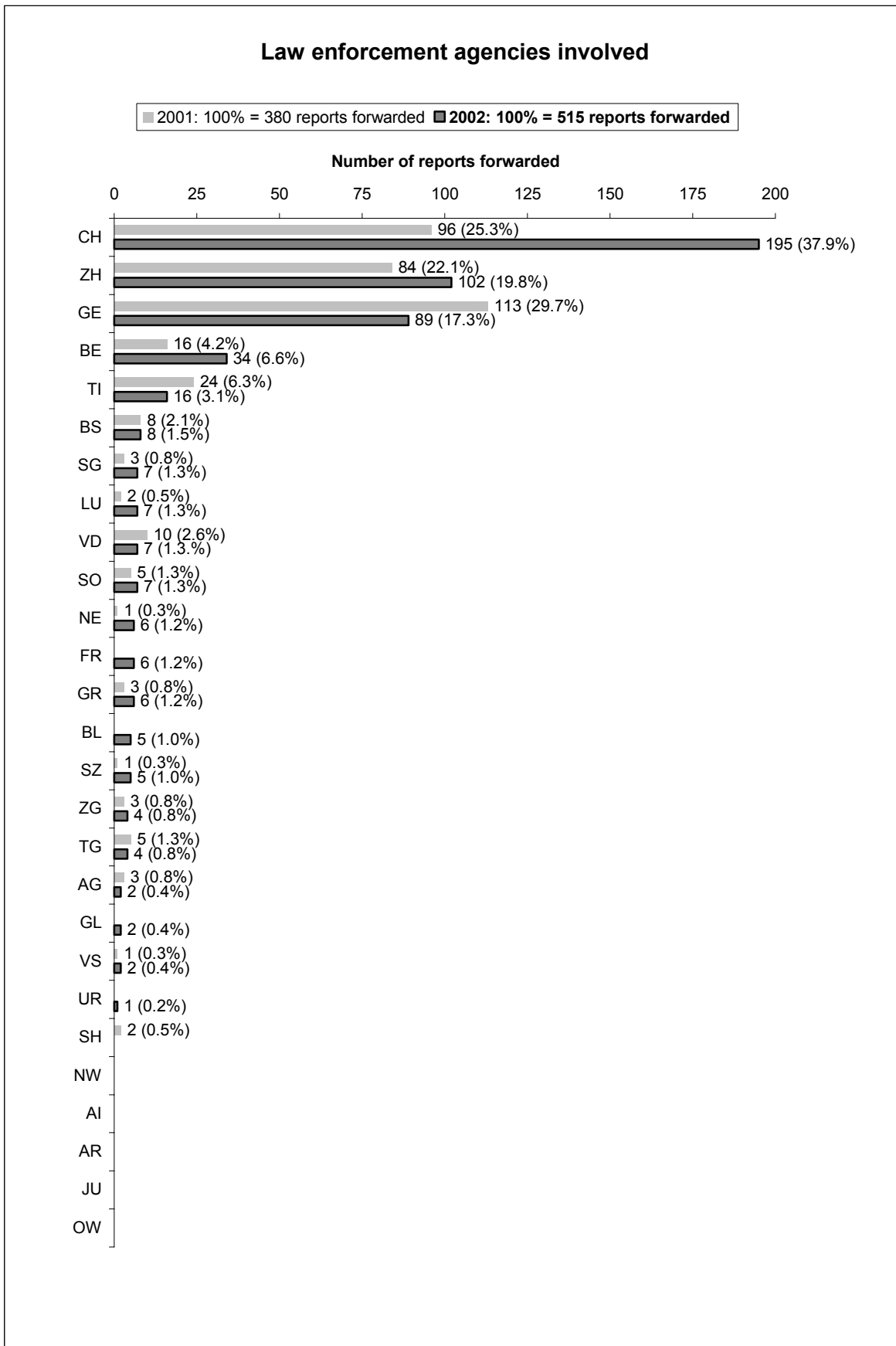
With the introduction of new federal powers, the Office of the Attorney General of Switzerland and the Office of Federal Examining Magistrates are responsible for the prosecution of cases involving money laundering, corruption and organised crime which have mainly a foreign connection or, if the locations of the offence in Switzerland are spread over several cantons, without an obvious center. Because of this, the distribution of reports to the law enforcement agencies has clearly changed.

In 2002, 195 or 37.9% of reports went to the Office of the Attorney General. Of those, 15 involved suspicions concerning terrorist funding. The new federal powers have relieved mainly the cantons of Ticino and Geneva, which dealt with 8 reports and 24 reports fewer cases respectively.

The canton of Zurich had 18 cases more to handle. It is too early to see clear trends in these figures. In many cases, there was a connection with a pending cantonal procedure. These cases were handed over to the cantons even though they really came under federal jurisdiction. This affected mainly the cantons of Zurich, Geneva and Ticino because their financial centers are most frequently involved in international cases. The cantons of Glarus and Uri appear in the statistics for the first time.

Legend

AG	Aargau	NW	Nidwalden
AI	Appenzell Inner Rhoden	OW	Obwalden
AR	Appenzell Ausser Rhoden	SG	St. Gallen
BE	Berne	SH	Schaffhausen
BL	Basel-Land	SO	Solothurn
BS	Basel-Stadt	SZ	Schwyz
CH	Switzerland	TG	Thurgau
FR	Fribourg	TI	Ticino
GE	Geneva	UR	Uri
GL	Glarus	VD	Vaud
GR	Grisons	VS	Valais
JU	Jura	ZG	Zug
LU	Lucerne	ZH	Zurich
NE	Neuchatel		



2.3.14 Number of inquiries by other Financial Intelligence Units (FIUs)

What the graph represents

This graph shows which FIUs in other countries asked MROS for information and how many individuals and corporate bodies were included in the requests for information.

Graph analysis

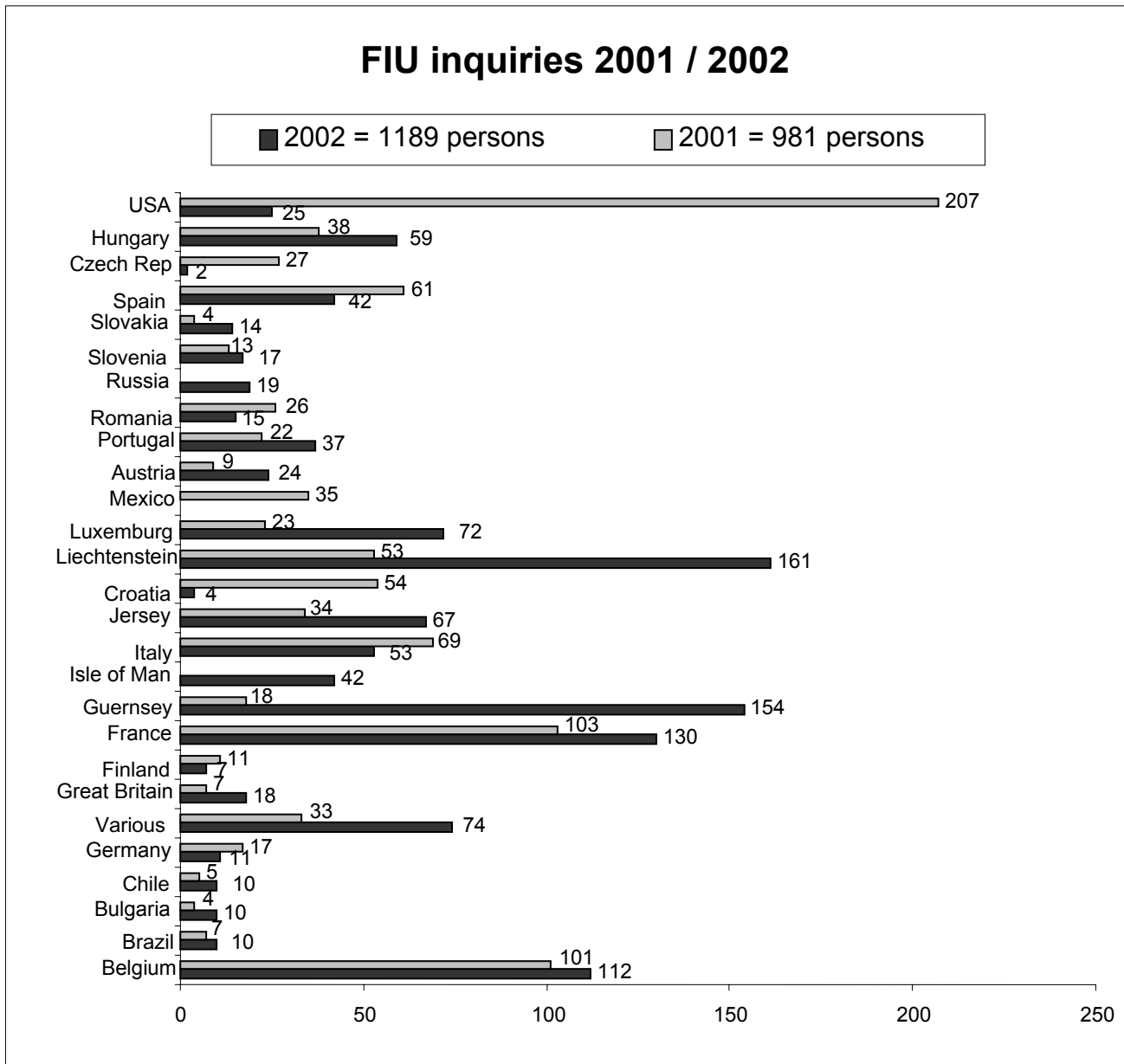
The number of FIU inquiries is steadily increasing. In 2002, the number of inquiries increased by around 21% in comparison with the previous year. International cooperation is an important factor in the fight against money laundering.

FIUs are the foreign counterpart agencies of MROS with whom it carries out a formal exchange of intelligence in combating money laundering (see Art. 32 of the Swiss Money Laundering Act and Art. 10 of the Decree on the Money Laundering Reporting Office). This exchange takes place mainly within the member states of the Egmont Group.

When MROS receives an inquiry from an FIU, a check is run on the individuals and firms and their names recorded in its own database GEWA. Should the individual or corporate body later appear in reports by Swiss financial intermediaries, GEWA indicates possible criminal activity abroad.

The heading "Others" includes countries which have made inquiries about only a small number of individuals or companies. These are Bahamas, Cayman Islands, Colombia, Cook Islands, Cyprus, El Salvador, Estonia, Gibraltar, Greece, Hong Kong, India, Ireland, Latvia, Monaco, the Netherlands, Norway, Paraguay, Sweden, Taiwan, Turkey and Venezuela.

In 2002, MROS ran checks on an average of 99 individuals or companies a month at the request of FIUs.



2.3.15 Number of inquiries made to other Financial Intelligence Units (FIUs) by MROS

What the graph represents

The graph shows the countries from which MROS requested information and the number of individuals and corporate bodies involved.

Graph analysis

Statistics for this sector have only been kept since the beginning of 2002 so a comparison is not possible.

When MROS receives a suspicious activity report from a Swiss financial intermediary involving individuals or firms from abroad, it may request information about these individuals or firms from the respective countries.

This way MROS receives important information which could be crucial when making a decision whether to pass on a suspicious activity report to the Swiss law enforcement agencies.

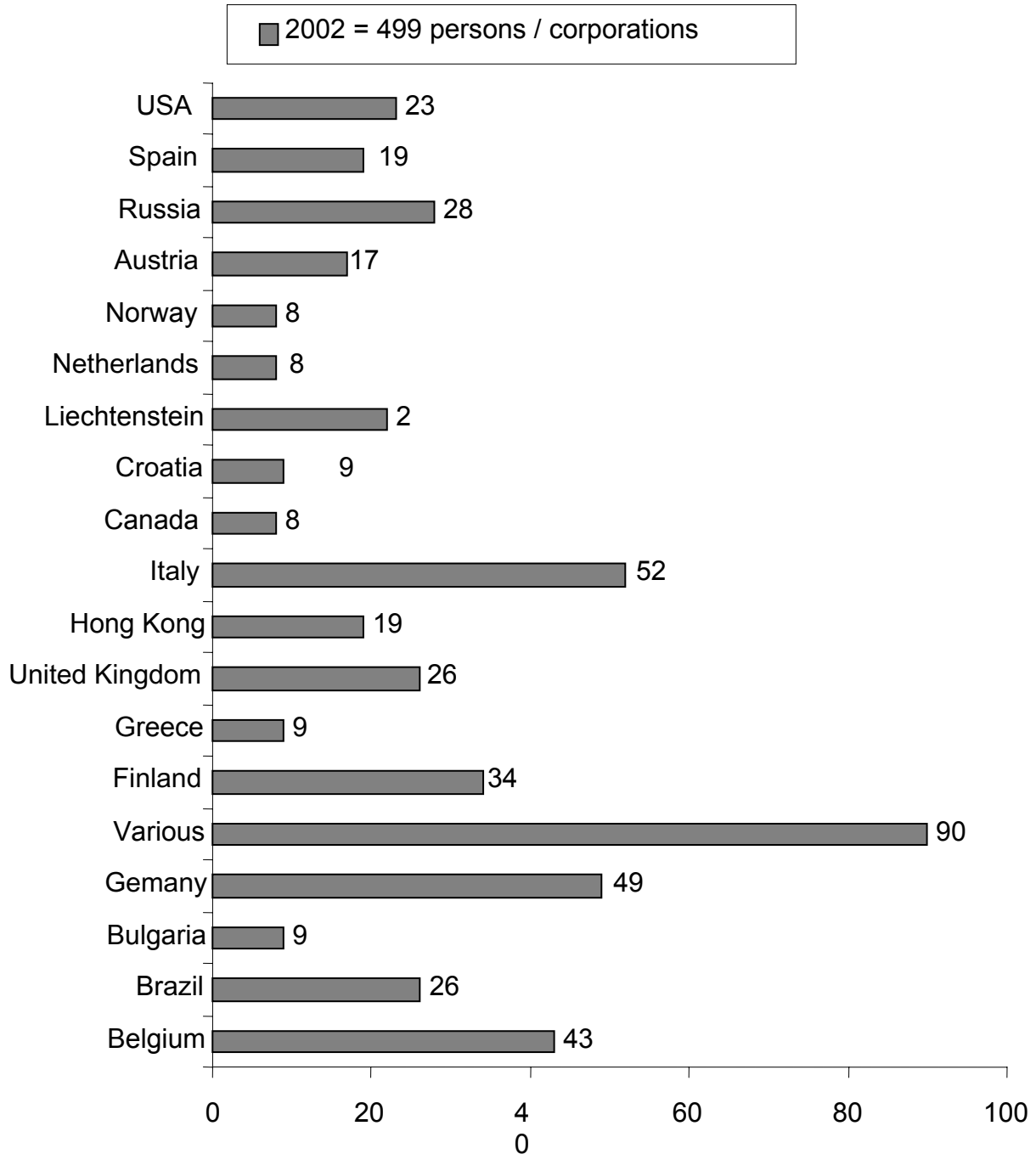
MROS can also make similar inquiries to supplement files on the request of a Swiss supervisory or law enforcement agency.

In 2002, MROS approached FIUs abroad with 162 requests involving 499 individuals or companies in response to suspicious activity reports and demands from a Swiss supervisory or law enforcement agency.

The heading „Other“ includes countries from which MROS requested information about only a small number of individuals or companies. These are Argentina, Bahamas, Chechnya, Chile, Colombia, Denmark, Guernsey, Hungary, Ireland, Jersey, Luxembourg, Macedonia, Monaco, Poland, Portugal, Romania, Singapore, Slovakia, Sweden, Turkey, United Arab Emirates and Venezuela.

In 2002, FIUs abroad ran checks on an average of 42 individuals or companies a month at the request of MROS.

Inquiries made by MROS to other FIUs 2002



3. Typologies

3.1. *How unusual profit margins point to money laundering activities*

For several years, a private bank had held business and private relations with foreign clients who were beneficial owners of several foreign-based companies and who were also account holders at this private bank.

These clients, who lived abroad, would buy medical equipment on behalf of a company based in their country of residence to supply public hospitals in an important region.

Over time, the beneficial owners and various companies had accumulated more than USD 40 million in their accounts at the bank. At this point it should be explained that the bank did not initiate this relationship, but took it over in a buy-out of another establishment. Applying mandatory due diligence, the bank observed that funds corresponding to the payments by the hospitals always went through the accounts of one particular company before being paid into the individual accounts of the beneficial owners.

The bank decided to dig deeper into the background of the transactions and requested that the clients provide records relating to the business transactions between the hospitals and their suppliers as well as between the suppliers and the companies with accounts in Switzerland. The bank then learned at a meeting with the clients that the accumulated funds represented commissions of up to 50% of the value of the equipment sold to the hospitals. Requests for further information were turned down by the clients who then told the banks that they were terminating all relations and submitted a request to have their funds transferred to a number of other establishments.

The refusal by the clients and their attitude prompted the bank to freeze the accounts and report the case to MROS. In its analysis, MROS said that on the basis of the professions indicated by the clients as well as their domicile, it could be concluded that they were members of the boards of directors of the hospitals and that corruption could not be excluded.

The case was forwarded to the law enforcement agencies who declined to follow up on the basis of the results of an initial inquiry.

3.2. *Fictitious contracts as a substitute for cash payments*

A private bank opened an account on behalf of a company based abroad which aimed to provide assistance to the elderly. The company, which was administered by a foreigner, was domiciled in a retirement home.

The administrator proposed that the bank accept cash payments of several hundreds of thousands of francs. But because the origin of the funds and the background to the transactions were not sufficiently transparent, the bank declined to accept the proposal.

Considering the fact, however, that ordinary transactions were above criticism, the bank continued to manage the account.

Several months later, the bank received a number of remunerations made from Switzerland to the account of the company. These payments amounted to a total of more than CHF 100,000. An in-depth investigation by the bank of the various principals revealed that they were fictitious and that the orders they had placed in all likelihood came from one person acting under various assumed names.

In this way, the account holder aimed to get around the refusal of the bank to accept large cash deposits. The bank then approached the account holder for an explanation. In spite of the statements by the client seeming to show that he was not implicated in these transactions, the bank froze the account and reported it to MROS.

The report was forwarded to the law enforcement agencies and an inquiry was begun.

3.3. *A close examination of the economic background quickly puts an end to activities of an organization intending to defraud investors*

A new client, a woman, living in a country neighboring Switzerland opened an account at a major Swiss bank. After one month, the client advised the bank to be ready to accept a transfer of USD 2.5 million from a third party. But because of the lack of information concerning this payment, the bank imposed a freeze on the account until the client could provide the required background documents. The bank subsequently received by post a number of documents attesting to the fact that this third party invested the USD 2.5 million through an intermediary into a huge USD 170 million water improvement project in an African city.

This third party then went directly to the bank and presented new documents, including the copy of the loan agreement duly translated into German.

Not at all convinced, the bank sent the client a detailed questionnaire to clarify the economic background.

Meanwhile, a lawyer hired by the third party also submitted various details concerning the loan agreement, including information regarding a particularly high rate of return. The bank continued to keep the account frozen.

During this attempt to clarify the situation, a new client living in the same country as the above-mentioned women opened an account at the same bank. The client explained that the account would receive commission payments for the placement of loans from foreign investors for real estate projects on a Pacific island. The client said that he was a partner of the above-mentioned women with whom he shared the 1% commissions on a total amount of USD 50 million. Some days later a payment of USD 500,000 was paid into the account, followed by another payment from another country.

Taking into account the lack of documents relating to this transaction, the bank froze this account too and sent a detailed questionnaire to the client concerning the economic background. As this questionnaire was not returned, the bank decided to report the case to MROS. Following its analysis, MROS passed the report on to the federal

law enforcement agencies, which ordered that the freeze be continued and opened an inquiry into money laundering.

3.4. *The difference between Art. 9 of the Money Laundering Act and Art 305ter of the Penal Code*

A Swiss couple was arrested abroad for drug possession. In Switzerland, banks learned of the arrest through media reports. One of the banks at which the couple had accounts concluded that the sums in the accounts were legal, coming as they did from insurers and public compensation funds. Nevertheless, it reported these accounts according to Art. 305ter of the Swiss Penal Code.

MROS felt that even though most of the payments came from legal sources, a criminal connection could not be excluded and that a report should have been based instead on Art. 9 of the Money Laundering Act (MLA). As a result, MROS informed the financial intermediary that the report should have been based on Art. 9 MLA and the bank should block the funds according to Art. 10 MLA. The bank criticized this point of view saying that according to Art. 9 of the MLA, the financial intermediary was only obliged to report if it felt that there were reasonable grounds to think that the money involved had criminal connections. This would leave no room for suspicion based solely on the personality of the client, the bank said. So suspicion of money laundering would not automatically fall on an individual when that individual who does business with a financial intermediary is accused of a crime and this is reported in the media. The bank said that if the assumption was excluded that the money held by the bank had criminal connections then the bank had no obligation to report under Art. 9.

MROS, on the other hand, felt that the notion of justified suspicion applied not only to the money but also to the clients. In fact, experience shows that financial intermediaries often base their reports on media articles. Generally, they base the reports on Art. 9 MLA even though it is only the behavior of the client which arouses suspicion. The MLA provides that a report by a financial intermediary is based on actual knowledge or reasonable doubt about the legality of the source of money in an account. But even though the funds themselves may arouse no suspicion, the individuals involved with this money should be subject to mandatory due diligence. This applies particularly to individuals who have been involved in criminal acts. The financial intermediary which limits its scrutiny only to transactions without examining the individual's behavior and the economic background is not making a satisfactory analysis and not fulfilling its obligations of due diligence.

In the above-mentioned case, there was no possibility to evaluate whether the funds in question belonged to someone suspected of involvement in organized crime. MROS thus sent the case to the Office of the Attorney General.

3.5. *Repeated embezzlement and money laundering*

A major Swiss bank sent a report to MROS based on its suspicions concerning two European citizens. Although they described themselves as real estate investors, the

bank knew that A had been a long time manager of a large professional association and that B had worked as a real estate broker.

In preparing the client file, the bank manager noticed by chance a news item concerning A's dismissal from his managerial post because of risky real estate purchases on behalf of the pension fund of his professional association. He allegedly bought high-priced properties over a number of years and sold others at a loss. The sales were always handled by B and the commissions always paid into foreign accounts.

According to the information we have received from our counterparts, it would seem that an inquiry is about to open. The report has gone to the Swiss Attorney Generals Office who has also opened an inquiry against A and B for money laundering.

3.6. *The need for a good information network and good international and interbank collaboration*

One report to MROS named as litigants two men from South America working together in the same company as a bookkeeper and head of security respectively. This company is a conglomerate involved in hotellery, transport, retailing, radio-broadcasting and lotteries.

The two men opened a USD-account in a foreign bank in Switzerland. By the end of August 2002, all the formalities had been completed, with all the papers signed in a branch of the bank outside Switzerland. Three days later a transfer was made from this branch to the Swiss account.

A short time later, the bank representative counseling the two men informed his Swiss counterparts that there had been a major police operation against organized criminal circles involved in arms and drugs trafficking and gambling. The media reported that the two men had been arrested in the affairs.

Shortly before their arrest the two men ordered the Swiss-based bank to transfer the balance to another account abroad.

The bank refused and reported to MROS which in turn passed the report to the Swiss Attorney General who began an inquiry. The fact that these two men worked in the same company which in any case was suspected of having links with organized crime, and the fact that these men opened an account shortly before their arrest and had money transferred into it led one to suspect that the funds were of criminal origin or that they belonged to a criminal organization.

3.7. *Large-scale fraud by appealing to the patriotism of the victims*

This case is large-scale because it was the subject of several reports by a number of financial intermediaries including major banks and private bankers. It highlights the activities of companies working under a cloak of legality and of criminals in large scale fraud and money laundering. Some of the accused had even been mentioned in the media as having links with organized crime and terrorist groups.

The case began in Switzerland towards the end of 2001 when the president and vice-president of the company opened an account in the company's name at the headquarters of a major bank.

Instead of one large sum, only modest payments from a large number of individuals were credited to the account. Questioned about the source of the funds, the company representatives said that were simply payments made by shareholders for the release of assets. At the time, the company had around 400 "shareholders" throughout Europe.

In April 2002, a client went to a branch of the same bank to withdraw 8,500 euros that she had invested in the company. She claimed to have been the victim of fraud by the company whose president, she said, was named in an Interpol arrest warrant.

Upon making its own enquiry, the bank confirmed that the president of the company was indeed being sought abroad for fraud. This was confirmed by numerous news reports on the affair.

The suspects' modus operandi consisted of approaching nationals living abroad and talking them into investing their assets to finance the establishment of a European-wide company. In return the suspects held out the promise of dividends of up to 40% for the investors. Flattered by this appeal to their national pride, the victims willingly paid handsome amounts only to discover that the company was never founded and that they had lost all their money without a single dividend being paid.

It is estimated that the "investments" amounted to several hundred million Swiss francs which had disappeared into murky transactions. After filing reports to the relevant authorities prosecution proceedings were opened not only in Switzerland but also in other European countries.

3.8. "Know your customer"

A client from the Far East wrote to her bank in Switzerland that she would be making a cash withdrawal from an account that she had opened with her husband in 1984 and into which they had made a cash deposit of USD 200,000. Both the man and wife had joint signing authority on the account.

Because the account had been inactive since 1984, the bank decided to investigate the matter more closely, partly because of the sudden reappearance of the wife and her request to make a quick cash withdrawal. Moreover, the woman explained that she and her husband were in the process of divorcing and no longer lived together. She did not know her husband's current address.

In its investigations, the bank came across reports of a former editor-in-chief of an Asian newspaper accused of fraud in April 1985 and sentenced in 1987. However, the bank was not completely certain whether the individual in the reports and the "phantom" client was one and the same person. So the woman was invited to a meeting by the bank in an attempt to find out.

She arrived at the meeting accompanied by her daughter and a translator. What the two did not know however was that one of the people representing the bank also understood the woman's language. During the question and answer session, the woman

explained that the money came from an inheritance, that she did not know the whereabouts of her husband nor did she know which newspaper he had worked for. But as a result of the discussions between the mother and daughter, the bank's suspicions were confirmed. The money did indeed come from the fraudulent dealings of the woman's husband and she was counting on the fact that the bank had not caught wind of the affair.

The bank was now definitely convinced of the illegal source of the money. It reported to MROS on the basis of Art. 9 MLA and froze the account. The file was passed on to the Attorney General who opened an inquiry into money laundering.

3.9. *Large-scale fraud against public health insurance funds*

In 2000, company Z managed by F and with A, B and C registered as beneficial owners opened a business account at a major bank. But the large sums going through this account led the bank to believe that rather than a business account, it was an open account for other beneficial owners.

Following a meeting with the bank, the company was requested to provide information about the source of the money being deposited as well as the identity of the beneficial owners.

The company gave the bank the "Form A" and various contracts including a commission contract between A and B and company Y based in Asia and active in the field of dental products and a trust agreement between A, B and C as one party and F as the other.

As concerns the first contract, the monthly turnover of company Y consisted up to 60% of commissions paid by the European firms X and W which also were in the dental product field.

Company Z also said that payments made from the account in question went to numbered accounts held by A, B and C at private banks.

Not long after, the bank learned through the media that European justice authorities were on the trail of the principals in a fraud operation involving false invoicing of health insurance funds in a European country. It was a clever system. Company Y would buy cheaper dental prostheses in Asia for European-based dentists who are permitted to charge only for the labor costs involved in such work. They are not authorised to make a profit on this type of service. The prostheses were subsequently invoiced at a far higher level than the cost price with the profits being shared between the swindlers and the dentists. According to the prosecutor in this affair, several hundred dentists were involved.

Following media reports of the arrests of A and B, several financial intermediaries made money laundering reports to MROS. These reports were then sent to the Attorney General who opened criminal proceedings against A, B, C and F on the grounds of aggravated money laundering under Art. 305bis, Ch. 2, Letter b of the Penal Code.

3.10. The importance of international cooperation and the work of the financial intermediary

In 1993, A, the president of a cooperative enterprise in a European country, assigned an asset manager to administer A's personal assets. A introduced himself as a private investor who had come into a generous inheritance. Three weeks later, A opened a bank account into which he deposited a bank guarantee of CHF 4.5 million.

Ostensibly because of a poor financial showing, A cancelled his contract with the asset manager and sought to recover damages of CHF 1.4 million but without success.

Not long after, the asset manager learned that A had not been re-elected to another term as president of the cooperative enterprise. This prompted the manager to ask if there could be a link between this development and the keenness of the client to seek damages. There were also rumors that A's wealth came not from an inheritance but rather from the embezzlement of funds belonging to the company of which he was president.

The asset manager reported to MROS which first made enquiries through an FIU abroad about A's history. Nothing incriminating or suspicious appeared in the records and MROS decided not to pass the report on to the law enforcement agencies.

But because of the contradiction between the suspicions of the financial intermediary and the clean bill of health delivered by the MROS counterpart, it was decided to re-open the file. The FIU was also made to see the need for further investigations which ultimately confirmed the suspicions of the asset manager that A had in fact made his personal fortune through embezzled funds.

A's arrest drew the attention of other Swiss financial intermediaries who, on the basis of media reports, contacted MROS which passed the case on to the Swiss Attorney General's office who in turn opened a money laundering inquiry against A.

3.11. Out of the parking meter into the casino slot machine

A man who regularly gambled large sums of money at a casino usually paid for his stakes with enormous quantities of coins. Preliminary inquiries by the casino management discovered that the individual was a police official from a neighboring municipality. The casino reported its suspicions to MROS. It subsequently emerged that the police official was suspected of financing his gambling with coins from parking meters, which it was his job to empty. The case was passed on to the relevant investigating magistrate.

3.12. From tax evasion to money laundering procedures

In 1993 and 1995, the president of a foreign-based corporation took out two life insurance policies with a Swiss insurance company. All the premiums were paid in a lump sum. The policies were taken out on the life of the 70-year-old father of the company president with the beneficiary being the company itself. On the basis of mutual official cooperation procedures set down in a double taxation agreement, the Federal Tax Administration requested the Swiss insurance company to provide documents relating

to these policies. On the basis of a Swiss Supreme Court decision concerning another case, the facts of which unmistakably corresponded to the business relations between this financial intermediary and company, the insurance company concluded that what was going on here was tax evasion or qualified tax fraud. It sent a report to MROS. An investigation showed for one thing that money belonging to the firm from payments of invoices was going into accounts that were not in the business records. For another thing part of this money was used to pay for the insurance policies taken out in Switzerland and which also did not show in the books.

In Switzerland, tax fraud or tax evasion are not crimes involving profits that can be laundered. But according to the Money Laundering Act, such dealings become relevant when fraudulent activities are linked with the falsification of documents or accounts, embezzlement and dishonest business transactions which can be damaging to third parties and not only the tax authorities.

MROS directed the report to the Office of the Attorney General who opened an investigation and immediately froze the assets involved.

3.13. *Real bait creates the required confidence*

Two South American businessmen and their Swiss lawyer met with an asset manager in a rural municipality to discuss opening up business relations. The new customers told the asset manager that they were former bank directors who wanted to go into business for themselves. They had saved their salaries and bonuses and placed them in an offshore company. The whole amount came to more than USD 50 million and had been invested in bank bonds. They were able to vouch for the legal source of the money with pay slips and bonus receipts from their former employer. Now they wanted to set up a company in Switzerland that would offer start-up loans to new firms. To do this, the bank bonds had to be transferred to Switzerland and redeemed with the intention of using only the interest on the capital for the loans. The two men presented a bond worth more than USD 40,000 to the asset manager and asked him to cash it immediately so that they would be able to put up the money to establish the company. The same day the fiduciary took the bond to a regional bank which accepted it without question and credited the newly-opened account. Immediately after the deposit was confirmed, the two businessmen approached the asset manager again, this time without a lawyer, and presented him with USD 10 million worth of bonds saying that they were in the process of concluding an extremely lucrative transaction and they needed an immediate payment of USD 1.5 million. The asset manager immediately went to the bank director who saw no problem in using the securities as collateral. The bank received delivery of the bonds and immediately credited the account of the two businessmen with USD 1.5 million who in turn transferred it to an offshore company in the Pacific area. At the same time, ostensibly to pay the costs of setting up their company, they made a cash withdrawal leaving only a small balance in the account.

Three days later the bank discovered that the securities had been reported stolen and blocked. Attempts by the asset manager to contact the businessmen were fruitless as they had already left the country.

In preparing his report according to Art. 9 MLA, the asset manager read several media reports on the Internet linking his clients with various cases of securities fraud.

3.14. *Driving through the „money wash“ with a Ferrari*

A foreigner residing in Switzerland went to a leasing company to discuss the leasing of a new Ferrari.

A contract was drawn up and the lessee immediately transferred CHF 50,000 as an advance payment for one year's leasing. This payment did not make economic sense to the leasing company as the lessee would be unable to profit from a credit interest. Following the first year of the contract, the lessee told the company that he wanted to cancel the contract and buy the car outright saying that he would transfer the remaining CHF 150,000 in the next few days. Subsequent inquiries revealed that the lessee was facing an extradition order in Switzerland and that the Attorney General's office was interested in him on suspicion of money laundering, trafficking in weapons and drugs and being a member of a criminal organization. A report was passed on to the Attorney General's office which had already opened proceedings.

3.15. *A clothing shop involved in „rip-off“ activities*

Using the services of an independent investment and insurance advisor, the owner of a clothing shop made a lump sum payment for life insurance and a capital investment. A couple of months later, the client told the financial intermediary that she had been charged on suspicion of drug trafficking explaining that besides her activities in her shop she sold marijuana. The financial intermediary concluded that the money she paid for the investment plan came from drug trafficking and reported the case to MROS. The subsequent inquiry confirmed that proceedings had been opened on charges of drug offenses.

The accounts of the woman had already been frozen and the report was referred to the relevant law enforcement agencies.

3.16. *An extraordinary offer*

A fiduciary happened to read a promising newspaper advertisement in which the advertiser expressed great interest in purchasing against cash 500 shares or more of three different stocks at nearly twice their current quoted value on the stock exchange. This offer struck the fiduciary as suspicious because such high purchase offers against cash are known as possible money laundering techniques.

Inquiries by MROS showed that the advertiser had been sentenced to 18 months in prison two years before on counts of theft and fraud. The report was passed on to cantonal law enforcement agencies and investigations continued.

3.17. *Suspicious things come in threes*

Three individuals apparently acting separately went to different offices of a money transmitter to make transfers to the same recipient in a country in northern Europe. In each case the individuals presented invoices for a purchase of pictures as the reason for the transaction. The financial intermediary noticed that the invoices were basically the same and only varied slightly. Subsequent inquiries showed that the recipient had already been paid by other individuals from Switzerland. Although the financial intermediary had no concrete proof of a predicate offense, it reported to MROS. An investigation into the history of the individuals revealed that one of them was facing criminal investigation in Switzerland on suspicion of fraud and three others named in the report were the subject of investigations for fraud in a neighboring country. An enquiry to the FIU in the recipient's country of residence showed that proceedings had begun on suspicion of money laundering.

3.18. *The well-dressed, discreet escort*

It struck the counter clerk at a money transmitters as strange that a Swiss client wanted to make a second large money transfer to a country in southern Europe within the space of a few days. As with the first transfer, the client was accompanied by a well-dressed man who remained discreetly in the background. The customer was duly identified and the transfer form was filled out. When the bank requested information about the economic background to the transfer and the source of the money, the client became nervous, contradicted himself and frequently turned to his escort for help. The transaction was refused and subsequent inquiries showed that several individuals had already made transfers to the same recipient. This same group also had links with other recipients.

Acting on the report of the financial intermediary, MROS looked into the history of the individuals and requested information from FIUs abroad. The recipients were all directly or indirectly involved in criminal proceedings concerning drug-related offenses and fraud, while most of the those making the payments were known by Swiss judicial authorities because of illegal consumption of drugs or theft.

3.19. *Murky offshore businesses*

The internal monitoring system of a financial intermediary turned its attention to one of the accounts it managed. The account which was held by an offshore firm had for some time been receiving regular payments from a European country. Immediately after the account was credited, the payments were withdrawn again through cash points in another European country.

A check by the financial intermediary showed that the incoming payments did not correspond to the customer profile of the company holding the account. At the same time, the financial intermediary noticed that the two individuals identified as economic beneficiaries at the offshore firm were making the withdrawals. According to Art. 6 MLA, the financial intermediary requested an explanation for the transaction. In reply it received

a request to have the account cleared. The financial intermediary correctly submitted a report to MROS. Following analysis and checking, the report was supplemented by the findings of an MROS inquiry and passed on to the law enforcement agencies who launched an investigation.

4. International

4.1. Memorandum of Understanding (MOU)

In 2002, MROS concluded Memorandums of Understanding with two reporting offices abroad, the Service d'information et de Contrôle sur les Circuits Financiers (SICCFIN) of Monaco in January, and the Traitement du Renseignement et Action Contre les Circuits Financiers Clandestins (TRACFIN) of France in December. This brings the number of MOUs with counterpart FIUs to four including Belgium and Finland.

4.2. Egmont Group

At its 2002 plenary meeting in Monaco in June, the Egmont Group welcomed 11 countries as new members, raising total membership to 69. The new members are¹:

Andorra (Unitat de Prevenció de Blanqueig / UPB)
Barbados
Canada
Israel
Korea
Marshall Islands
Poland
Russia
Singapore
United Arab Emirates
Vanuatu

The FIU network is constantly growing and, through good cooperation and a rapid exchange of information, is contributing to the global fight against money laundering and terrorist financing. So far there are no African countries represented in the Egmont Group, but the "Outreach" working group is making every effort to correct this unsatisfactory situation by supporting the development and organization of African FIUs.

The welcome increase in members of the Egmont Group means, however, that administration has become more complex and that the Group's relations with third parties have become cumbersome. At its plenary meeting in 2001 it was decided to create a steering group. At the 2002 plenary meeting, a concept was presented and approved by the heads of the FIUs. This resulted in the formation of the so-called Egmont Committee consisting of one representative each from :

¹ A complete list of all operational FIUs represented in the Egmont Group is available on the FATF homepage at www.oecd.org/fatf under *other initiatives, Egmont Group*.

- the Egmont Legal, Outreach and Training and Communication working groups;
- the FIU, which operates the Egmont Secure Web;
- the FIU, which provides permanent administrative support in the Egmont Group and
- an FIU from Asia, the Americas, Europe and Oceania².

The Egmont Committee deals primarily with the administrative concerns of the Egmont Group and the strengthening of cooperation with other international organizations and working groups on behalf of the heads of FIUs and on the basis of their decisions. Decisions by the Egmont Group are usually made at the annual plenary meeting of the heads of FIUs.

In June 2002 in Monaco, the Egmont Group plenary meeting also discussed the fight against terrorist financing. In 2001, the Egmont Group compiled 100 case studies of money laundering³. In 2002, it decided to do the same with the financing of terrorism.

4.3. GAFI / FATF

The agenda of FATF XIV involved intense activity by the working groups set up to review the 40 general and eight special recommendations on the financing of terrorism. The new recommendations are expected to be adopted at the FATF plenary meeting in summer 2003.

4.3.1 Non-cooperating countries

Russia, Dominica, Niue and the Marshall Islands were taken off the list of Non-Cooperating Countries and Territories (NCCT).

Still on the list are the Cook Islands, Egypt, Grenada, Guatemala, Indonesia, Myanmar, Nigeria, the Philippines, St. Vincent and the Grenadines and Ukraine.

On 20.12.2002, the FATF decided to impose counter measures against Ukraine.

4.3.2 Self-assessment relating to the recommendations on the financing of terrorism

In October 2001 when the eight special recommendations on the financing of terrorism were adopted, the FATF decided to initiate a process of general self-assessment regarding adherence to these standards. On the basis of the results from 120 countries, the FATF with the assistance of the International Monetary Fund, the World Bank and the United Nations will provide technical assistance to a number of countries to improve their systems in the fight against the financing of terrorism.

² Because of an absence of operational FIUs, no African country is yet represented on the Committee

³ also see www.fedpol.admin.ch

4.3.3 Collaboration with the International Monetary Fund and the World Bank

On 11.10.2002, the FATF adopted a new methodology to assess AML/CFT⁴. A twelve month pilot project began in 2003 to test the methodology also in non-members countries.

4.3.4 Revision of the 40 recommendations

This section reviews the main changes planned and their impact on MROS. The new recommendations will probably be adopted at the plenary meeting in June 2003.

Definition of predicate offence: The draft text sees the possibility of defining predicate offences either by including all crimes, or by a minimum or maximum sentence for the crime or by a list of crimes. The final recommendation will probably combine elements of all the above and applicable in all countries. Should it be decided to reduce the maximum penalty to one year, as is now being considered, this would mean that Switzerland would have to broaden the definition of money laundering to include a whole range of new activities considered to be predicate offences resulting in a considerable increase in the number of reports.

Company structures: The FATF intends to take measures to reduce the risk that bearer shares and trusts can be used for money laundering by improving access by anti-money laundering authorities and financial intermediaries to information concerning the beneficial owners.

Non-financial institutions, professions and activities: A decision has to be made on the extent to which the 40 recommendations should include the financial activities of professions not related to financial institutions. The debate centers on six professions: casinos and other forms of gambling, real estate agents and dealers in high-value items such as precious stones and metals and artwork, the accounting profession, lawyers and notaries, individuals providing services for companies and trusts and investment advisers.

By including these professions into those which must exercise due diligence, the number of reports will increase dramatically.

New definition of justified suspicion: The working group is looking into the possibility of doing away with the objective criterion "justified" and replace it with a subjective criterion including simply the notion of "suspicion". This change too will have an influence on the number of reports.

⁴ Anti Money Laundering and the Combat against Terrorist Financing

5. 5. Internet - Links

5.1. Switzerland

5.1.1 Money Laundering Reporting Office Switzerland

www.fedpol.admin.ch

Federal Police Office / MROS

5.1.2 Oversight authorities

www.admin.ch/ebk

Federal Banking Commission

www.admin.ch/bpv

Federal Office of Private Insurance

www.admin.ch/efv

Federal Finance Administration/Money Laundering Control Authority

www.esbk.ch

Federal Gaming Commission

5.1.3 National association and organizations

www.swissbanking.org

Swiss Bankers Association

www.swissprivatebankers.com

Swiss Private Bankers Association

5.1.4 Others

www.zoll.admin.ch

Federal Customs Administration

www.snb.ch

Swiss National Bank

5.2. International

5.2.1 Foreign reporting offices

www.ustreas.gov/fincen

Financial Crimes Enforcement Network/USA

www.ncis.co.uk

National Criminal Intelligence Service/United Kingdom

www.austrac.gov.au

Australian Transaction Reports and Analysis Centre

www.ctif-cfi.be

Cel voor Financiële Informatieverwerking / Belgien

5.2.2 International Organisations

www.fatf-gafi.org

Financial Action Task Force on Money Laundering

www.undcp.org

United Nations Office for Drug Control and Crime Prevention

www.odccp.org

Office for Drug Control & Crime Prevention – UNO

www.cfatf.org

Caribbean Financial Action Task Force

5.3. Other links

www.europa.eu.int

www.coe.int

www.ecb.int

www.worldbank.org

www.bka.de

www.fbi.gov

www.interpol.int

www.europol.eu.int

European Union

Council of Europe

European Central Bank

World Bank

Bundeskriminalamt Wiesbaden, Deutschland

Federal Bureau of Investigation, USA

Interpol

Europol